



KHEE SAN BERHAD

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

(“KSB” or “the Company”)

Interim Financial Statements
Sixth Quarter Results
For the Financial Period ended
30 June 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIXTH QUARTER ENDED 30 JUNE 2020**

	Individual Quarter		Cumulative Quarter	
	Current Period Quarter Ended 30.06.2020 RM'000	Preceding Period Corresponding Quarter Ended 30.06.2019 RM'000	(Unaudited) Current Period To-Date Ended 30.06.2020 RM'000	(Unaudited) Preceding Period Corresponding Quarter Ended 30.06.2019 RM'000
Revenue	7,204	N/A	66,358	N/A
Cost of Sales	(7,289)	N/A	(80,618)	N/A
Gross Profit	(85)	N/A	(14,260)	N/A
Other income	(179)	N/A	3,631	N/A
Selling and distribution costs	(135)	N/A	(6,875)	N/A
Administrative expenses	(21,765)	N/A	(128,321)	N/A
Finance costs	(3,313)	N/A	(7,443)	N/A
Loss Before Tax	(25,477)	N/A	(153,268)	N/A
Income tax expenses	(767)	N/A	(3,000)	N/A
Loss for the Period	(26,244)	N/A	(156,268)	N/A
Other Comprehensive Income	-	N/A	-	N/A
Total Comprehensive Loss for the Period	(26,244)	N/A	(156,268)	N/A
Loss for the Period attributable to:				
Owners of the Company	(26,244)	N/A	(156,268)	N/A
Non-controlling interest	-	N/A	-	N/A
	(26,244)	N/A	(156,268)	N/A
Total Comprehensive Loss attributable to:				
Owners of the Company	(26,244)	N/A	(156,268)	N/A
Non-controlling interest	-	N/A	-	N/A
	(26,244)	N/A	(156,268)	N/A
(Loss)/Earning per Share (Sen)				
Basic	(22.94)	N/A	(136.60)	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 31 December 2019 to 30 June 2020. 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.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	(Unaudited) As at 30.06.2020 RM'000	(Audited) As at 31.12.2018 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	129,300	176,852
Intangible assets	600	600
	<u>129,900</u>	<u>177,452</u>
Current Assets		
Inventories	4,914	10,288
Trade and other receivables	2,368	115,766
Tax recoverable	2,800	103
Cash and bank balances	5,102	19,014
	<u>15,184</u>	<u>145,171</u>
TOTAL ASSETS	<u><u>145,084</u></u>	<u><u>322,623</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	109,790	106,300
Merger reserve	(17,444)	(17,444)
Revaluation reserve	34,728	22,588
Retained earnings	(137,946)	19,466
TOTAL EQUITY	<u>(10,872)</u>	<u>130,910</u>
LIABILITIES		
Non-Current Liabilities		
Long-term borrowings	1,886	3,472
Deferred tax liabilities	14,517	11,517
	<u>16,403</u>	<u>14,989</u>
Current Liabilities		
Trade and other payables	59,071	95,843
Amount due to a director	5,000	-
Short-term borrowings	75,476	80,875
Tax payable	6	6
	<u>139,553</u>	<u>176,724</u>
TOTAL LIABILITIES	<u>155,956</u>	<u>191,713</u>
TOTAL EQUITY AND LIABILITIES	<u><u>145,084</u></u>	<u><u>322,623</u></u>
Net Assets per Ordinary Share	<u>(0.10)</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.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIXTH QUARTER ENDED 30 JUNE 2020**

	Attributable to Equity Holders of the Parent Entity				Total RM'000
	Non - 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	19,466	130,910
Issuance of shares during the period	3,490	-	-	-	3,490
Revaluation Surplus	-	-	12,140	-	12,140
Other comprehensive income	-	-	-	-	-
Loss for the period	-	-	-	(156,268)	(156,268)
Total comprehensive income / (loss) for the period	109,790	(17,444)	34,728	(136,802)	(9,728)
Dividends paid	-	-	-	(1,144)	(1,144)
As at 30 June 2020	109,790	(17,444)	34,728	(137,946)	(10,872)
	-	-	-	-	

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 31 December 2019 to 30 June 2020. 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.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIXTH QUARTER ENDED 30 JUNE 2020**

	(Unaudited) 18 Months Ended 30.06.2020 RM'000	(Unaudited) 18 Months Ended 30.06.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(153,268)	N/A
Adjustments for:-		
Depreciation of property, plant and equipment	8,968	N/A
Interest expenses	7,443	N/A
Impairment loss on trade and other receivables	77,402	N/A
Impairment loss on inventory	1,722	N/A
Property, plant and machinery written off	29,842	N/A
Loss on disposal of property, plant and machinery	602	N/A
Unrealised gain on foreign exchange	(1,073)	N/A
Operating (loss) before changes in working capital	(28,362)	N/A
Changes in inventories	3,652	N/A
Changes in trade and other receivables	37,069	N/A
Changes in trade and other payables	(36,772)	N/A
Changes in amount due to a director	5,000	N/A
Cash used in operations	(19,413)	N/A
Tax paid	(2,697)	N/A
Interest paid	(7,443)	N/A
Net cash used in operating activities	(29,553)	N/A
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(1,069)	N/A
Proceeds from disposal of property, plant and equipment	21,349	N/A
Net cash from investing activity	20,280	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	3,490	N/A
Dividends paid	(1,144)	N/A
Net changes in bankers' acceptance	(11,405)	N/A
Repayment of hire purchase payables	(3,052)	N/A
Net cash used in financing activities	(12,111)	N/A
Net Changes in Cash and Cash Equivalents	(21,384)	N/A
Cash and Cash Equivalents at beginning of the period	17,530	N/A
Cash and Cash Equivalents at end of the period	(3,854)	N/A

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

	30.06.2020 RM'000	30.06.2018 RM'000
Cash and bank balances	5,102	N/A
Bank overdrafts	(8,956)	N/A
	(3,854)	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 31 December 2019 to 30 June 2020. The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited

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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 30 JUNE 2020

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 2018.

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.

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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 period-to-date.

A7. DEBT AND EQUITY SECURITIES

There were no issuances and repayment of debts and equity securities for current quarter and financial period-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 RM1,144,000 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

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A9. SEGMENTAL REPORTING

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

Segment Revenue and Results	Cumulative Quarter ended 30 June, 2020			
	Investment Holding RM'000	Manufacturing and Trading RM'000	Elimination RM'000	Group (total) RM'000
Revenue				
- Export	-	41,315	-	41,315
- Local	-	25,043	-	25,043
Total revenue	-	66,358	-	66,358
Results : Operating (loss)	-	(153,568)	-	(153,568)

Segment Revenue and Results	Cumulative Quarter ended 30 June, 2019			
	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 (loss)	N/A	N/A	N/A	N/A

Reconciliation of reportable segment (loss)/profit:	Cumulative Quarter	
	30.06.2020 RM'000	30.06.2019 RM'000
Total operating (loss) for reporting segment	(145,825)	N/A
Finance costs	(7,443)	N/A
Consolidated (loss) before tax	(153,268)	N/A

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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 25th June 2020, the Board had appointed BDO Governance Advisory Sdn Bhd to investigate some discrepancies in the supporting documents used for the drawdown of the creditor banks' facilities for the Company. All bankers acceptance facilities are being evaluated and reassessed, and the findings shall be utilized as evidence for the ongoing material litigation of the company.
- ii) On 6 July 2020 had announced that the Company has received letters of demand on 3 July 2020 by OCBC AL-AMIN BANK BERHAD ("OCBC") on Khee San Food Industries Sdn Berhad ("KSFI") and the Company, claiming a sum of RM722,292.94 and Trade-i facility amounting to RM4,237,735.62 as at 31 May 2020 with interests on the sum, reimbursement of plaintiff's legal cost and others.
- iii) On 6 July 2020, 8 July 2020, 10 July 2020 and 13 July 2020, the Company had announced all the other default with other Creditor Banks which are summarized as follows:

No	Bank	BA Facilities (RM)	OD Facilities (RM)	Total Facilities (RM)	Date of Default (RM)
1.	HSBC Bank	16,519,000	1,040,938	17,559,938	10/5/2019 – 15/8/2019
2.	Bank of China	14,153,000	2,135,982	16,288,982	23/4/2019 – 8/8/2019
3.	Standard Chartered	7,541,146	-	7,541,146	24/5/2019 – 5/8/2019
4.	Maybank	5,279,384	1,041,313	6,320,698	26/4/2019 – 13/9/2019
5.	UOB Bank	5,209,000	2,707,772	7,916,772	19/4/2019 – 9/8/2019
6.	OCBC Bank	4,236,000	-	8,347,000	16/4/2019 – 30/7/2019
7.	OCBC Islamic Bank	4,111,000	-	-	16/4/2019 – 30/7/2019
8.	Alliance Bank	4,277,000	-	4,277,000	3/5/2019 – 30/8/2019
9.	CIMB Islamic Bank	4,415,005	1,031,123	5,446,128	20/5/2019 – 19/8/2019
TOTAL FACILITIES ON RECORD*		65,740,535	7,957,128	73,697,664	

* These figures are subject to be ascertained in due course

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- iv) On 15 July 2020, the Company had filed a Writ of Summons against Maybank Islamic Berhad(MIB) on the basis that the company has discovered sum of RM2,109,200.00 of the total claim of RM6,554,283.39 claimed by MIB is in fact fictitious.

Subsequently, MIB had served the company and KSFI with a Writ of Summons and Statement of Claims on 27 July 2020, claiming a sum of RM1,060,412.56 and RM5,467,194.64 as at 30 June 2020 with interests on the sum, reimbursement of plaintiff's legal cost and others.

- v) On 16 July 2020, the Company had filed a Writ of Summons against HSBC Bank Malaysia Berhad("HSBC") on the basis that the company has discovered sum of RM RM11,868,134.00 of the total claim of RM17,500,000.00 claimed by HSBC is in fact fictitious.
- vi) On 17 July 2020, the Company had filed a Writ of Summons against Standard Chartered Bank Malaysia Berhad on the basis that the company has discovered the whole sum of the total claim of RM7,499,000.00 claimed by Standard Chartered Bank Malaysia Berhad is in fact fictitious.
- vii) On 24 Jul 2020, the Company had announced that the default in payment to Bank of China ("BOC") came up for case management of the Company's Stay of Execution Application to the Consent Judgment dated 5 December 2019, the Company's Setting Aside Application to the Consent Judgment dated 5 December 2019 and the Company's Application to Cross-Examine the Deponents of BOC on 24 July 2020 wherein the Court had directed that the preliminary issue of jurisdiction be disposed off on 28 August 2020.
- viii) On 25 August 2020, the Company had filed a Writ of Summon and Statement of Claim against United Overseas Bank (Malaysia) Berhad
- ix) On 26 August 2020, the Company had filed a Writ of Summon and Statement of Claim against OCBC Al-Amin Bank Berhad
- x) On 26 August 2020, the Company had filed a Writ of Summon and Statement of Claim against OCBC Bank (Malaysia) Berhad
- xi) On 26 August 2020, the Company's wholly owned subsidiary, Khee San Food Industries Sdn Bhd had filed a Writ of Summon and Statement of Claim against Wonder Food Sdn Bhd.
- xii) On 26 August 2020, the Company's wholly owned subsidiary, Khee San Food Industries Sdn Bhd had filed a Writ of Summon and Statement of Claim against against Secret Ingredients Sdn Bhd.
- xiii) On 26 August 2020, the Company's wholly owned subsidiary, Khee San Food Industries Sdn Bhd had received a Writ of Summons together with the Statement of Claim filed by Tunai Impian Enterprise Sdn Bhd.
- xiv) On 27 August 2020, the Company's wholly owned subsidiary, Khee San Food Industries Sdn Bhd had filed a Writ of Summon and Statement of Claim against against Chan Ka Yuen Food Co.Ltd
- xv) On 27 August 2020, the Company's wholly owned subsidiary, Khee San Food Industries Sdn Bhd had filed a Writ of Summon and Statement of Claim against against Impo Holdings Pvt Ltd.
- xvi) On 28 August 2020, the Company has requested to the Court to withdraw all its 3 applications which are the Company's Stay of Execution Application to the Consent Judgment dated 5 December 2019, the Company's Setting Aside Application to the Consent Judgment dated 5 December 2019 and the Company's Application to Cross-Examine the Deponents of BOC on 24 July 2020 as the Court has struck out all 3 applications of the above. The Company shall file a fresh action to set aside the consent judgement.

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A11. CHANGES IN THE GROUP'S COMPOSITION

There were no changes in the composition of the Group for the current quarter and financial period-to-date except a new 100% wholly-owned subsidiary company was incorporated on 14th August 2020, subsequent to period-ended 30th June 2020.

A12. CONTINGENT ASSETS/LIABILITIES

Contingent liabilities of the Group as at 30 June 2020 is RM 74.7 million being banking facilities granted to a subsidiary compared to RM 71.7 million as at 31 December 2018.

A13. RELATED PARTY TRANSACTIONS

Transaction with a company in which was a major corporate shareholder of the Company (ceased to become a major shareholder on 29 November 2019) with a common director on the Company who resigned on 13 September 2019 for the current and cumulative quarter ended 30 June 2020 was as follows: -

	Current Quarter 30.06.2020 RM'000	Cumulative Quarter 30.06.2020 RM'000
Sales of candy, confectionery and wafer products	-	23,249
Rental of machinery income	-	298
Disposal of plant and machinery	-	19,353

The transactions were carried out in the ordinary course of business and on normal commercial terms except for the disposal of plant and machinery which was sold at "No Gain No Loss" transaction terms.

KHEE SAN BERHAD*[Registration No.: 199401018697 (304376-A)] Incorporated in Malaysia***A14. COMPARATIVE FIGURES**

The following figures have been restated due to the prior quarter adjustment made mainly for sales and purchase transaction.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIFTH QUARTER ENDED 31 MARCH 2020 (CUMULATIVE FOR FIVE QUARTERS PERIOD)**

	As previously reported Cumulative Quarter 31.03.2020 RM'000	Effect of prior quarter adjustments RM'000	As restated Cumulative Quarter 31.03.2020 RM'000
Revenue	138,730	(79,577)	59,153
Cost of Sales	<u>(123,822)</u>	50,493	<u>(73,329)</u>
Gross Profit	14,908		(14,176)
Other income	3,810		3,810
Selling and distribution costs	(6,740)		(6,740)
Administrative expenses	(116,684)	10,128	(106,556)
Finance costs	<u>(4,130)</u>		<u>(4,130)</u>
Loss Before Tax	(108,836)		(127,792)
Income tax expenses	(2,233)		(2,233)
Loss for the Period	<u>(111,069)</u>		<u>(130,025)</u>
Other Comprehensive Income	-		-
Total Comprehensive Loss for the Period	<u><u>(111,069)</u></u>		<u><u>(130,025)</u></u>
Loss for the Period attributable to:			
Owners of the Company	(111,069)		(130,025)
Non-controlling interest	-		-
	<u>(111,069)</u>		<u>(130,025)</u>
Total Comprehensive Loss attributable to:			
Owners of the Company	(111,069)		(130,025)
Non-controlling interest	-		-
	<u>(111,069)</u>		<u>(130,025)</u>
(Loss)/Earning per Share (Sen)			
Basic	<u>(97.09)</u>		<u>(113.66)</u>
Diluted	<u>N/A</u>		<u>N/A</u>

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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)

For the sixth quarter (April to June 2020) period, the Group recorded a revenue of RM7.2 million. There is no comparison with the previous year corresponding quarter as the Company changed its financial year-end from 31 December 2019 to 30 June 2020.

Loss before tax during the sixth quarter was RM25.5 million with marginal gross loss of RM 0.01 million. This is due to RM21.8 million in administrative expenses, mainly comprising and RM16.4 million in write-down in plant and equipment, RM0.1million write-off for other receivables, RM 0.9million in write-off of packing materials for inventory.

B2. COMPARISON WITH PRECEDING QUARTER RESULT (2020 Q6 vs 2020 Q5)

The Group recorded a revenue of RM7.2 million with loss before tax of RM25.5 million for the current quarter as compared to the revenue of RM9.4 million with loss before tax of RM34.3 million in the preceding quarter ended 30 March 2020.

Loss after tax during the quarter under review was RM26.2 million, a decrease of RM8.4 million from RM34.6 million recorded during the preceding quarter.

In addition, the Group had also effected an one-off prior quarter adjustments on past revenue, cost of goods sold and administrative expenses recorded in the preceding quarters as a matter of prudence whilst awaiting the conclusion of it on-going forensic review by BDO Governance Advisory ("BDOGA"). To encapsulate, BDOGA had been appointed by the Company on 25 June 2020 as announced to carry a forensic review as per the below scope of work:

- 1) To review the validity of purchase orders, invoices, and other relevant documents used as basis to draw down financing from its bankers; and
- 2) To trace the movements of funds from the receipt of the drawdowns to any subsequent withdrawals and/or transfers of these funds thereafter.

The above scope of work shall cover the period from 1 October 2018 to 31 March 2019.

B3. GROUP'S PROSPECT

The Group expects the prospects to remain a challenge for the coming financial years on the backdrop of the current prolonged Covid-19 pandemic which affected sales on both the domestic as well as export front.

Nonetheless, the Board and Management believes that the coming financial year will see a slow but gradual recovery of the Group's business. Demand for the Group's chewy candies and wafer products is expected to remain stable in the medium to longer term, riding on the Company's established history and quality products. The Group shall continue its rejuvenation efforts in the interim in strengthening its marketing and sales initiatives through the appointment of new distributors which in turn will widen its products reach and distribution network on both the domestic as well as export markets. In addition, working capital funding is also expected to gradually improve as more stringent collection efforts from trade debtors are put in place on the backdrop of no additional banking facilities is expected to be extended given the recent default in payment.

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In regards to the Company current listing classification (PN17), it is in the midst of formulating a corporate and financial rationalisation exercise which shall holistically address the outstanding balances with the banks, trade and non-trade creditors, as well as to provide sufficient working capital to further strengthen the Group future cash flow requirements. The Board expects the corporate exercise to commence soon, and be completed within the current financial year ending June 2021.

The Company has begun active discussions with its trade and non-trade creditors during this formulation process. The Group has also instituted relevant legal actions against respective creditor banks as the alleged sum claimed by them are questionable. To aid the legal actions, The Company had appointed BDO Governance Advisory Sdn Bhd to conduct a thorough forensic review of the bank drawdown processes the said banks

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 30.06.2020 RM'000	Cumulative Quarter 30.06.2020 RM'000
Other income including investment income	(17)	(474)
Interest expenses	3,313	7,443
Depreciation of property, plant and equipment	1,237	8,968
Impairment / (reversal of impairment) on trade receivables	(8,281)	77,402
Impairment on and write-off of inventories	862	1,722
Impairment of assets (other receivables)	120	240
Property, plant and equipment write-off	16,387	29,842
(Gain) or loss on disposal of property, plant and equipment	-	602
(Gain) or loss on foreign exchange	197	(3,157)

B6. TAXATION

Tax expense comprises of the followings:

	Current Quarter ended 30.06.2020 RM'000	Cumulative Quarter ended 30.06.2020 RM'000
Income tax expense		
- Current period (reversal) / provision	(1,633)	-
	<u>(1,633)</u>	<u>600</u>
Deferred tax		
- Current period	2,400	3,000
Total income tax expense	<u>767</u>	<u>3,000</u>

The Group incurred nil tax expenses in the current quarter and 6 months reported period due to the tax loss position. The deferred tax liability is mainly derived from the revaluation of the Group's land and building assets during the financial period.

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B7. CORPORATE PROPOSAL

Upon the termination of the proposed corporate exercise involving private placement of shares by Mamee-Double Decker (M) Sdn Bhd on June 2020, the Company is now finalising a new comprehensive corporate rejuvenation structure which entails an 'internally driven' plan to be spearheaded by the Company's major shareholder. The Company has since June 2020 held initial dialogues with its trade and non-trade creditors to derive at a workable corporate structure. However, the discussions with the various creditor banks have somewhat stalled due to the pending legal proceedings.

An Investment Banker is being appointed to oversee this corporate exercise, and the Company is confident that a workable plan is forthcoming and will be able to complete within the current financial year ending June 2021. It will make the requisite announcement once the proposed corporate structure is finalised.

B8. GROUP BORROWINGS AND DEBT SECURITIES (UNSECURED)

	The Group 30.06.2020 RM'000
Bankers' acceptance	65,740
Bank overdraft	8,996
Hire-purchase payables	2,666
	<u>77,402</u>
Short-term Borrowings:	
Bankers' acceptance	65,740
Bank overdraft	8,956
Hire-purchase payables	780
	<u>75,476</u>
Long-term Borrowings:	
Hire-purchase payables	1,886
	<u>1,886</u>

The above total borrowings amount is carried forward as per the Company's record in its statement of financial position (balance sheets). However, the Company is currently challenging this amount and has initiated legal proceedings against the creditor banks.

B9. MATERIAL LITIGATION

Save as those disclosed in all previous announcements, 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. The summary of the litigation disclosed in previous announcements are summarized herein below:-

1) BANK OF CHINA (MALAYSIA) BERHAD -V- KHEE SAN FOOD INDUSTRIES SDN BHD & KHEE SAN BERHAD (WA-22NCC-425-08/2019)

On 22 November 2019, the Board had announced that in relation to the announcements made on 8 August 2019, 9 August 2019, 14 August 2019, 15 August 2019 and 30 September 2019, on the default in payment to Bank of China (Malaysia) Berhad ("BOC") wherein parties have appeared before the Kuala Lumpur High Court Judge for a Case Management of the Company's Stay Application, BOC's Application for Summary Judgment and BOC's Striking Out of the Company's Counter Claim.

On 5 December 2019, parties have entered into a consent judgment wherein the terms are recorded as follows: -

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- (a) Khee San Food Industries Sdn Bhd (“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;
- (b) 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 (“KMC”) dated 5 December 2019 (“Annexure 1”) which states as follows:-
- i) the Defendants shall at their own costs and expenses, create fixed and floating charges over all their assets, movable and immovable properties (“**Assets**”) by way of Debenture and National Land Code charge/s in favour of the BOC and its creditor banks (collectively referred to as the “**Creditor Banks**”) on *pari passu* basis, which shall be held by HSBC Bank Malaysia Berhad as security holder on behalf of the Creditor Banks, within thirty (30) days from the date of this Order or such extended period as may be unanimously agreed by all Creditor Banks in writing (“**the Securities**”).
 - ii) the Defendants shall present a debt restructuring scheme and secure or procure the agreement of all Creditor Banks to such debt restructuring scheme within forty-five (45) days from the date of execution of the Securities at paragraph i above by the Defendants and the Creditor Banks, or such extended period as may be unanimously agreed by all Creditor Banks in writing (“**Debt Restructuring Agreement**”);
 - iii) the debt restructuring scheme shall take a period of six (6) months to be completed from the date of the execution of the Securities at paragraph (i) above or such extended period as may be unanimously agreed by all Creditor Banks in writing;
 - iv) there shall be no occurrence of any event of default as stipulated in the Securities and/or the Debt Restructuring Agreement created pursuant to paragraphs i and ii above.

On 15 January 2020, the Company’s solicitors, KMC, had attended court for clarification with the learned High Court Judge in relation to the consent judgment dated 5 December 2019 as BOC’s solicitors, Messrs Skrine (“Skrine”) refuted that the Creditor Banks accepted the terms of their own letter and insisted that the terms only apply to BOC in exclusion of the other creditor banks and no settlement was achieved, thereby violating the consent judgment.

Hence, on 22 January 2020, the Company had instructed KMC to file an application to Set Aside the Consent Judgment dated 5 December 2019 together with an application to Stay the Execution of the Consent Judgment dated 5 December 2019 pending disposal of the matter wherein the hearing date of the above applications had been fixed on 24 July 2020.

On 24 Jul 2020, the Company had announced that the default in payment to BOC came up for case management of the Company’s Stay of Execution Application to the Consent Judgment dated 5 December 2019, the Company’s Setting Aside Application to the Consent Judgment dated 5 December 2019 and the Company’s Application to Cross-Examine the Deponents of BOC on 24 July 2020 wherein the Court had directed that the preliminary issue of jurisdiction be disposed off on 28 August 2020.

On 28 August 2020, the Company has requested to the Court to withdraw all its 3 applications which are the Company’s Stay of Execution Application to the Consent Judgment dated 5 December 2019, the Company’s Setting Aside Application to the Consent Judgment dated 5 December 2019 and the Company’s Application to Cross-Examine the Deponents of BOC on 24 July 2020 as the Court has struck out all 3 applications of the above. The Company shall file a fresh action to set aside the consent judgement.

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2) ALLIANCE BANK MALAYSIA BERHAD -V- KHEE SAN FOOD INDUSTRIES SDN BHD & KHEE SAN BERHAD (WA-22NCC-71-02/2020)

The Company had on 22nd June 2020, received a Writ of Summons together with the Statement of Claim filed by Messrs. Benjamin Dawson.

KMC accepted service and had duly filed the memorandum of appearance on 22 June 2020 to represent the Company.

The Court had on 23 June 2020 directed that the Company's defence is to be filed on or before 14 July 2020.

On 14 July 2020, KMC had filed a Statement of Defence and Counter – Claim against Alliance Bank for the Company and KSFI.

The salient points of the Defence and Counterclaim are summarised as follows:

1. The Company after investigating matters internally has discovered that a portion of the sum claimed by the Plaintiff is fictitious;
2. The Plaintiff negligently drew down the following amounts which relate to Secret Ingredients Sdn Bhd which is fictitious as there were no genuine transactions attached thereto:-

Date	Banker's Acceptance No:	Bank Advice	Due Date	Finance Amount (RM)
26.12.2018	BA352084	108BA18122648534	03.05.2019	502,000.00
28.12.2018	BA352087	108BA18122849257	17.05.2019	125,000.00
15.02.2019	BA352096	108BA19021558650	05.07.2019	265,000.00
			TOTAL	892,000.00

The Counterclaims repeats the defence and the company contends that the Plaintiff owes a duty of care to make reasonable inquiries and these breaches have been particularised as follows: -

1. the Plaintiff or their agents should have verified the documents of the 3rd party as the serial numbers of the invoices and Delivery orders are identical;
2. No Purchase Orders were attached;
3. Secret Ingredients Sdn Bhd Invoices were cash invoice.

The investigations are still ongoing and the Company reserves the right to amend its pleadings once it receives further particulars.

3) MAYBANK ISLAMIC BERHAD -V- KHEE SAN FOOD INDUSTRIES SDN BHD & KHEE SAN BERHAD (WA-22M-269-07/2020)

The Company had then received a sealed copy of Writ and Statement of Claim on 27.7.2020 filed by MIB via Messrs Shook Lin Bok against KSFI and Khee San Berhad ("KSB").

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MIB's claim against KSFI and KSB are as follows :-

1. The sum of RM1,060,412.56 as at 30.6.2020;
2. Further profit on the utilized Facility Amount in the sum of RM1,000,000.00 at 1.75% per annum above the Plaintiff's Base Financing Rate calculated on daily basis from 1.7.2020 until full settlement or upon reaching maximum Plaintiff's Profit from the Plaintiff's Sale Price of RM1,542,500.00, whichever is earlier;
3. The sum of RM5,467,194.64 as at 30.6.2020;
4. Ta'widh (Compensation) at the prevailing daily overnight Islamic Interbank Money Market rate calculated on the sum of RM5,408,950.95 from 1.7.2020 until full settlement;
5. Costs on a solicitor-client basis; and
6. Such further and/or other relief as the Court deems fit.

The Company had on 12 August 2020 attended the Case-Management via E-Review for the Writ of Summons. Court had on 12 August 2020 given the following directions:-

1. The Defendant, KSB, to file and serve the Statement of Defence on or before 26.8.2020;
2. The Plaintiff, MIB, to file the Reply to Defence by 9.9.2020 (if any); and
3. Any interlocutory applications to be filed on or before 16.9.2020.

The Company had on 25 August 2020 attended the Case-Management via E-Review for the Writ of Summons. Court had on 25 August 2020 given the following directions:-

1. The Plaintiff to file the Reply to Defence and Counter Claim by 8.9.2020; and
2. The next Case Management (e-Review) has been fixed on 17.9.2020 before the Deputy Registrar, Tuan Mohamad Firduas Bin Sadina Ali.

The investigations are still ongoing, and the Company will make the necessary announcements to Bursa Malaysia Securities Berhad as and when there are further developments in relation thereof.

4) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- MAYBANK ISLAMIC BERHAD (WA-22M-269-07/2020)

The Company had on 15 July 2020 filed a Writ of Summons against Maybank Islamic Berhad ("Defendant")

The details of the Writ of Summons are as follows:

1. The Company ("1st Plaintiff") is a public company listed on the Main Board of Bursa Malaysia and is the holding company of Khee San Food Industries Sdn Bhd ("2nd Plaintiff").
2. The 2nd Plaintiff obtained a trade facility from the Defendant in January 2013.
3. At the material time, the Plaintiffs were under the control and management of another public company known as London Biscuit Berhad, which was liquidated on 13.1.2020.
4. The Plaintiffs have since then been under the control of new management and have discovered certain irregularities relating to the facilities granted by the Defendant, who is now demanding payment of RM6,554,283.39 vide their letter of demand dated 8.11.2019.
5. Upon the investigations conducted by the Plaintiffs, the Plaintiffs have discovered that approximately a sum of RM2,109,200.00 of the total claim of RM6,554,283.39 claimed by the Defendant as due is in fact fictitious.
6. The Defendant has negligently allowed the drawdown based on fictitious documents from the Bankers' Acceptance facilities and further these transactions are not supported by any underlying transactions.

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7. At the moment, the investigations are still ongoing and as such the Plaintiffs herein will file the Statement of Claim hereafter.

8. Hence, the Plaintiffs contend that the Defendant owes the Plaintiffs a duty of care to make reasonable enquiry and to ensure that the transactions are bona fide before allowing the then officers of the 2nd Plaintiff and/or London Biscuit Berhad to instruct the drawdowns.

9. Thus, the Defendant has breached its duty of care, as such the Plaintiffs have suffered loss and damage. This will be particularised in the Statement of Claim.

10. The Plaintiffs' claim against the Defendant are as follows:

- (a) Damages for negligence;
- (b) Interest;
- (c) Costs; and
- (d) Any further relief as the Court deems fit and proper.

The investigations are still ongoing, and the Company will make the necessary announcements to Bursa Malaysia Securities Berhad as and when there are further developments in relation thereof.

5) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- HSBC BANK MALAYSIA BERHAD (WA-22NCC-314-07/2020)

The Company had on 16 July 2020 filed a Writ of Summons against HSBC Bank Malaysia Berhad ("Defendant")

The details of the Writ of Summons are as follows:

1. The Company ("1st Plaintiff") is a public company listed on the Main Board of Bursa Malaysia and is the holding company of Khee San Food Industries Sdn Bhd ("2nd Plaintiff").

2. The 2nd Plaintiff obtained a trade facility from the Defendant in December 2007.

3. At the material time, the Plaintiffs were under the control and management of another public company known as London Biscuit Berhad, which was liquidated on 13.1.2020.

4. The Plaintiffs have since then been under the control of new management and have discovered certain irregularities relating to the facilities granted by the Defendant, whom the 2nd Plaintiff is owing to up to a total sum of RM17,500,000.00 ("*Sums Owing*").

5. Upon the investigations conducted by the Plaintiffs, the Plaintiffs have discovered that approximately a sum of RM11,868,134.00 of the Sums Owing due and payable to the Defendant is in fact fictitious.

6. The Defendant has negligently allowed the drawdown based on fictitious documents from the Bankers' Acceptance facilities and further these transactions are not supported by any underlying transactions.

7. At the moment, the investigations are still ongoing and as such the Plaintiffs herein will file the Statement of Claim hereafter.

8. Hence, the Plaintiffs contend that the Defendant owes the Plaintiffs a duty of care to make reasonable enquiry and to ensure that the transactions are bona fide before allowing the then officers of the 2nd Plaintiff and/or London Biscuit Berhad to instruct the drawdowns.

9. Thus, the Defendant has breached its duty of care, as such the Plaintiffs have suffered loss and damage. This will be particularised in the Statement of Claim.

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10. The Plaintiffs' claim against the Defendant are as follows:

- (a) Damages for negligence;
- (b) Interest;
- (c) Costs; and
- (d) Any further relief as the Court deems fit and proper.

The Company would like to announce that the Company had on 6 August 2020 filed the Statement of Claim against the Defendant laid out its claim against the Defendant as follows:

- i. That the sums due to the Defendant be set off in totality or the fictitious portion be omitted from repayment as the Court directs;
- ii. A sum of RM114,000,000.00 which is equivalent to RM1.00 to every shareholder of the 1st Plaintiff be paid by the Defendant as damages;
- iii. Additional damages of RM140,000,000.00 for the damage caused to the Plaintiffs in terms of operations and revenue loss including reputational damage to the Plaintiffs and their brands;
- iv. General damages of RM150,000,000.00 to be assessed by the Court;
- v. Interest at the rate of 4% on the amounts in paragraph (i), (ii), (iii), (iv) and/or (v) above from the date of the claim to full satisfaction;
- vi. Costs; and
- vii. Such further and/or other relief deemed fit and appropriate by the Court.

The Court had on 6 August 2020 directed that the Defendant's defence is to be filed on or before 21 August 2020, and the Plaintiff to file and serve the Reply to the Statement of Defence on or before 4.9.2020 (if any), and any interlocutory application to be filed on or before 11.9.2020 (if any).

The next case management would be held on 18 September 2020 for further directions.

6) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- STANDARD CHARTERED BANK MALAYSIA BERHAD (WA-22NCC-309-07/2020)

The Company had on 17 July 2020 filed a Writ of Summons against Standard Chartered Bank Malaysia Berhad ("Defendant")

The details of the Writ of Summons are as follows:

1. The Company ("1st Plaintiff") is a public company listed on the Main Board of Bursa Malaysia and is the holding company of Khee San Food Industries Sdn Bhd ("2nd Plaintiff").
2. The 2nd Plaintiff obtained a trade facility from the Defendant in September 2017.
3. At the material time, the Plaintiffs were under the control and management of another public company known as London Biscuit Berhad, which was liquidated on 13.1.2020.
4. The Plaintiffs have since then been under the control of new management and have discovered certain irregularities relating to the facilities granted by the Defendant, whom the 2nd Plaintiff is owing to up to a total sum of RM7,499,000.00 ("*Sums Owing*").
5. Upon the investigations conducted by the Plaintiffs, the Plaintiffs have discovered that the whole Sums Owing due and payable to the Defendant is in fact fictitious.
6. The Defendant has negligently allowed the drawdown based on fictitious documents from the Bankers' Acceptance facilities and further these transactions are not supported by any underlying transactions.
7. At the moment, the investigations are still ongoing and as such the Plaintiffs herein will file the Statement of Claim hereafter.
8. Hence, the Plaintiffs contend that the Defendant owes the Plaintiffs a duty of care to make reasonable enquiry and to ensure that the transactions are bona fide before allowing the then officers of the 2nd Plaintiff and/or London Biscuit Berhad to instruct the

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drawdowns.

9. Thus, the Defendant has breached its duty of care, as such the Plaintiffs have suffered loss and damage. This will be particularised in the Statement of Claim.

10. The Plaintiffs' claim against the Defendant are as follows:

- (a) Damages for negligence;
- (b) Interest;
- (c) Costs; and
- (d) Any further relief as the Court deems fit and proper.

The investigations are still ongoing, and the Company will make the necessary announcements to Bursa Malaysia Securities Berhad as and when there are further developments in relation thereof.

7) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- UNITED OVERSEAS BANK (MALAYSIA) BERHAD (WA-22NCC-396-08/2020)

The Company had on 25 August 2020 filed a Writ of Summon and Statement of Claim against Standard Chartered Bank Malaysia Berhad ("Defendant")

The details of the Writ of Summon and Statement of Claim are as follows:

- i. That the sums due to the Defendant be set off in totality or the fictitious portion be omitted from repayment as the Court directs;
- ii. A sum of RM114,000,000.00 which is equivalent to RM1.00 to every shareholder of the 1st Plaintiff be paid by the Defendant as damages;
- iii. Additional damages of RM140,000,000.00 for the damage caused to the Plaintiffs in terms of operations and revenue loss including reputational damage to the Plaintiffs and their brands.
- iv. General damages of RM150,000,000.00 to be assessed by the Court;
- v. Interest at the rate of 4% on the amounts in paragraph (i), (ii), (iii), (iv) and/or (v) above from the date of this claim to full satisfaction;
- vi. Costs; and
- vii. Such further and/or other relief deemed fit and appropriate by the Court.

The investigations are still ongoing, and the Company will make the necessary announcements to Bursa Malaysia Securities Berhad as and when there are further developments in relation thereof.

8) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES -V- OCBC AL-AMIN BANK BERHAD (WA-22M-310-08/2020)

On 26 August 2020, the Company had filed a Writ of Summon and Statement of Claim against OCBC Al-Amin Bank Berhad ("OCBC") on behalf of the Company and its wholly owned subsidiary Khee San Food Industries Sdn Bhd.

The details of the Writ of Summon and Statement of Claim are as follows:

- i. That the sums due to the Defendant, OCBC, be set off in totality or the fictitious portion be omitted from repayment as the Court directs;
- ii. A sum of RM114,000,000.00 which is equivalent to RM1.00 to every shareholder of the 1st Plaintiff be paid by the Defendant as damages;
- iii. Additional damages of RM140,000,000.00 for the damage caused to the Plaintiffs in terms of operations and revenue loss including reputational damage to the Plaintiffs and their brands;
- iv. General damages of RM150,000,000.00 to be assessed by the Court;
- v. Interest at the rate of 4% on the amounts in paragraph (i), (ii), (iii), (iv) and/or (v) above from the date of this claim to full satisfaction;
- vi. Costs; and
- vii. Such further and/or other relief deemed fit and appropriate by the Court.

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The investigations are still ongoing, and the Company will make the necessary announcements to Bursa Malaysia Securities Berhad as and when there are further developments in relation thereof.

9) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES -V- OCBC BANK (MALAYSIA) BERHAD (WA-22NCC-401-08/2020)

On 26 August 2020, the Company had filed a Writ of Summon and Statement of Claim against OCBC Bank (Malaysia) Berhad (“Defendant”) on behalf of the Company and its wholly owned subsidiary Khee San Food Industries Sdn Bhd.

The details of the Writ of Summon and Statement of Claim are as follows:

- i. That the sums due to the Defendant be set off in totality or the fictitious portion be omitted from repayment as the Court directs;
- ii. A sum of RM114,000,000.00 which is equivalent to RM1.00 to every shareholder of the 1st Plaintiff be paid by the Defendant as damages;
- iii. Additional damages of RM140,000,000.00 for the damage caused to the Plaintiffs in terms of operations and revenue loss including reputational damage to the Plaintiffs and their brands;
- iv. General damages of RM150,000,000.00 to be assessed by the Court;
- v. Interest at the rate of 4% on the amounts in paragraph (i), (ii), (iii), (iv) and/or (v) above from the date of this claim to full satisfaction;
- vi. Costs; and
- vii. Such further and/or other relief deemed fit and appropriate by the Court.

The investigations are still ongoing, and the Company will make the necessary announcements to Bursa Malaysia Securities Berhad as and when there are further developments in relation thereof.

10) KHEE SAN FOOD INDUSTRIES SDN BHD -V- WONDER FOOD SDN BHD (WA-22NCC-402-08/2020)

The Company’s wholly owned subsidiary, Khee San Food Industries Sdn Bhd had on 26 August 2020 filed a Writ of Summon and Statement of Claim against Wonder Food Sdn Bhd.

The details of the Writ of Summon and Statement of Claim are as follows:

- i. The sums of RM35,980,745.87 for the balance sum that has yet to be paid by the Defendant, Wonder Food Sdn Bhd. for goods sold and delivered by the Plaintiff, Khee San Food Industries Sdn Bhd, to the Defendant;
- ii. Interest at the rate of 8% per annum from 14.2.2020 to the date of judgment;
- iii. Interest at the rate of 8% per annum from the date of judgment to the date of payment;
- iv. Costs; and
- v. Such further and/or other relief deemed reasonable and appropriate by the Court.

The Company will make the necessary announcements to Bursa Malaysia Securities Berhad as and when there are further developments in relation thereof.

11) KHEE SAN FOOD INDUSTRIES SDN BHD -V- SECRET INGREDIENTS SDN BHD (WA-22NCC-403-08/2020)

The Company would like to announce that its wholly owned subsidiary, Khee San Food Industries Sdn Bhd had on 26 August 2020 filed a Writ of Summon and Statement of Claim against Secret Ingredients Sdn Bhd.

The details of the Writ of Summon and Statement of Claim are as follows:

- i. The sums of RM2,095,505.63 for the balance sum that has yet to be paid by the Defendant, Secret Ingredients Sdn Bhd, for goods sold and delivered by the Plaintiff,

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- Khee San Food Industries Sdn Bhd, to the Defendant;
- ii. Interest at the rate of 8% per annum from 19.3.2020 to the date of judgment;
- iii. Interest at the rate of 8% per annum from the date of judgment to the date of payment;
- iv. Costs; and
- v. Such further and/or other relief deemed reasonable and appropriate by the Court.

The Company will make the necessary announcements to Bursa Malaysia Securities Berhad as and when there are further developments in relation thereof.

12) TUNAI IMPIAN ENTERPRISE SDN BHD -V- KHEE SAN FOOD INDUSTRIES (WA-22NCC-387-08/2020)

On 26 August 2020, the Company's wholly owned subsidiary, Khee San Food Industries Sdn Bhd had received a Writ of Summons together with the Statement of Claim filed by Tunai Impian Enterprise Sdn Bhd.

The details of the Writ of Summon and Statement of Claim are as follows:

- 1. The sum of RM18,655,891.63 as at 21.3.2020;
- 2. Interest on the sum of RM18,655,891.63 calculated on daily basis from 22.3.2020 until full settlement date;
- 3. Costs; and
- 4. Such further and/or other relief as the Court consider just and/or necessary.

The case management has been fixed on 4 September 2020 by way of E-Review.

The Company will make the necessary announcements to Bursa Malaysia Securities Berhad as and when there are further developments in relation thereof.

13) KHEE SAN FOOD INDUSTRIES SDN BHD -V- CHAN KA YUEN FOOD CO.LTD (WA-22NCC-405-08/2020)

On 28 August 2020, the Company announced that its wholly owned subsidiary, Khee San Food Industries Sdn Bhd had filed a Writ of Summon and Statement of Claim against Chan Ka Yuen Food Co.Ltd.

The details of the Writ of Summon and Statement of Claim are as follows:

- i. The sums of RM8,711,147.55 for the balance sum that has yet to be paid by the Defendant, Chan Ka Yuen Food Co.Ltd, for goods sold and delivered by the Plaintiff, Khee San Food Industries Sdn Bhd, to the Defendant;
- ii. Interest at the rate of 8% per annum from 14.2.2020 to the date of judgment;
- iii. Interest at the rate of 8% per annum from the date of judgment to the date of payment;
- iv. Costs; and
- v. Such further and/or other relief deemed reasonable and appropriate by the Court.

The Company will make the necessary announcements to Bursa Malaysia Securities Berhad as and when there are further developments in relation thereof.

14) KHEE SAN FOOD INDUSTRIES SDN BHD -V- IMPO HOLDINGS PVT LTD. (WA-B5NCC-436-08/2020)

On 28 August 2020, the Company announced that its wholly owned subsidiary, Khee San Food Industries Sdn Bhd had filed a Writ of Summon and Statement of Claim against Impo Holdings Pvt Ltd.

The details of the Writ of Summon and Statement of Claim are as follows:

- i. The sums of RM408,088.02 for the balance sum that has yet to be paid by the Defendant, Impo Holdings Pvt Ltd, for goods sold and delivered by the Plaintiff, Khee San Food Industries Sdn Bhd, to the Defendant;

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- ii. Interest at the rate of 8% per annum from 14.2.2020 to the date of judgment;
- iii. Interest at the rate of 8% per annum from the date of judgment to the date of payment;
- iv. Costs; and
- v. Such further and/or other relief deemed reasonable and appropriate by the Court.

The Company will make the necessary announcements to Bursa Malaysia Securities Berhad as and when there are further developments in relation thereof.

B9A. THE PROBABILITY OF SUCCESS

- 1) BANK OF CHINA (MALAYSIA) BERHAD -V- KHEE SAN FOOD INDUSTRIES SDN BHD & KHEE SAN BERHAD (WA-22NCC-425-08/2019)**
- 2) ALLIANCE BANK MALAYSIA BERHAD -V- KHEE SAN FOOD INDUSTRIES SDN BHD & KHEE SAN BERHAD (WA-22NCC-71-02/2020)**
- 3) MAYBANK ISLAMIC BERHAD -V- KHEE SAN FOOD INDUSTRIES SDN BHD & KHEE SAN BERHAD (WA-22M-269-07/2020)**

For the above cases, the Company's lawyers, KMC opined that there is a high probability of success and had appointed BDO Governance Advisory Sdn Bhd to obtain evidence for the cases to commensurate the Company's position in the defence and counterclaim. There is sufficient causation to show that the claims made by the Banks are flawed and if so, giving rise to a substantial counter-claim.

- 4) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- MAYBANK ISLAMIC BERHAD (WA-22NCC-304-07/2020)**
- 5) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- HSBC BANK MALAYSIA BERHAD (WA-22NCC-314-07/2020)**
- 6) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- STANDARD CHARTERED BANK MALAYSIA BERHAD (WA-22NCC-309-07/2020)**
- 7) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- UNITED OVERSEAS BANK (MALAYSIA) BERHAD (WA-22NCC-396-08/2020)**
- 8) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES -V- OCBC AL-AMIN BANK BERHAD (WA-22M-310-08/2020)**
- 9) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES -V- OCBC BANK (MALAYSIA) BERHAD (WA-22NCC-401-08/2020)**

For the above cases, KMC opined that there is a high probability of success to claim against the Defendants as fictitious documents were discovered to have numerous potential irregularities and discrepancies in the supporting documents used pursuant to the drawdown of these facilities as well as the usage of these funds.

- 10) KHEE SAN FOOD INDUSTRIES SDN BHD -V- WONDER FOOD SDN BHD (WA-22NCC-402-08/2020)**
- 11) KHEE SAN FOOD INDUSTRIES SDN BHD -V- SECRET INGREDIENTS SDN BHD (WA-22NCC-403-08/2020)**

For the above cases, KMC have initiated action against the trade debtors of Khee San Food Industries and KMC is of the opinion that the suits stand a fair chance of possible resolution of the same.

- 12) TUNAI IMPIAN ENTERPRISE SDN BHD -V- KHEE SAN FOOD INDUSTRIES (WA-22NCC-387-08/2020)**

KMC are of the view that the Plaintiff's claim is misconceived and shall be filing the Defence and Counterclaim in due course. Also, the company lawyers are of the opinion that the probability of

KHEE SAN BERHAD

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success is more than fair, as there have been some very clear breaches of applicable laws.

13) KHEE SAN FOOD INDUSTRIES SDN BHD -V- CHAN KA YUEN FOOD CO.LTD (WA-22NCC-405-08/2020)

14) KHEE SAN FOOD INDUSTRIES SDN BHD -V- IMPO HOLDINGS PVT LTD. (WA-B5NCC-436-08/2020)

For the above cases, KMC have initiated action against the trade debtors of Khee San Food Industries and KMC is of the opinion that the suits stand a fair chance of possible resolution of the same.

B10. PROPOSED DIVIDEND

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

B11. (LOSS) / EARNINGS PER ORDINARY SHARE ("LPS" / "EPS")

Basic (loss) / earnings per share

The calculation of basic (loss) / earnings per share is based on the net (loss) / profit attributable to ordinary shareholders over the weighted average number of ordinary shares in issue during the period.

	Current Quarter		Cumulative Quarter	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Net loss attributable to ordinary shareholders (RM'000)	(26,244)	N/A	(156,268)	N/A
Weighted average number of ordinary shares - in units ('000)	114,400	N/A	114,400	N/A
Basic Loss Per Share (sen)	(22.94)	N/A	(136.60)	N/A

BY ORDER OF THE BOARD
KHEE SAN BERHAD

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

28 August 2020