



KHEE SAN BERHAD

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

("KSB" or "the Company")

Interim Financial Statements
First Quarter Results
For the Financial Period ended
30 September 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

	Individual Quarter (Unaudited)		Cumulative Quarter (Unaudited)	
	Ended 30.09.2020 RM'000	Ended 30.09.2019 RM'000	Ended 30.09.2020 RM'000	Ended 30.09.2019 RM'000
Revenue	14,521	N/A	14,521	N/A
Cost of sales	(12,098)	N/A	(12,098)	N/A
Gross Profit	2,423	N/A	2,423	N/A
Other income	33	N/A	33	N/A
Selling and distribution costs	(1)	N/A	(1)	N/A
Administrative expenses	(3,735)	N/A	(3,735)	N/A
Finance cost	(1,261)	N/A	(1,261)	N/A
Loss before tax	(2,541)	N/A	(2,541)	N/A
Income tax expenses	-	N/A	-	N/A
Loss for the period	(2,541)	N/A	(2,541)	N/A
Other Comprehensive Income	-	N/A	-	N/A
Total Comprehensive Loss for the Period	(2,541)	N/A	(2,541)	N/A
Loss for the Period attributable to:				
Owners of the Company	(2,541)	N/A	(2,541)	N/A
Non-controlling interest	-	N/A	-	N/A
	(2,541)	N/A	(2,541)	N/A
Total Comprehensive Loss attributable to:				
Owners of the Company	(2,541)	N/A	(2,541)	N/A
Non-controlling interest	-	N/A	-	N/A
	(2,541)	N/A	(2,541)	N/A
(Loss)/Earning per Share (Sen)				
Basic	(2.22)	N/A	(2.22)	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 Changes in Equity should be read in conjunction with the Audited Financial Statements for the period ended 30 June 2020 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	(Unaudited) As at 30.09.2020 RM'000	(Audited) As at 30.06.2020 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	113,472	114,957
Intangible assets	-	-
Right-of-use assets	7,471	7,634
Total Non-Current Assets	<u>120,943</u>	<u>122,591</u>
Current Assets		
Inventories	7,227	5,264
Trade receivables	2,886	2,543
Other receivables, deposits and prepayments	2,337	2,750
Current tax assets	1,264	1,064
Cash and bank balances	2,167	4,311
Short-term deposits with licensed banks	4,000	-
Total Current Assets	<u>19,881</u>	<u>15,932</u>
Total Assets	<u>140,824</u>	<u>138,523</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	109,790	109,790
Reserves	(123,216)	(120,675)
Total Equity	<u>(13,426)</u>	<u>(10,885)</u>
Non-Current Liabilities		
Deferred tax liabilities	14,996	14,996
Lease liabilities	1,383	1,322
Total Non-Current Liabilities	<u>16,379</u>	<u>16,318</u>
Current Liabilities		
Trade payables	21,599	22,057
Other payables and accruals	41,672	31,426
Amount due to a director	-	5,000
Current tax liabilities	6	6
Borrowings	73,797	73,730
Lease liabilities	797	871
Total Current Liabilities	<u>137,871</u>	<u>133,090</u>
Total Liabilities	<u>154,250</u>	<u>149,407</u>
Total Equity and Liabilities	<u>140,824</u>	<u>138,523</u>
Net Liabilities per Ordinary Share (RM)	(0.12)	(0.10)

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the period ended 30 June 2020 and the accompanying explanatory notes attached to the interim financial statements.

KHEE SAN BERHAD*[Registration No.: 199401018697 (304376-A)] Incorporated in Malaysia***UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020**

	Share Capital	Non-Distributable Merger Reserve	Revaluation Reserve	Distributable Accumulated losses	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Current Quarter					
Balance as at 1 July 2020	109,790	(17,444)	31,248	(134,479)	(10,885)
Total comprehensive loss (Loss for the period)	-	-	-	(2,541)	(2,541)
Balance as at 30 September 2020	109,790	(17,444)	31,248	(137,020)	(13,426)

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 30 June 2020 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR
THE FIRST QUARTER ENDED 30 SEPTEMBER 2020**

	(Unaudited)	
	3 Months Ended 30.09.2020 RM'000	3 Months Ended 30.09.2019 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	(2,541)	N/A
Adjustments for:-		
Depreciation of property, plant and equipment	1,612	N/A
Depreciation of right-of-use assets	163	N/A
Gain on disposal of property, plant and equipment	(29)	N/A
Interest expenses	1,261	N/A
Unrealised loss on foreign exchange	939	N/A
Operating profit before changes in working capital	1,405	N/A
Changes in working capital:		
Inventories	(1,963)	N/A
Trade receivables	(1,283)	N/A
Other receivables	413	N/A
Trade payables	(458)	N/A
Other payables	10,246	N/A
Amount due to a director	(5,000)	N/A
Cash generated from operations	3,360	N/A
Tax paid	(199)	N/A
Interest paid	(1,261)	N/A
Net cash from operating activities	1,900	N/A
CASH FLOW FROM INVESTING ACTIVITIES		
Proceed from disposal of property, plant and equipment	38	N/A
Purchase of property, plant and equipment	(136)	N/A
Net cash used in investing activities	(98)	N/A
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(13)	N/A
Net cash used in financing activities	(13)	N/A
Net Changes in Cash and Cash Equivalents	1,789	N/A
Cash and Cash Equivalents at beginning of the period	(3,720)	N/A
Cash and Cash Equivalents at the end of the period	(1,931)	N/A

Cash and Cash Equivalents included in the Unaudited Condensed Consolidated Statement of Cash Flow comprise the following:-

	30.09.2020 RM'000	30.06.2019 RM'000
Cash and bank balances	2,167	N/A
Short-term deposits with licensed banks	4,000	N/A
Bank overdraft	(8,098)	N/A
	(1,931)	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 Financial Statements for the period ended 30 June 2020 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**A. EXPLANATORY NOTES PERSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134****A1. BASIS OF PREPARATION**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134, *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial period ended 30 June 2020. 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 30 June 2020.

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 30 June 2020, the Group has further adopted the following MFRS in the interim financial statement, effective from 1 July 2020:

Amendments to MFRS 3	Definition of a business
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 9	Interest Rate Benchmark Reform
Amendments to MFRS 16	Covid-19 – Related Rent Concessions
Amendments to MFRS 101	Definition of Material, Deferral of Effective Date
Amendments to MFRS 108	Definition of Material
Amendments to MFRS 139	Interest Rate Benchmark Reform

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 30 June 2020 was subject to qualification on non-replied confirmation of bank balances and bank borrowings by the bankers.

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 period 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

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 the day-to-day operation decision making.

Therefore, the Group's operations can be segmented by business activities namely:

- a) Manufacturing and trading of confectionery, sweets and candies; and
- b) Investment holding

A9. SEGMENTAL REPORTING

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

	Cumulative Quarter ended 30 September 2020			
	Investment Holding	Manufacturing and Trading	Elimination	Group (total)
	RM'000	RM'000	RM'000	RM'000
Segment Revenue and Results				
Revenue				
- Export	-	8,991	-	8,991
- Local	-	5,530	-	5,530
Total revenue	-	14,521	-	14,521
Results : Operating loss	-	(1,280)	-	(1,280)

	Cumulative Quarter ended 30 September 2019			
	Investment Holding	Manufacturing and Trading	Elimination	Group (total)
	RM'000	RM'000	RM'000	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 loss	N/A	N/A	N/A	N/A

	Cumulative Quarter	
	30.09.2020	30.09.2019
	RM'000	RM'000
Reconciliation of reportable segment loss		
Total operating loss for reporting segment	(1,280)	N/A
Finance costs	(1,261)	N/A
Consolidated loss before tax	(2,541)	N/A

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

There were no material events subsequent to the end of quarter that has not been reflected in the Unaudited Financial Statements for the quarter under review, other than as follows:

- a) On 6 October 2020, the Company and its wholly owned subsidiary Khee San Food Industries Sdn. Bhd. ("KSFI") and HSBC Bank Malaysia Berhad ("Defendant") had attended Case Management for Enclosure 1 (Writ of Summon) dated 1 June 2020; Enclosure 12 (Defendant's Application for Summary Judgment on the Counterclaim); and Enclosure 16 (Defendant's Application to strike out the claims of the Plaintiffs).
- b) On 8 October 2020, the Company and United Overseas Bank (Malaysia) Berhad ("Defendant") had attended Case Management via E-Review for Enclosure 1 (Writ of Summon) dated 25 August 2020.
- c) On 13 October 2020, the Writ of Summons against Kimoe Trading (S) Pte Ltd ("Defendant") together with a Statement of Claim came up for Case Management via e-Review and the Court had directed as follows:
 1. Defendant to file Defence on or before 27 October 2020;
 2. Plaintiff to file Reply to Defence on or before 10 November 2020;
 3. Any interlocutory applications to be filed on or before 24 November 2020.
- d) On 13 October 2020, the Writ of Summons against Bank of China (Malaysia) Berhad ("Defendant") together with a Statement of Claim came up for Case Management via e-Review for Enclosure 1 (Writ of Summon) and Enclosure 5 (Defendant Application for Striking Out) and the Court had directed as follows:

Enclosure 1

 1. Defendant to file Defence on or before 26 October 2020;
 2. Plaintiff to file Reply to Defence by 9 November 2020; and
 3. Any Interlocutory Application to be filed on or before 23 November 2020.

Enclosure 5

 1. Defendant to file and serve Affidavit In Support on or before 30 October 2020;
 2. Plaintiff to file and serve Affidavit In Reply on or before 13 November 2020;
 3. Defendant to file and serve Affidavit In Reply on or before 27 November 2020;
 4. Parties to exchange Written Submission on or before 11 December 2020; and
 5. Parties to exchange Reply Written Submission (if any) on or before 28 December 2020.
- e) On 20 October 2020, the Writ of Summons filed by Tunai Impian Enterprise Sdn Bhd together with a Statement of Claim came up for Case Management via e-Review for Enclosure 1 (Writ of Summon), Enclosure 9 (Striking Out Application by the Defendant) and Enclosure 11 (Summary Judgment Application by the Plaintiff).
- f) On 21 October 2020, the Company's wholly owned subsidiary, Khee San Food Industries Sdn Bhd ("Plaintiff") withdrawn its Writ of Summons and Statement of Claim dated 7 September 2020 against Saada Houssein Deil ("Defendant").
- g) On 21 October 2020, the Company's wholly owned subsidiary, Khee San Food Industries Sdn Bhd ("Plaintiff") withdrawn its Writ of Summons and Statement of Claim dated 7 September 2020 against the Sahan General Trading Company ("Defendant").
- h) On 21 October 2020, the Company's wholly owned subsidiary, Khee San Food Industries Sdn Bhd ("Plaintiff") withdrawn its Writ of Summons and Statement of Claim dated 7 September 2020 against the Delice Network Agencies Co. Ltd ("Defendant").

- i) On 21 October 2020, the Writ of Summons against Maybank Islamic Berhad ("Defendant") together with a Statement of Claim came up for Case Management via e-Review for Enclosure 1 (Writ of Summon) and Enclosure 9 (Summary Judgment filed by the Plaintiff) and the Court had directed as follows:

Enclosure 9

1. Plaintiff to file and serve the Affidavit In Reply latest by 28 October 2020;
2. Parties to exchange Written Submission on or before 11 November 2020; and
3. Parties to exchange Reply Written Submission (if any) on or before 18 November 2020.

- j) On 21 October 2020, the Company's wholly owned subsidiary, Khee San Food Industries Sdn Bhd ("Plaintiff") withdrawn its Writ of Summons and Statement of Claim dated 7 September 2020 against the Yue Shing Trading Company Limited ("Defendant").
- k) On 27 October 2020, the Writ of Summons against Wonder Food Sdn Bhd ("Defendant") together with a Statement of Claim came up for Case Management via e-Review for Enclosure 1 (Writ of Summon) and Enclosure 8 (Striking Out Application).
- l) On 28 October 2020, the Writ of Summons against Standard Chartered Bank Malaysia Berhad ("Defendant") together with a Statement of Claim came up for Case Management via e-Review for Enclosure 1 (Writ of Summon) and Enclosure 16 (Striking Out Application filed by the Defendant).
- m) On 6 November 2020, the Writ of Summons against Chan Ka Yuen Food Co. Ltd ("Defendant") together with a Statement of Claim came up for Case Management and the Court had been informed that the Company's solicitors had filed and obtained the sealed Order and Notice of Writ Summons to be served out of Jurisdiction and in the process of sending the required documents for service out of Jurisdiction.
- n) On 6 November 2020, the Writ of Summons against Hiperalimentar LDA ("Defendant") together with a Statement of Claim came up for Case Management and the Court had been informed that the Company's solicitors had filed and obtained the sealed Order and Notice of Writ Summons to be served out of Jurisdiction and in the process of sending the required documents for service out of Jurisdiction.
- o) On 9 November 2020, the Writ of Summons against H Sky Trading Company ("Defendant") together with a Statement of Claim came up for Case Management and the Court had been informed that the Company's solicitors Messrs Krish Maniam & Co. had filed and obtained the sealed Order and Notice of Writ Summons to be served out of Jurisdiction and in the process of sending the required documents for service out of Jurisdiction.
- p) On 10 November 2020, the Writ of Summons against Maybank Islamic Berhad ("Defendant") together with a Statement of Claim came up for Case Management via e-Review and Messrs Krish Maniam & Co. had notified the Company that this matter came up for Case Management via e-Review for Enclosure 1 (Writ of Summon) and Enclosure 17 (the Defendant's Striking Out Application) and Enclosure 20 (the Plaintiff's Consolidation Application) and the Court had directed as follows:

Enclosure 17

1. Plaintiffs to file Affidavit In Reply on or before 16 November 2020;
2. Defendant to file Affidavit In Reply on or before 30 November 2020;
3. Parties to exchange Submission on or before 14 December 2020;
4. Parties to exchange Submission In Reply on or before 28 December 2020.

Enclosure 20

5. Defendant to file Affidavit In Reply on or before 19 November 2020;
6. Plaintiffs to file Affidavit In Reply on or before 3 December 2020;
7. Parties to exchange Submission on or before 17 December 2020;
8. Parties to exchange Submission In Reply on or before 31 December 2020.

- q) On 11 November 2020, the Writ of Summons against OCBC AL-Amin Bank Berhad ("Defendant") together with a Statement of Claim came up for Case Management for Enclosure 9 (Application for Striking Out) and Enclosure 11 (Application for Summary Judgment) and the Court had directed as follows:
1. Plaintiffs to file and serve both the Affidavit in Reply for Enclosure 9 and 11 on or before 24 November 2020
 2. Defendant to file and serve the Affidavit in Reply for both Enclosure 9 and 11 on or before 8 December 2020
- r) On 11 November 2020, the Writ of Summons against Impo Holdings Pvt Ltd ("Defendant") together with a Statement of Claim came up for Case Management via e-Review and the Court had been informed that the required documents are in the process of being translated.
- s) On 12 November 2020, the Writ of Summons against Secret Ingredients Sdn Bhd ("Defendant") together with a Statement of Claim came up for Case Management via e-Review and the Court had directed the Parties to file any interlocutory applications on or before 26 November 2020.
- t) On 13 November 2020, the Company and KSFI received a Notice of Demand from Messrs. Shook Lin & Bok on behalf Standard Chartered Bank Malaysia Berhad ("SCB") for outstanding sums RM8,268,669.88, under General Banking Facilities which included Export Invoice Financing Facility on Khee San Food Industries Sdn Berhad ("KSFI") and the Company.
- u) On 17 November 2020, the Writ of Summons against OCBC Bank (Malaysia) Berhad ("Defendant") together with a Statement of Claim came up for Case Management via e-Review for Enclosure 11 (Defendant's Striking Out Application) and Enclosure 13 (Defendant's Application to enter Summary Judgment).
- v) On 19 November 2020, the Writ of Summons against FL Japan Co, Ltd ("Defendant") filed by the Company's wholly owned subsidiary, Khee San Food Industries Sdn Bhd ("Plaintiff") together with a Statement of Claim came up for Hearing and the Court had been informed that the Company's solicitors had filed and obtained the sealed order and Notice of Writ Summons to be served out of Jurisdiction and in the process of obtaining the certified translation of the required documents.
- w) On 20 November 2020, the Writ of Summons against the Company and KSFI ("Defendant") by Maybank Islamic Berhad ("Plaintiff") together with a Statement of Claim came up for Hearing via e-Review for Enclosure 1 (Writ of Summon), Enclosure 17 (Striking Out Application filed by the Plaintiff) and Enclosure 29 (Stay of Proceeding Application filed by the Defendants).
- x) On 23 November 2020, the Company and United Overseas Bank (Malaysia) Berhad ("Defendant") had attended Case Management via e-Review for Enclosure 1 (Writ of Summon), Enclosure 11 (Summary Judgment filed by the Defendant) and Enclosure 14 (Striking Out Application filed by the Defendant) and the Court had directed as follows:
1. Plaintiffs to file Affidavit In Reply for both Enclosure 11 and 14 on or before 25 November 2020;
 2. Defendant to file Affidavit In Reply for both Enclosure 11 and 14 on or before 9 December 2020;
 3. Parties to exchange submissions by 23 December 2020;
 4. Parties to exchange submissions In Reply by 6 January 2021.



- y) On 23 November 2020, the Writ of Summons against H Sky Trading Company ("Defendant") filed by the Company's wholly owned subsidiary, Khee San Food Industries Sdn Bhd ("Plaintiff") together with a Statement of Claim came up for Case Management via e-Review and the Court had been informed that the required documents will be sent to Unit Sijil Amalan Guaman, Pejabat Ketua Pendaftar Mahkamah Persekutuan Malaysia for the purpose of service out of Jurisdiction by 23 November 2020.
- z) On 23 November 2020, the Company and its wholly owned subsidiary Khee San Food Industries Sdn Bhd ("Applicants") had filed an application for leave via notice of motion to seek the following orders:
 - 1. that leave be granted to the Applicants to commence proceedings against London Biscuits Berhad;
 - 2. costs; and
 - 3. any other or further Orders which the Court deems fit and appropriate.
- aa) On 26 November 2020, the Company had attended Case Management via e-Review for Enclosure 1 (Writ of Summon) and Enclosure 7 (Striking Out Application filed by the Defendant) and the Court had directed as follows
 - 1. Plaintiff to file Affidavit In Reply on or before 7 December 2020;
 - 2. Defendant to file Affidavit In Reply on or before 21 December 2020;
 - 3. Parties to file Written Submission on or before 11 January 2021; and
 - 4. Parties to file Written Submission In Reply on or before 11 January 2021.

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.

A12. CONTINGENT ASSETS/LIABILITIES

Contingent liabilities of the Group as at 30 Sep 2020 is RM73.7 million being banking facilities granted to a subsidiary compared to RM 74.7 million as at 30 June 2020.

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 first quarter (July to September 2020) period, the Group recorded a revenue of RM14.5 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 first quarter was RM2.5 million with gross profit of RM2.4 million. This is due to RM3.7 million in administrative expenses and RM1.2 million in finance cost.

B2. COMPARISON WITH PRECEDING QUARTER RESULT (2021 Q1 vs 2020 Q6)

The Group recorded a revenue of RM14.5 million with loss before tax of RM2.5 million for the current quarter as compared to the revenue of RM7.2 million with loss before tax of RM25.5 million in the preceding quarter ended 30 June 2020.

Loss after tax during the quarter under review was RM2.5 million, a decrease of RM23.7 million from RM26.2 million recorded during the preceding quarter.

B3. GROUP'S PROSPECT

The economic outlook for Year 2021 continues to be challenging due to the unprecedented Covid-19 pandemic which has recently seen a resurgence over the past few months.

The Board remain optimistic of the prospects of the Group given its firm strategic direction to continually improve the revenue and bottom line by seeking new markets sectors opportunities with new packing design and venturing into new products for candy and wafer confectionery.

The contribution from our business sectors remain positive despite the Group's current limitation in working capital funding and we expect a notable turnaround to the Group's performance after the completion corporate restructuring plan which is currently being formulated.

Despite the current challenging operating environment, the Group remains cautiously optimistic that the Covid-19 outbreak will not affect the fundamentals and long-term prospects of the business given its long-established branding and foothold of its confectionaries products in the marketplace both locally and abroad.

B4. PROFIT FORECAST

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

B5. OPERATING LOSS

	Current Quarter ended 30.09.2020 RM'000	Cumulative Quarter ended 30.09.2020 RM'000
Other income including investment income	33	33
Interest expenses	1,261	1,261
Depreciation of property, plant and equipment	1,612	1,612
Depreciation of right-of-use assets	163	163
Gain on disposal of property, plant and equipment	(29)	(29)
Realised loss on foreign exchange	129	129
Unrealised loss on foreign exchange	939	939

B6. TAXATION

Tax expense comprises of the followings:

	Current Quarter ended 30.09.2020 RM'000	Cumulative Quarter ended 30.09.2020 RM'000
Income tax expense		
- Current period (reversal) / provision	-	-
Deferred tax		
- Current period	-	-
Total income tax expense	-	-

The Group incurred nil tax expenses in the current quarter and 3 months reported period due to the tax loss position.

B7. CORPORATE PROPOSAL

The company is reviewing the proposed Corporate Restructuring Plan (CRP) prepared by the appointed Investment Banker and will submit to relevant regulatory for approval in due course. Management is confident to complete the CRP within the current financial year ending June 2021.

B8. GROUP BORROWINGS AND DEBT SECURITIES (UNSECURED)

	The Group 30.09.2020 RM'000
Short-term Borrowings:	
Bankers' acceptance	65,698
Bank overdraft	8,099
	<u>73,797</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) ALLIANCE BANK MALAYSIA BERHAD -V- KHEE SAN FOOD INDUSTRIES SDN BHD & KHEE SAN BERHAD (WA-22NCC-215-06/2020)

On 22 June 2020, the Company and KSFI received a Writ of Summons together with the Statement of Claim filed by Alliance Bank Malaysia Berhad ("Plaintiff").

On 14 July 2020, the Company filed a Statement of Defence and Counter - Claim against the Plaintiff. The Counterclaims repeats the defense 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 next Hearing has been fixed on 21 January 2020.

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

On 27 July 2020, the Company and KSFI received a sealed copy of Writ and Statement of Claim filed by Maybank Islamic Berhad ("MIB") ("Plaintiff"). 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 next Case-Management has been fixed on 9 December 2020.

3) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- BANK OF CHINA (MALAYSIA) BERHAD (WA-22NCC-466-09/2020)

On 25 September 2020, the Company announced that the Company and KSFI had filed a Writ of Summon and Statement of Claim against Bank of China ("BOC").

The next Case-Management via E-Review has been fixed on 4 January 2021.

4) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- MAYBANK ISLAMIC BERHAD (WA-22NCC-304-07/2020)

On 15 July 2020, the Company and KSFI filed a Writ of Summons against Maybank Islamic Berhad ("Defendant") together with a Statement of Claim with details as follows:-

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

The next Case-Management has been fixed on 24 February 2021.

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

On 16 July 2020, the Company and KSFI filed a Writ of Summons against HSBC Bank Malaysia Berhad ("Defendant").

On 6 August 2020, the Company further 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;
- iv. 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;
- v. Costs; and
- vi. Such further and/or other relief deemed fit and appropriate by the Court.

The next Case-Management has been fixed on 5 January 2021.

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

On 17 July 2020, the Company and KSFI filed a Writ of Summons against Standard Chartered Bank Malaysia Berhad ("Defendant") together with a Statement of Claim with details as follows:-

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

The next Case-Management via E-Review has been fixed on 25 January 2021.

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

On 25 August 2020, the Company and KSFI filed a Writ of Summon and Statement of Claim against United Overseas 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;
- iv. 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;
- v. Costs; and
- vi. Such further and/or other relief deemed fit and appropriate by the Court.

The next Case-Management has been fixed on 25 February 2021.

**8) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES -V- OCBC BANK (MALAYSIA) BERHAD (WA-22NCC-401-08/2020)
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 and KSFI filed a Writ of Summon and Statement of Claim against OCBC Al-Amin Bank Berhad and OCBC Bank (Malaysia) Berhad ("collectively known as OCBC") on behalf of the Company 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;
- iv. 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;
- v. Costs; and
- vi. Such further and/or other relief deemed fit and appropriate by the Court.

WA-22M-310-08/2020 - The next Case-Management has been fixed on 9 December 2020.

WA-22NCC-401-08/2020 - The next Case-Management has been fixed on 25 January 2021.

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

On 26 August 2020, KSFI received a Writ of Summon and Statement of Claim filed by Tunai Impian Enterprise Sdn Bhd for the outstanding trade debt amounted to RM18,655,891.63.

On 20 October 2020, this matter came up for Case Management via e-Review for Enclosure 1 (Writ of Summon), Enclosure 9 (Striking Out Application by the Defendant) and Enclosure 11 (Summary Judgment Application by the Plaintiff) and the Court had directed as follows:

Both Enclosure 9 and Enclosure 11

1. Plaintiff and Defendant to file the respective Affidavit In Reply on or before 3 November 2020;
2. Plaintiff and Defendant to file the following Affidavit In Reply on or before 17 November 2020;
3. Parties to exchange Written Submission for both Enclosures 9 and 11 on or before 1 December 2020; and
4. Parties to exchange Reply Written Submission (if any) on or before 8 December 2020.

The next Case-Management has been fixed on 15 December 2020.

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

On 26 August 2020, KSFI filed a Writ of Summon and Statement of Claim against Secret Ingredients Sdn Bhd for the outstanding trade debt amounted to RM2,095,505.63.

On 1 October 2020, the parties attended Case-Management via E-Review for Enclosure 1 (Writ of Summon).

The Court had on 1 October 2020 given the following directions:-

1. The Defendant to file Defence on or before 15 October 2020;
2. The Plaintiff to file Reply to Defence on or before 30 October 2020; and
3. Any interlocutory applications to be filed on or before 5 November 2020.

The next Case-Management via E-Review has been fixed on 29 January 2021.

11) 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 KSFI filed a Writ of Summon and Statement of Claim against Chan Ka Yuen Food Co. Ltd for the outstanding trade debt amounted to RM8,711,147.55.

On 6 November 2020, this matter came up for Case Management and the Court had been informed that the Company's solicitors had filed and obtained the sealed Order and Notice of Writ Summons to be served out of Jurisdiction and in the process of sending the required documents for service out of Jurisdiction.

The next Case-Management via e-Review has been fixed on 4 December 2020.

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

On 28 August 2020, the Company announced that KSFI filed a Writ of Summon and Statement of Claim against Impo Holdings Pvt Ltd for the outstanding trade debt amounted to RM408,088.02.

On 27 October 2020, this matter came up for Case Management via e-Review and Messrs Krish Maniam & Co. had informed the Court that they are in the process of obtaining the certified translation of the required documents for the purpose of service out of jurisdiction.

The next Case Management via e-Review has been fixed on 14 December 2020.

13) KHEE SAN FOOD INDUSTRIES SDN BHD -V- FL JAPAN CO LTD. (WA-22NCC-413-09/2020)

On 1 September 2020, the Company announced that KSFI had filed a Writ of Summon and Statement of Claim against FL Japan Co Ltd for the outstanding trade debt amounted to RM4,732,684.23

On 8 October 2020, this matter came up for Hearing and the Court had granted as follows:

1. Leave to the Plaintiff to serve the Writ of Summons out of jurisdiction to the Defendant;
2. Defendant to enter appearance within 21 days after service of the Writ of Summons on the Defendant; and
3. Costs in the cause.

The next Case-Management has been fixed on 23 December 2020.

14) KHEE SAN FOOD INDUSTRIES SDN BHD -V- KIMOE TRADING (S) PTE LTD. (WA-22NCC-412-09/2020)

On 1 September 2020, the Company announced that KSFI had filed a Writ of Summon and Statement of Claim against Kimoe Trading (S) Pte Ltd for the outstanding trade debt amounted to RM13,811,274.11.

On 13 October 2020, this matter came up for Case Management via e-Review and the Court had directed as follows:

1. Defendant to file Defence on or before 27 October 2020;
2. Plaintiff to file Reply to Defence on or before 10 November 2020;
3. Any interlocutory applications to be filed on or before 24 November 2020.

The next Case-Management has been fixed on 2 December 2020.

15) KHEE SAN FOOD INDUSTRIES SDN BHD -V- HIPERALIMENTAR LDA (WA-22NCC-423-09/2020)

On 4 September 2020, the Company announced that KSFI had filed a Writ of Summon and Statement of Claim against Hiperalimentar LDA for the outstanding trade debt amounted to RM1,268,767.85.

On 6 November 2020, this matter came up for Case Management and the Court had been informed that the Company's solicitors had filed and obtained the sealed Order and Notice of Writ Summons to be served out of Jurisdiction and in the process of sending the required documents for service out of Jurisdiction.

The next Case-Management via e-Review has been fixed on 4 December 2020.

KSFI's solicitor has initiated action against the Defendant is of the opinion that the suits stand a fair chance of possible resolution of the same.

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

On 26 August 2020, KSFI filed a Writ of Summon and Statement of Claim against Wonder Food Sdn Bhd for the outstanding trade debt amounted to RM35,980,745.87.

The next Case-Management has been fixed on 21 January 2021.

17) KHEE SAN FOOD INDUSTRIES SDN BHD & KHEE SAN BERHAD -V- H SKY TRADING COMPANY (WA-A52NCC-1260-09/2020)

On 4 September 2020, the Company announced that the Company and KSFI had filed a Writ of Summon and Statement of Claim against H Sky Trading Company ("Defendant").

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

- i. The sums of RM270,914.10 for the balance sum that has yet to be paid by the Defendant for goods sold and delivered by the Plaintiff 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 next Case-Management via E-Review has been fixed on 23 December 2020.

18) KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- DATO' SRI LIEW YEW CHUNG (WA-22NCC-468-09/2020)

On 28 September 2020, the Company announced that the Company and KSFI had filed a Writ of Summon and Statement of Claim against Dato' Sri Liew Yew Chung ("Defendant").

The Writ of Summon and Statement of Claim was filed as the Plaintiffs, the Company and KSFI, had recently uncovered a fraudulent scheme perpetrated primarily by the Defendant during the period 1 October 2018 to 4 July 2019 by reason of the Defendant's ability to control or dictate the business and financial operations of the Plaintiff. The Defendant was during the Review Period, designated as chairman, non-independent and non-executive director of the Company and KSFI.

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

- (a) A declaration that the Defendant is liable to account as constructive trustee to the Plaintiffs for the sum of RM20,060,000.00 or such other sum as the Court thinks fit on the grounds of breach of fiduciary duty / breach of trust;
- (b) An order that the Defendant pay to Khee San Food Industries Sdn Bhd a sum of RM20,060,000.00 or such other sum as the Court thinks fit;
- (c) An order that the Defendant indemnify the Plaintiffs for any sums of money that the Plaintiffs has to pay to various banks by for the various drawdown pursuant to the fraudulent scheme;
- (d) Damages;
- (e) Interest at such rate and for such period as the Court thinks fit;
- (f) Costs; and
- (h) Any further or other relief that the Court thinks fit.

The Company has initiated action against the Defendant and is of the opinion that the suits stand a fair chance of possible resolution of the same.

B9A. THE PROBABILITY OF SUCCESS

- 1) **ALLIANCE BANK MALAYSIA BERHAD -V- KHEE SAN FOOD INDUSTRIES SDN BHD & KHEE SAN BERHAD (WA-22NCC-215-06/2020)**
- 2) **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.

- 3) **KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- BANK OF CHINA (MALAYSIA) BERHAD (WA-22NCC-466-09/2020)**
- 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 BANK (MALAYSIA) BERHAD (WA-22NCC-401-08/2020)**
KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES -V- OCBC AL-AMIN BANK BERHAD (WA-22M-310-08/2020)

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.

- 9) **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 solicitor is of the opinion that the probability of success is more than fair, as there have been some very clear breaches of applicable laws.

- 10) **KHEE SAN FOOD INDUSTRIES SDN BHD -V- SECRET INGREDIENTS SDN BHD (WA-22NCC-403-08/2020)**
- 11) **KHEE SAN FOOD INDUSTRIES SDN BHD -V- CHAN KA YUEN FOOD CO.LTD (WA-22NCC-405-08/2020)**
- 12) **KHEE SAN FOOD INDUSTRIES SDN BHD -V- IMPO HOLDINGS PVT LTD. (WA-B5NCC-436-08/2020)**
- 13) **KHEE SAN FOOD INDUSTRIES SDN BHD -V- FL JAPAN CO LTD. (WA-22NCC-413-09/2020)**
- 14) **KHEE SAN FOOD INDUSTRIES SDN BHD -V- KIMOE TRADING (S) PTE LTD. (WA-22NCC-412-09/2020)**



- 15) KHEE SAN FOOD INDUSTRIES SDN BHD -V- HIPERALIMENTAR LDA (WA-22NCC-423-09/2020)
- 16) KHEE SAN FOOD INDUSTRIES SDN BHD -V- WONDER FOOD SDN BHD (WA-22NCC-402-08/2020)
- 17) KHEE SAN FOOD INDUSTRIES SDN BHD & KHEE SAN BERHAD -V- H SKY TRADING COMPANY (WA-A52NCC-1260-09/2020)

For the above cases, KMC have initiated action against the trade debtors of Khee San Food Industries Sdn. Bhd. 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	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Net loss attributable to ordinary shareholders (RM'000)	(2,541)	N/A	(2,541)	N/A
Weighted average number of ordinary shares - in units ('000)	114,400	N/A	114,400	N/A
Basic Loss Per Share (sen)	(2.22)	N/A	(2.22)	N/A

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

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

27 November 2020