Khee San Berhad
Reg no. 199401018697 (304376-A)

2020
ANNUAL REPORT

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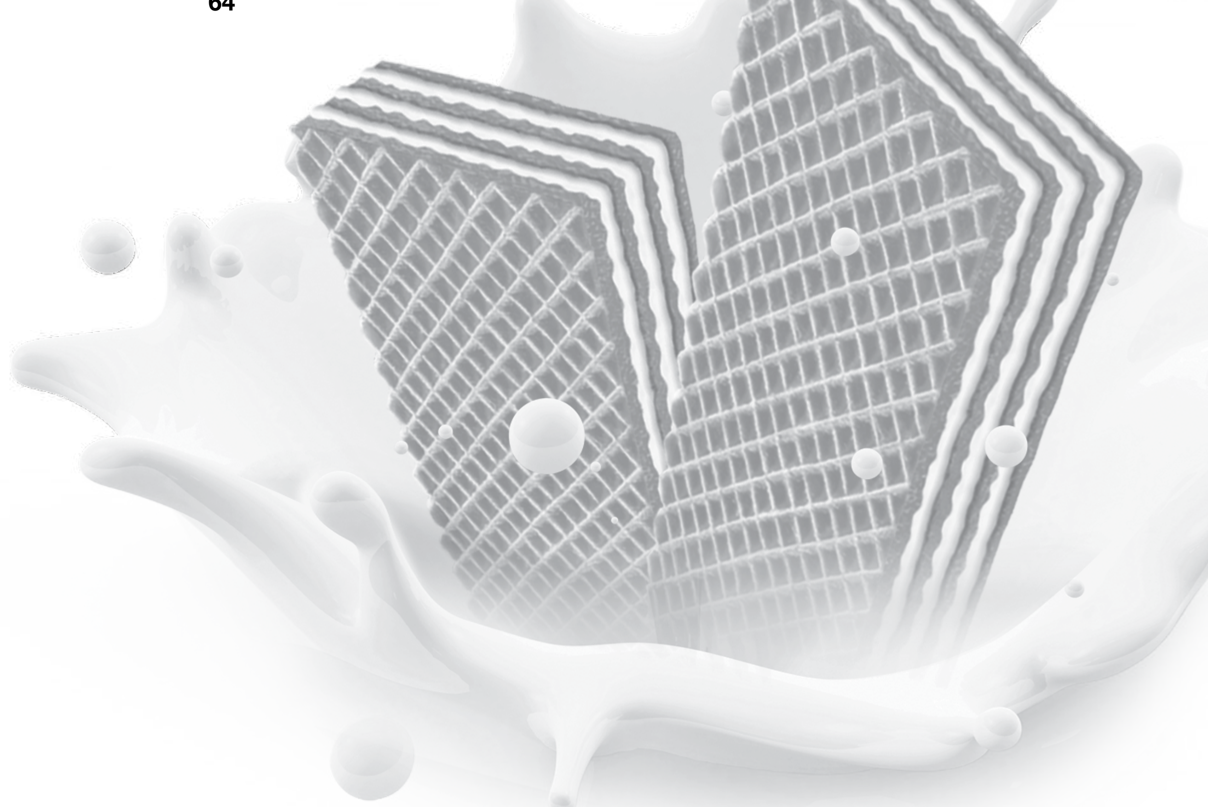

CORPORATE INFORMATION

BOARD OF DIRECTORS

EDWARD TAN JUAN PENG
Chief Executive Officer

DATO' HJ. MOHD ARIS BIN RAMLI
Independent Non-Executive Director

MOHANADAS A/L K.P.BALAN
Independent Non-Executive Director

PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF
Independent Non-Executive Director

AUDIT COMMITTEE

PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF
(Chairman)

DATO' HJ. MOHD ARIS BIN RAMLI
(Member)

MOHANADAS A/L K.P.BALAN
(Member)

REMUNERATION COMMITTEE

DATO' HJ. MOHD ARIS BIN RAMLI
(Chairman)

PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF
(Member)

EDWARD TAN JUAN PENG
(Member)

NOMINATING COMMITTEE

PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF
(Chairman)

MOHANADAS A/L K.P.BALAN
(Member)

DATO' HJ. MOHD ARIS BIN RAMLI
(Member)

CORPORATE ADMINISTRATION AND COMPLIANCE COMMITTEE

MOHANADAS A/L K.P.BALAN
(Chairman)

EDWARD TAN JUAN PENG *(Member)*

NG CHEE KEONG *(Member)*

VOO LIP SANG @ PHILIP *(Member)*

LEE CHAI HONG *(Member)*

FOO VOON HOI @ FOO VOO HOY
(Member)

RISK MANAGEMENT COMMITTEE

MR. MOHANADAS A/L K.P.BALAN
(Chairman)

DATO' HJ. MOHD ARIS BIN RAMLI
(Member)

EDWARD TAN JUAN PENG
(Member)

ESOS COMMITTEE

FOO VOON HOI @ FOO VOO HOY
(Chairman)

TIN WING YEE *(Secretary)*

LEE CHAI HONG *(Member)*

COMPANY SECRETARIES

SIEW SUET WEI
(MAICSA 7011254)
SSM PC No. 202008001690

LIM YEN TENG
(LS0010182)
SSM PC No. 201908000028

SHARE REGISTRAR

BINA MANAGEMENT (M) SDN. BHD.
Lot 10, The Highway Centre
Jalan 51/205, 46050 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7784 3922
Fax : +603-7784 1988

AUDITORS

KRESTON JOHN & GAN (AF 0113)
160-2-1, Kompleks Maluri
Business Centre,
Jalan Jejaka, 55100 Kuala Lumpur.
Tel : +603-9287 1889
Fax : +603-9283 0889

REGISTERED OFFICE

5-9A The Boulevard Offices
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +603-2282 6331
Fax : +603-2201 9331

PRINCIPAL PLACE OF BUSINESS

Lot 1819, 1820, 1821, 1822,
1823, 1824 & 1832,
Jalan Kolej, 43300 Seri Kembangan,
Selangor Darul Ehsan
Tel : +603-8943 1390
Fax : +603-8943 1351
Website : www.kheesanbhd.com

STOCK EXCHANGE LISTING

BURSA MALAYSIA SECURITIES BERHAD
- Main Market Stock Code: 6203

SUBSIDIARIES

- Khee San Food Industries Sdn Bhd (100%)
- Khee San Marketing Sdn Bhd (100%)
- Mega Global Confectionary Sdn Bhd (100%)

CORPORATE STRUCTURE

KHEE SAN BERHAD
Registration No. 199401018697
(304376-A)

KHEE SAN FOOD INDUSTRIES SDN BHD
Registration No. 197601001627
(27605-H)
100%

KHEE SAN FOOD MARKETING SDN BHD
Registration No. 197601001632
(27610-X)
100%

MEGA GLOBAL CONFECTIONARY SDN BHD
Registration No. 202001023623
(1379943-V)
100%

DIRECTORS' PROFILE

EDWARD TAN JUAN PENG, *Chief Executive Officer*

NATIONALITY: Malaysian

AGE / GENDER: 47 / MALE

Date appointed	5 January 2017
No of Board meetings attendedin the financial period(*)	19 out of 19 (100% attendance) *(*) 1 January 2019 to 30 June 2020*
Qualifications	• Bachelor of Arts (Hons) in Business Administration from Coventry University, Warwickshire, United Kingdom. • Associate Member of the Asian Institute of Chartered Bankers (AICB)
Experience	He has a career experience of over 20 years in Banking, Securities and Finance, rising to the position as a Director and Head in various departments. He has established a well and good networked across Malaysia Corporate and Financial Institutions. He is well known for his successful management, superior service and innovative solutions covering the whole range of functions from front line sales and possesses depth industry experience especially in the corporate & consumer market. His long tenor with the financial institutions has also provided him an immense knowledge of the regulatory process, risk management, compliance knowledge, structure of public equities and novel financing products.
Membership in Board Committee(s)	• Member, Corporate Administration and Compliance Committee • Member, Remuneration Committee • Member, Risk Management Committee
Directorship in other public companies	None
Declaration of conflict of interest or any family relationship with any other director and/or major shareholders	He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group.
Declaration on conviction of offences within the past 5 years	He maintains a clean record with regards to convictions for offences (other than traffic offences, if any) within the past 5 years.

DIRECTORS' PROFILE
(cont'd)

DATO' HJ. MOHD ARIS BIN RAMLI, *Independent Non-Executive Director*

NATIONALITY: Malaysian

AGE / GENDER: 66 / MALE

Date appointed	13 September 2018
No of Board meetings attendedin the financial period(*)	19 out of 19 (100% attendance) *(*) 1 January 2019 to 30 June 2020*
Qualifications	• Diploma in Political Science • Masters Degree in Human Resource Management
Experience	He was a senior assistant commissioner in the Royal Malaysia Police. He has served as the Deputy Director of Commercial Crime Division, responsible for oversight of the Malaysia which involved insurance fraud, e-banking fraud, numerous other criminal justice and public safety agencies of the cyber-crime.
Membership in Board Committee(s)	• Chairman, Remuneration Committee • Member, Audit Committee • Member, Nominating Committee • Member, Risk Management Committee
Directorship in other public companies	None
Declaration of conflict of interest or any family relationship with any other director and/or major shareholders	He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group.
Declaration on conviction of offences within the past 5 years	He maintains a clean record with regards to convictions for offences (other than traffic offences, if any) within the past 5 years.

DIRECTORS' PROFILE
(cont'd)

PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF, *Independent Non-Executive Director*

NATIONALITY: Malaysian

AGE / GENDER: 47 / MALE

Date appointed	13 September 2018
No of Board meetings attendedin the financial period(*)	19 out of 19 (100% attendance) *(*) 1 January 2019 to 30 June 2020*
Qualifications	• Doctor of Philosophy (Ph.D), University of Southern Queensland, Australia • Master in Business Administration (Management), Universiti Utara Malaysia, Kedah • Bachelor in Accounting (Hons.), Universiti Utara Malaysia, Kedah • Chartered Accountant, Malaysian Institute of Accountants
Experience	He was the former Assistant Vice Chancellor for Department of Universiti Utara Malaysia (UUM) Enterprise, former member of University Management Committee and member of Senate at UUM. Currently, he is the professor at School of Economic, Finance and Banking and also a member of Senate of UUM. His specialization is in financial planning, SME finance and franchising. Currently, he is a Board Member and Audit Committee Chairman of Impiana Hotels Berhad. He was previously a Director in Perbadanan Nasional Berhad (PNS) from 2008 to 2013. During his tenure as a Director in PNS, he assumed the role of the Chairman of Audit and Risk Committee. He is highly regarded as a Franchise and SME Industry Expert and Consultant. He has extensive exposure in franchise industry, SME finance and entrepreneurship development involving research, consultation, government advisory and presentation research findings locally and abroad.
Membership in Board Committee(s)	• Chairman, Audit Committee • Chairman, Nominating Committee • Member, Remuneration Committee
Directorship in other public companies	Impiana Hotels Berhad
Declaration of conflict of interest or any family relationship with any other director and/or major shareholders	He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group.
Declaration on conviction of offences within the past 5 years	He maintains a clean record with regards to convictions for offences (other than traffic offences, if any) within the past 5 years.

DIRECTORS' PROFILE
(cont'd)

MOHANADAS A/L K.P. BALAN, *Independent Non-Executive Director*

NATIONALITY: Malaysian

AGE/GENDER: 67/MALE

Date appointed	13 September 2018
No of Board meetings attendedin the financial period(*)	19 out of 19 (100% attendance) *(*) 1 January 2019 to 30 June 2020*
Qualifications	• Fellow Chartered Association of Certified Accountants (UK) • Chartered Accountant, Malaysian Institute of Accountants
Experience	He has more than 40 years of experience in accounting, financial reporting, liquidity management and management control systems in various industries which including manufacturing, property development, international trading, distribution, oil palm plantation and agro & industrial chemical.
Membership in Board Committee(s)	• Chairman, Risk Management Committee • Chairman, Corporate Administration and Compliance Committee • Member, Audit Committee • Member, Nominating Committee • Member, Remuneration Committee
Directorship in other public companies	Nil
Declaration of conflict of interest or any family relationship with any other director and/or major shareholders	He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group.
Declaration on conviction of offences within the past 5 years	He maintains a clean record with regards to convictions for offences (other than traffic offences, if any) within the past 5 years.

KEY SENIOR
MANAGEMENT PROFILE

Name	**NG CHEE KEONG**
Position	Deputy CEO (Legal, Compliance, Internal Controls and Corporate Governance
Nationality	Malaysian
Age/Gender	49 / Male
Date of appointment	24 June 2020
Qualifications	Bachelor of Law from Bond University, Australia
Experience	He was called to the Malaysian Bar in 1996 and has over 20 years of experience as a lawyer. Upon graduation, he was employed as a chambering student by Messrs Baharuddin & CK Lim in 1995, where he was in charge of perusing, drafting statement of claims, providing legal opinions and researching on points of law. He left Messrs Baharuddin & CK Lim in 1996 and was called to the Malaysian Bar in 1996. In 1996, he joined Messrs Alan Chua & Co as Legal Assistant where he was responsible for advising on legal matters. He left Messrs Alan Chua & Co n 1997 to join Messrs Stanley Chang & Co as legal Assistant where he led its civil claim department and assisted in arbitration matter for construction disputes. In 1998, he left Messrs Stanley Chang & Co to start his own firm, Messrs C.K. Ng & Co which specializes in Civil claim, conveyancing and advisory works on corporate laws. In 2001, he merged with Ong & Tan to form Messrs Tan Ng & Ong which specializes in conveyancing of property or bank loans, civil claims for company matter, probate, family matter and execution of judgements. He is currently still a Consultant in Messrs Tan Ng & Ong.
Directorship in other public companies	Revenue Group Berhad

Name	**FOO VOON HOI @ FOO VOO HOY**
Position	Head of Candy Division
Nationality	Malaysian
Age/Gender	73 / Male
Date which first appointed to Key Senior Management	1 April 1996
Qualifications	Senior Middle Three (Chinese School)
Experience	40 years in sugar confectionary industry

KEY SENIOR MANAGEMENT PROFILE
(cont'd)

Name	**VOO LIP SANG @ PHILIP**
Position	Financial Controller
Nationality	Malaysian
Age/Gender	53 / Male
Date of appointment	22 July 2020
Qualifications	• Chartered Accountant, Malaysian Institute of Accountants (MIA) • Malaysian Institute of Certified Public Accountants (MICPA)
Experience	He started his career with a Big Five (5) international accounting in assurance and business advisory services and held the last position as Audit Manager. He has accumulated professional experience of more than 20 years and held senior financial position with a multinational semi-conductor industry equipment trading company (Regional Controller) and listed companies (Chief Financial Officer or Group Financial Controller).

Name	**TIN WING YEE**
Position	Head of Distribution (Distribution Division)
Nationality	Malaysian
Age/Gender	43 / Female
Date which first appointed to Key Senior Management	1 October 2015
Qualifications	Diploma in Industrial Engineering from Inti College, Subang Jaya
Experience	She joined Khee San Food Industries Sdn Bhd on 21 February 2001 as an Executive in Raw Material Planning and was promoted as Assistant Operation Manager in year 2006 being primarily responsible for planning, purchasing and customer service. In July 2011, she was promoted as Operation Manager, responsible for the Customer Service Department including exports sales and warehouse & logistics portion. She was promoted as the Group Manager – Customer Service on 1 October 2015 and is responsible for exports customer service and orders, handling customer enquiries and assists in products development. She also oversees the daily delivery/shipment arrangement, monitoring the stock level, allocation and stock issue to achieve the sales target.

KEY SENIOR MANAGEMENT PROFILE
(cont'd)

Name	**YEN PENG YEW**
Position	Deputy Head of Wafer Division
Nationality	Malaysian
Age/Gender	52 / Male
Date which first appointed to Key Senior Management	1 January 2008
Qualifications	• Certificate in Marketing from Advance Tutorial Centre • Cambridge GCE A Level from Thomson Pre-University Singapore
Experience	Since his graduation from Advance Tutorial Centre, he joined Victory Sochew Food Industries Ltd. (Chouzhou) as a Production Manager, to set up and design the new candy line in their Chouzhou plant. He was also in-charge of the day-to-day production planning and execution of all manufacturing and operations functions and to seek for raw and packaging material to meet the production requirement. He joined Khee San Food Industries Sdn Bhd at Telok Panglima Garang as a Deputy Factory Manager in 2003, mainly in-charge of the new wafer line set up and design. He is now in-charge of the day-to-day production planning and execution of all the manufacturing and operations function to ensure the maximization of the utilization of resources, cost and quality standard maintenance.

Name	**THYE CHEE LIN**
Position	Deputy Head of Candy Division
Nationality	Malaysian
Age/Gender	50 / Male
Date which first appointed to Key Senior Management	1 July 2013
Qualifications	Diploma in Electrical and Electronic-City of Guilds of London Institute (Institute Technology Pertama, Kuala Lumpur)
Experience	He joined Khee San Food Industries Sdn Bhd in 1999 as Production Supervisor cum Technician (Electrical) mainly responsible for the Hard candy and Soft candy Auto cooker. He was promoted on 1 May 2009 as Assistant Production Manager and was responsible for daily production operation and organize machinery maintenance upkeep. He was promoted to Production Manager on 1 January 2012 and was responsible to meet daily production output and reporting to top management. He was also responsible to liase with supplier and contractor on machinery spare parts and service job. He was promoted to Deputy Factory Manager on 1 July 2013 and is responsible to the factory operation including production, housekeeping, infra structure and maintenance.

KEY SENIOR MANAGEMENT PROFILE
(cont'd)

Name	**LEE CHAI HONG**
Position	Group Manager, Account and Finance
Nationality	Malaysian
Age/Gender	61 / Female
Date which first appointed to Key Senior Management	28 February 2020
Qualifications	• KUEN CHENG HIGH SCHOOL, SPM • UNIFIED EXAMINATION CERTIFICATE • LCCI
Experience	Ms Lee Chai Hong joined Khee San Food Industries Sdn Bhd in July 1978 as Account Clerk. She was handling Account Payable / Account Receivable and Sales Analysis in 1986. In 1995, she was promoted to Account Supervisor, in charge full set of Accounts. In October 2008, she was promoted to Accounts Assistant Manager, assisting in managing Cash flow and day to day transactions. In August 2010, she was promoted to Accounts Manager and subsequently to Group Manager (Accounts and Finance) in February 2020. Currently, she assists in managing for procurement of Raw Materials and part of IT matters.

Name	**TANG SIOW MEEI**
Position	Head of Human Resources
Nationality	Malaysian
Age/Gender	52 / Female
Date which first appointed to Key Senior Management	1 March 2020
Qualifications	Master of Business Administration (MBA), University of Western Sydney, Australia
Experience	Ms. Tang Siow Meei joined the Group in December 2019 and was appointed as the Head of Human Resources (HR) in March 2020 and is responsible for the overall HR and administrative functions of the Group. In her 24 years of working experience, she has previously held various senior positions in HR and administration including in hotel hospitality which covered Malaysia, Singapore, Vietnam and China.

Notes:

Save as disclosed above, none of the key senior management has:

(a) Any directorships in public companies and listed issuers;
(b) Any family relationship with any director and/or major shareholders of the Company;
(c) Any conflict of interest with the Company;
(d) Any conviction for offences (other than traffic offences) within the past 5 years; and
(e) Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

MANAGEMENT DISCUSSION & ANALYSIS

1. INTRODUCTION

Khee San Berhad("KSB") and its three (3) subsidiaries Khee San Food Industries Sdn Bhd ("KSFI"), Khee San Marketing Sdn Bhd and Mega Global Confectionary Sdn Bhd, (collectively known as "the Group") are the largest manufacturers of candy and wafer products in Malaysia.

The Group's headquarters and facilities are located in Seri Kembangan and Telok Panglima Garang where it produces and distributes the following products divided into two (2) segments:

Segment	Sweets & Candies		Wafers
Products	• Chewy • Deposited • Hard	• Tablet • Chewing Gum • Bubble Gum	• Wafer bars • Wafer cubes

2. FINANCIAL REVIEW

Pursuant to the Group's announcement on 28 February 2020, the Group had changed its financial year end from 31 December 2019 to 30 June 2020 ("FPE2020"). However, for analysis purposes of this section, the Group has annualised the 18 months period of FPE2020 financial results to illustrate the changes in performance between FPE2020 and FPE2018. It is important that the readers of this "management and discussion analysis" section takes note that the annualised figures are not actual figures but are merely for illustration and comparison purposes.

a) Review of Statement of Comprehensive Income

The summary of the Statement of Comprehensive Income is as follows:

(RM Million)	FPE2020 (18 Months)	FPE2020 (Annualised)	FPE2018 [1] (18 Months)	FPE2018 [1] (Annualised)	Variance Annualised FPE2020 vs. FPE2018
Revenue	66.1	44.1	258.6	172.4	*(74.4%)*
Gross (Loss) / Profit	(8.4)	(5.6)	50.9	33.9	*n/m* [2]
Gross (Loss) / Profit Margin ("GPM")	*-12.7%*	*-12.7%*	*19.7%*	*19.7%*	
Other Income	4.5	3.0	6.5	4.3	*(30.8%)*
Distribution Costs	(3.9)	(2.6)	(13.8)	(9.2)	*(71.7%)*
Administrative Expenses	(18.7)	(12.5)	(16.4)	(10.9)	*14.0%*
Other Expenses	(119.2)	(79.5)	(9.9)	(6.6)	*>100%*
Finance Costs	(7.2)	(4.8)	(7.2)	(4.8)	*n/m* [2]
PBT/(LBT)	(152.9)	(101.9)	10.1	6.7	*n/m* [2]
PAT/(LAT)	(152.8)	(101.9)	6.3	4.2	*n/m* [2]

Note: [1] FPE2018 is from the period July 2017 to December 2018.
[2] n/m denotes not measurable.

MANAGEMENT DISCUSSION & ANALYSIS
(cont'd)

The Group's Annualised revenue declined by 74.4% from RM172.4m in FPE2018 to RM44.1m in FPE2020 due to lower sales contribution from local and overseas market. The Group's operations were significantly affected due to the lack of financial resources resultant from the suspension of the Group's bank facilities.

Consequentially, The Group witnessed a reversal in profitability registering a gross loss of RM5.6m for Annualised FPE2020 as compared to a previous Gross Profit position of RM33.9m in Annualised FPE2018. Correspondingly, The Group GP margin plunged to the red registering a Gross Loss Margin of -12.7% for Annualised FPE2020.

The Group's Annualised Profit After Tax decreased from RM4.2m in the preceding Annualised FPE2018 to a Loss After Tax ("LAT") of RM101.9m for Annualised FPE2020. This was primarily due to impairments on trade receivables of RM83.9m, impairment of Plant, Property & Equipment ("PPE") of RM31.3m and impairment of obsolete inventory of RM1.4m.

b) Review of Statement of Financial Position

The summary of the Statement of Financial Position is as follows:

(RM Million)	FPE2020 (18 Months)	FPE2018 (18 Months)	Variance FPE2020 vs. FPE2018
Property, plant and equipment	115.0	176.9	*(35.0%)*
Inventories	5.3	10.3	*(48.5%)*
Trade Receivables	2.5	114.2	*(97.8%)*
Cash and Bank Balances	4.3	19.0	*(77.4%)*
Other Assets	11.4	2.2	*>100%*
Total Assets	138.5	322.6	*(57.1%)*
Trade & Other Payables	53.5	95.8	*(44.2%)*
Deferred Tax Liabilities	15.0	11.5	*30.4%*
Total Borrowings	73.7	84.3	*(12.6%)*
Other Liabilities	7.2	0.1	*>100%*
Total Liabilities	149.4	191.7	*(22.1%)*
Shareholders' Equity	(10.9)	130.9	*n/m [1]*

Note: [1] n/m denotes not measurable.

The Group experienced a 57.1% decrease in its total assets from RM322.6m in FPE2018 to RM138.5m in FPE2020. This was primarily attributable to impairments on trade receivables amounting to RM83.9m, RM31.3m impairment on property plant and equipment ("PPE") and impairment of RM1.4m on obsolete inventories. The decrease was partially offset by a revaluation surplus in its Properties amounting to RM8.7m.

Total Liabilities stood at RM149.4m in FPE2020, which represents a decrease of 22.1% in comparison with RM191.7m registered FPE2018. This was resultant from the notable 44.2% decrease in trade & other payables to RM53.5m, which arose from lower overall business activities as reflected in the marked drop in revenue during FPE2020.

MANAGEMENT DISCUSSION & ANALYSIS
(cont'd)

In addition, total borrowings had also saw a marginal 12.6% decrease from RM84.3m in FPE2018 to RM73.7 in FPE2020 as result of partial repayment of bank borrowings.

Correspondingly, Shareholders' Equity plunged into the negative territory registering a negative equity position RM10.9m during FPE2020 as compared to RM130.9m positive equity position in FPE2018. This was primarily due to the Group reversal to an accumulated loss position of RM134.5m in FPE2020 which was attributable to the significant impairments incurred coupled with the Group's operating loss position.

c) Review of Statement of Cash Flows

The summary of the Statement of Cash Flows is as follows:

(RM Million)	FPE2020 (18 Months)	FPE2018 (18 Months)	Variance FPE2020 vs. FPE2018
Net cash from operating activities	(8.2)	16.5	*n/m* [1]
Net cash (used in) investing activities	(0.1)	(21.7)	*(99.5%)*
Net cash (used in)/from financing activities	(13.0)	13.9	*n/m* [1]
Net (decrease)/increase in cash and cash equivalents	(21.3)	8.7	*n/m* [1]
Cash and cash equivalents at the beginning of the period	17.5	8.6	*>100%*
Cash and cash equivalents at the end of the period	(3.7)	17.5	*n/m* [1]

Note: [1] n/m denotes not measurable.

The Group witnessed a reversal to a net cash used in operating activities of RM8.2m in FPE2020. The reversal is mainly due to the operating loss position (excluding non-cash items) that incurred of RM13.2m coupled with interest payment charges.

The Group's net cash used in investing activities contracted to RM0.1m in FPE2020 as oppose to RM21.7m registered in FPE2018. The reduction is primarily due to lower purchases of PPE amounting to RM0.6m during FPE2020 in comparison with RM20.3mil purchases in the preceding FPE2018.

Lastly on the financing front, the Group had incurred a net cash used in financing activities position of negative RM13.0m in FPE2020 in comparison with the RM13.9m net cash from financing activities position reflected in FPE2018. The reversal in financing position was attributable to the RM11.5m repayment of bank borrowings and RM1.1m dividend payment to shareholders. The above increase in cash used in financing activities was partially offset from the RM3.5m proceeds from issuance of shares.

MANAGEMENT DISCUSSION & ANALYSIS
(cont'd)

3. GROUP REVENUE PERFORMANCE OVERVIEW

The Group's revenue performance for FPE2020 and FYE2018 on a geographical market segment basis is as follows:

(RM Million)	FPE2020 (18 Months)	FPE2020 (Annualised)	FPE2018 [1] (18 Months)	FPE2018 [1] (Annualised)	Variance Annualised FPE2020 vs. FPE2018
Domestic Market	28.8	19.2	176.1	117.4	*(83.6%)*
Export Market	37.3	24.9	82.5	55.0	*(54.8%)*
Total	**66.1**	**44.1**	**258.6**	**172.4**	*(74.4%)*

Note: [1] FPE2018 is from the period July 2017 to December 2018.

4. BUSINESS OPERATIONS REVIEW

In FPE2020, the Group recorded total sales revenue of RM66.1 million of which domestic sales accounted for 43.6% while export sales accounted for the balance 56.4%. The main product categories of the Group are Candy and Wafers.

Candy

The Candies segment is subdivided into various categories as follows:

Categories	Brands
Chewy Candies	Fruit Plus, Mint Plus, Choco Plus, Milk Plus, Snackie, Sochews, Sochews, Victory
Hard Candies	Torrone, Comilk, Kiss Me, BonBon, Colly Pop, Nini, Fizzy, Moraire, Manda, Snackie
Deposited Candies	Victory, Screams
Chewing Gum	88, Victory
Tablet	Bento Tablet

The Candy segment comprises the majority of the Group's revenue and was the main contributor of the Group. The bestselling product was the Fruitplus range of chewy candies whilst Torrone Barley Mint hard candies were an iconic product which was easily recognisable as it has been present in the market for over three decades. The overall market condition remained strong for the segment with strong demand for the chewy and soft candy products, as witnessed by the increase in sales over the previous financial period. This was further strengthened by the successful introduction of the newer flavours in the preceding years.

MANAGEMENT DISCUSSION & ANALYSIS
(cont'd)

Wafer Segment

The wafer segment is subdivided into various categories as follows:

Categories	Brands
Wafer Bars & Cubes	LOVIN, LOVIN Plus, TORRONE, Tip-Top, Snackie

The wafer segment's Lovin wafer in red waxed paper packaging is one of the oldest and iconic wafer brands in Malaysia having been in constant production for the past 40 years and remained well known and recognised by consumers.

The Group originally operated a single wafer production line and due to strong demand for wafers, it had installed and commissioned the second wafer production line in 2009. This additional production line enabled the Group to launch new varieties of wafer products under new brand names. This includes the Snackie brand of wafer cubes which comes in resealable zip bag packaging and Tip Top brand of large wafer bars. These products are targeted to support the Group's efforts to penetrate into modern distribution channels and hypermarkets chainstores such as AEON, Tesco and Giant. Wafers have proven to be enduringly popular and have realised a continued demand for them from various new markets in North and East Africa.

Production Operations

The Group's production candy operations are based in Seri Kembangan and wafer operations are based in Telok Panglima Garang. The Group is currently experiencing capacity constraint due to rising production level to meet demand.

As such, the Group has made significant strides over the years through progressive investments to meet this demand trend. The Group currently operates four (4) units of state-of-the-art packaging machines from the initial two (2) packaging machines in 2013 for purposes of twist wrapping deposited candy products. These machines are capable of packaging speeds 5 times over that of the older existing packaging machines. To date, the Group is one of the few selected companies in Asia to operate this machine. In addition, it has carried out additional upgrades by installing automated candy jar packing lines to reduce manpower requirements. It has also installed new packaging machines for the 150 grams pouch bag packaging to cater for the increasing sales volume to the modern trade segments.

Similarly, for the Fruitplus chewy candy, the Group has progressively increased its packaging machines capacity to cater for the sustained demand growth over the last decade. Additional upgrades have also been made to the production lines to further automate the chewy candy process which helped increase its production output, reduce wastage as well as to reduce the Group's reliance on manpower. These efforts put forth by the Group will address the constrains faced by the production department

Sales and Marketing

Whilst the Group has established a strong footing in the domestic market, it has made significant headwinds to grow its export markets. The Group currently exports to over 30 countries with major destinations being Hong Kong, Vietnam and other Asia Pacific countries. For the domestic market, the focus will be on widening its coverage all the various retails sales point across both the wholesale and modern distribution channels. These sales points can range from mom and pop outlets 24-hour convenient stores, to the various hypermarket chains such as AEON, Tesco and Giant.

Distribution Channels

The Group sells its products via two distribution channels, through wholesale and modern distribution channels.

In an effort to achieve higher sales volume, the Group distributes its products via both the wholesale and modern distribution channels in Malaysia. However, for the export sales, the distribution channels varies from country to country. For example, in Singapore and Hong Kong only the modern distribution channel will be employed whilst the wholesale channel will be more prevalent in Indonesia and Vietnam.

MANAGEMENT DISCUSSION & ANALYSIS
(cont'd)

5. BUSINESS RISKS OVERVIEW

The Group faces several risk factors that may affect the Group's profitability. Those risks include the following:

a) Labour shortages and wage fluctuations

The Group's production activities are labour intensive in nature, thus it is prone to labour shortages. By that same breadth, it is also subject to wage fluctuations as witnessed by the government's amendments of Levy Payment Structure on foreign workers and the increase in minimum wage level in peninsular Malaysia. In an effort to reduce the over-reliance to the labour issues, the Group will continue to invest in automating the plants.

b) Fluctuation of raw materials prices

The fluctuation of raw materials' prices has been an inherent issue for the Group, as well as its competitors in the similar industry. As an example, sugar price fluctuations may severely impact the Group as it is a major component of the Group's products. Realising this issue, the Group has taken necessary steps to reduce the risk of constant price fluctuations by engaging with its various raw material suppliers to strive for favourable longer-term supply arrangements. At the same time, the Group are constantly exploring with new suppliers to ensure that it is not overly dependent and reliant on its current key suppliers. The Group shall ensure that these initiatives are carried out without compromising its products quality.

c) Fluctuation of foreign currency exchange rate

Significant fluctuation of foreign currency exchange rate will impact the Group's cash flow movement and profitability as most of its input materials are sourced from abroad. In addition, the Group also relies on its export sales which are also subject to changes in currency exchange rates. The Group shall manage currency exchange rate fluctuations by continuing to monitor global currency movements and, if necessary, take proactive hedging positions to mitigate such risk.

d) Changes in consumers' preferences

The Group is aware of the continuous shift in consumers' taste preferences. As such it is constantly introducing innovative new flavours for its existing product range, as well as new products and product packaging to the market.

e) Product quality

The Group recognises that it is crucial to ensure its food-base products are high of quality. Deterioration in quality may bring severe negative image to the Group's product brands and create harmful long-term impact to the Group's reputation. To mitigate such occurrences, the Group has implemented strict quality management systems and quality assurance processes to ensure that there is no deterioration in product quality. Furthermore, the group is certified as an ISO and Halal candy and wafer manufacturer.

f) Interest rate & liquidity risk

The Group is exposed to interest rate and liquidity risk as it has considerably high bank borrowings. The board is cognisant of this inherent risk and shall monitor its cashflow position diligently while exploring alternate avenues of funding. The Group may consider raising funds through the capital markets when the stock market condition is much more favourable. This will help mitigate over-reliance on banking facility which is prone to interest rate movements.

MANAGEMENT DISCUSSION & ANALYSIS
(cont'd)

6. OUTLOOK OF FUTURE PROSPECTS

In the recent Covid-19 pandemic outbreak, the Malaysian Government had imposed the Movement Control Order ("MCO") starting mid-March 2020 to curb its spread, many commercial activities were halted. The Covid-19 pandemic has caused a global economy slowdown and affected the operation and business of the Group as it affects the demands of customers. Looking at the outlook of demands since the spike in the pandemic, it is expected that Malaysia's gross domestic product ("GDP") is to drop down to -5.5% as compared to 4.3% in 2019 in accordance to Bank Negara Malaysia.

In view of the volatility of Ringgit Malaysia against foreign currencies and coupled with the uncertainties in the global economy due to the Covid-19 pandemic, the Group expects that the business performance in forthcoming year ahead to remain challenging.

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 Group has already initiated active discussions with its trade and non-trade creditors during this formulation process. The Group had 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. It is the opinion of the companys' solicitors, Krish Maniam & Co, that there is a fair probability of success for the respective suits.

The Group 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.

SUSTAINABILITY REPORT

The Board of Directors present the inaugural Sustainability Report, an overview of the Group's environmental, social and governance performance. The scope of this Report covers Khee San Berhad and its subsidiaries ("KSB Group" or "the Group") for the financial period from 1 Jan 2019 to 30 June 2020. This Report is guided by Bursa Malaysia Sustainability Reporting Guide, United Nations Sustainable Development Goals and the stakeholders' interests.

This Sustainability Report combines financial and non-financial parameters, covering the impacts on sustainable issues, and be transparent on the risks and opportunities it faces and to manage change more effectively.

SUSTAINABILITY GOVERNANCE

The Group's sustainability matters are overseen by the Board of Directors via the recommendation from the Audit Committee to be carried out and implemented by the Management team within the framework.

The Group's success as an organisation relies on the strong and continuing support of its customers, suppliers, business partners, governments and other stakeholders. Being a corporate citizen, its contribution to the vitality of its marketplace is the best way to command the stakeholders' respect and confidence. Business ethics, corporate governance and stakeholder engagement are crucial for the Group as a whole.

The Group works closely with its internal and selected external stakeholders to determine sustainability risks and opportunities with particular focus given to economic, environmental, and social risk factors. As each stakeholder has different requirements and concerns, the Group has made extra efforts to reach out to them, in order to further understand their concerns, interests, and obstacles.

KSB Group's Sustainability Governance Structure is as follows :-

Governance Structure	Roles
Board of Directors	Deliberate and approves the Group's strategies, initiatives, budget and related matters.
Corporate Administration and Compliance Committee	Review and overseeing the implementation and monitoring of the sustainable policies, measures and practices and recommends to the Board of Directors for approval.
Head of Department	Identify, plan and initiate the policies, measures and practices including day-to-day management of sustainability of risks and issues.

The Group has categorised the following four (4) areas as material sustainability matters :

Business	Conduct & Compliance	Environmental Sustainability	Community
• Customers' satisfaction • Returns on investments • Innovation	• Regulatory requirements • Strict internal control	• Environment friendly • Green and alternative technology • Waste Water Treatment	• Employees • Customers • Investors • Stakeholders • Government agencies • Diversity • Community

SUSTAINABILITY REPORT
(cont'd)

STAKEHOLDER ENGAGEMENTS

The following are the areas of interests and methods of engagement used for the Group's key stakeholder groups:

Stakeholder	Engagement Focus Areas	Engagement Approaches
Board of Directors	• Corporate Strategy • Corporate Governance	• Board Meetings
Business Partners (Non-Suppliers)	• Financial performance • Corporate Governance • Business developments	• Meetings and discussions • Financial announcements and reporting • Corporate website
Certification and Regulatory Bodies	• Regulatory compliance • Approvals and permits • Standards and certifications	• Meetings and consultations • Training programmes and dialogues • Audit and verification
Communities	• Quality of health and education • Indirect economic impact • Environmental impact of operations • Community well-being	• Community engagement • Donations and sponsorships • Charity drives and programmes
Customers	• Customer satisfactions • Quality assurance • Product quality and branding • Customer-company relationship • Customer service and complaints resolution • Pricing and promotion • After sales services	• Feedback and enquiry forms • Social media platforms • Customer Relationship Management • Product standards and certifications • Regular meetings • Marketing activities • Sponsorship activities
Employees	• Occupational safety & health • Remuneration policy • Career development and advancements • Performance review • Fair employment practices • Employee retention and loyalty	• Recruitment • Performance appraisal • Dialogues between employers and employees • Training programmes (in house, external, study trips) • Staff activities (sports events, family day) • Long service awards
Government	• Operational regulations • Bursa Malaysia Listing Requirements • Companies Act 2016 • Labour Law • Taxations • Local government licencing	• Compliances to laws and regulations
Media	• Reputation and image • Financial performance • Business updates and corporate news • Public relations • General announcements	• Social media platform • Conference and interviews • Events and functions

SUSTAINABILITY REPORT
(cont'd)

Stakeholder	Engagement Focus Areas	Engagement Approaches
Shareholders and Investors	• Financial performance • Regulatory compliance • Corporate Governance • Ethical business conduct • Investment and divestment • Internal control and risk management • Composition of the Board and various Committees	• Meetings and briefings • Roadshows • Financial announcements and reporting • Policies and framework • Corporate website / social media
Vendors & Suppliers	• Food safety • Product quality and branding • Customer-company relationship • Customer service management • Pricing and promotion	• Quality audit and evaluation on services and products • Regular meetings • Factory visits • Quality audit on services and products • Contract negotiation
Wholesalers & Distributors	• Enhancement of distribution platform • Market demand • Product quality and pricing • Product development and innovation	• Marketing plan • Product promotions • Events • Training • Feedback and surveys

SUSTAINABLE STRATEGIES

Economic Sustainability

The Core business of the group is manufacturing of candy and wafer products for the brand names such as "Fruit plus", "Torrone", "Snackie", "Kissme" and etc, that are being sold locally and abroad. The Group takes pride in all of its products and assures high standards in quality and safety of these products for a sustainable business.

The Group contributed and created values to its stakeholders through tax payments, providing employment opportunities and procurements of goods and services. It continues to manage risks and seek opportunities in increasing its revenue and remain profitable. The Group also develops marketing strategies in promoting and selling its products to both local and export markets to generate sustainable income to create strong and sustainable revenue stream for the Group.

Economic sustainability is the Group's core challenge due to the ever-evolving market conditions. The Group is exposed to external environmental factors, such as of raw materials pricing, finished goods demand, competition, trade barriers in importing countries. Hence, the Group takes great efforts to identify the critical risk which may influence its business strategies. The ability to make judgemental decisions based on market intelligence is crucial to preserve the competitiveness of the Group. With constant updates by the sales and marketing team, as well by advice from the procurement and finance staff, the management is able to mitigate these risk elements.

Financial Sustainability

The Group's commitment to business excellence if focused on its strong corporate governance and prudent financial management. It strives to maintain healthy revenue streams and positive operating cashflows and achieve sustainable profit margins. Operational efficiency, in the production areas, is a priority goal to overcome labour shortage and rising labour costs. Work efficiency by the office staff is similarly important, to maintain high level of result orientated working environment.

Another area to attain financial sustainability is the Group's strategic plans to diversify its income generating sources. By expanding its product mix and breadth, the group will not be over-dependent on a single product, or a small group of products, but instead possesses a larger pool of products catering to a wider market base.

SUSTAINABILITY REPORT
(cont'd)

Environment Sustainability

As a responsible corporate citizen, KSB Group continues to adhere to clearer, greener and healthier working environment. It is mindful of the environmental impact of its activities and has maintain full compliance with all environmental regulations and will continue to develop effective initiatives to protect the environment.

Amongst some of the Environmental initiatives undertaken by the Group are :

- comply with preservation of environmental aspects;
- avoid contamination and improve quality of environment;
- to optimise manufacturing efficiency through energy efficient production machinery
- conserve consumption of water, electricity and other natural resources in the business operations
- to reduce noise pollution by servicing the production machines
- to ensure all materials used, where possible, are sourced from sustainable or recycled means
- to ensure wastes are responsibly disposed at designated premises

Social Sustainability

The Group ensures that risks to health and safety from work activities are properly controlled and the efforts to do the same are beyond regulatory compliance.

The Company has taken a proactive approach to ensure the following:

- That the employees' risk of exposure to COVID-19 is minimized;
- That the business or daily operations of the Company can still continue by implementing strict and effective Standard Operating Procedures ("SOP") and best practices as recommended by the Ministry of Health and the World Health Organization;
- Developing SOP and/or alternative business arrangements with customers, contractors or suppliers to ensure smooth continuity of the business and operations.

Human resource is a vital component of KSB Group's business. Their performance and commitment to their respective jobs are crucial to develop a long-lasting survival and sustainability of the business. As such, the Group takes seriously its efforts to develop a sustainable talent pool who can realise their full potential. The Group organises in-house as well as external training programmes and workshops which are tailor-made to different departments and job functions to cater for their respective skill sets. This is to help the employees in broadening their knowledge base and technical knowhow on new developments in their respective field of expertise, as well as improving the soft skills of the employees.

The Group practises equal and competitive opportunities at all levels of its business, aiming to achieve a balanced participation between men and women in the workforce. The Group creates opportunity for employees to showcase their talent and dedication to their work. The Group also offers various employees' benefits, such as :

- Hospitalisation and group insurance coverage;
- Long service awards in honour the employees' dedication, commitment and hard work; and
- Employees Share Option Scheme (ESOS) to allow the staff the opportunity to invest into the Company.

The Group is committed in ensuring safe environment for its employees, contractors and visitors, such as :

- ensuring the working place is free from any physical or verbal abuse;
- ensuring round-the-clock surveillance at workplace;
- briefings on the awareness of the safety precautions and health issues;
- adhering to the Occupational, Safety and Health management system standard;
- employees must wear safety gears to avoid injuries in their respective work place; and
- implementing of the whistleblowing policy.

As part of the compliance to ensure good quality produced products for the market, KSB Group adhered to the Good Manufacturing Practice ("GMP"), Hazard Analysis and Critical Control Points ("HACCP") guidelines

SUSTAINABILITY REPORT
(cont'd)

KSB GROUP'S COMMITMENTS

As sustainability is a core element of the Group strategy, KSB Group is committed to strengthen the sustainable and practices to have a positive impact of our business in the society. There will be ongoing review and revision of directives and regular internal audits to ensure that the Group builds a sustainable business for generations to come. Much efforts will be put in to enhance and improve the management systems and policies, in order to improve its overall sustainability performances. This is in line with KSB Group's aspiration to continuously introduce new product range to its customers, create values to its stakeholders, and to enrich its employees and the local communities.

This Report was approved by the Board on 27 October 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD OF DIRECTORS ("THE BOARD") OF KHEE SAN BERHAD ("KHEE SAN" OR "COMPANY") PRESENTS THIS STATEMENT TO PROVIDE SHAREHOLDERS AND INVESTORS WITH AN OVERVIEW OF THE CORPORATE GOVERNANCE PRACTICES OF THE COMPANY UNDER THE LEADERSHIP OF THE BOARD DURING THE FINANCIAL PERIOD ENDED 30 JUNE 2020. THIS OVERVIEW TAKES GUIDANCE FROM THE KEY CORPORATE GOVERNANCE PRINCIPLES AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("MCCG").

The Corporate Governance Overview Statement is made pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and guidance was drawn from Practice Note 9 of Bursa Securities' Listing Requirements and the Corporate Governance Guide (3rd Edition) issued by Bursa Securities.

The overview statement is to be read together with the CG Report 2020 ("CG Report") of the Company which is available on the Company's website at www.kheesanbhd.com. The detailed explanation on the application of the corporate governance practices are reported under the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

PART I - BOARD RESPONSIBILITIES

Strategic plans and directions

The Group is led and controlled by an effective Board that is responsible for the overall business conduct of the Group, with priorities given on strategic management, risk management, internal control, succession planning and monitoring Management's performance. The Board also undertakes full responsibility on issues concerning the Group's financials, strategies, compliance, governance and other operational matters while protecting the interests of the Group's stakeholders.

The Board recognises the key role it plays in charting the strategic direction of the Group and has assumed the following principal responsibilities in discharging its fiduciary duties:

(a) Reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;
(b) Overseeing the conduct of the Group's businesses and evaluating whether or not its businesses are being properly managed;
(c) Identify principal business risks faced by the Company and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
(d) Reviewing the adequacy and integrity of the Company's internal control and management information systems;
(e) Carrying out periodic review of the Group's financial performance and operating results and major capital commitments; and
(f) Reviewing and approving any major corporate proposals, new business ventures or joint ventures of the Company.

The Executive Director(s) are responsible for implementing policies of the Board, overseeing the Group's operations and developing the Group's business strategies for the Board's review and adoption. The Independent Directors fulfil a pivotal role in corporate accountability by providing independent views, advices and judgement to enable a balanced and unbiased decision-making process in safeguarding shareholders' interest.

To assist in the discharge of its stewardship role, the Board has established the following Board Committees to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations:

(i) Audit Committee
(ii) Nominating Committee
(iii) Remuneration Committee
(iv) Corporate Administration and Compliance Committee
(v) Risk Management Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

All committees have written terms of reference. The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board's considerations and approvals and extracts of such reports are incorporated in the minutes of the Board meetings. The Board retains full responsibility for the direction and control of the Company.

Chairman and CEO

The Board have yet to appoint any Chairman since the resignation of Dato' Sri Liew Yew Chung on 13 September 2019. The Board is of the opinion that the current size and composition does not warrant the requirement for a Chairman to be appointed at the present moment.

The Chief Executive Officer, Mr. Edward Tan Juan Peng and assisted by the Deputy CEO, Mr. Ng Chee Keong manages and leads the senior management team of the Group on the day-to-day business operations and implements the Board's decisions and policies.

Qualified and Competent Company Secretaries

The Board is supported by suitably qualified and competent Company Secretaries who are members of the relevant professional bodies. The appointment of Company Secretaries is based on the capability and proficiency determined by the Board. The Constitution of the Company permits the removal of Company Secretaries by the Board. All members of the Board, whether as a whole or in their individual capacity, have access to the advice and services of the Company Secretaries on all matters relating to the Group to assist them in the furtherance of their duties. The Board is regularly updated and kept informed by the Company Secretaries and the Management of the requirements such as restriction in dealing with the securities of the Company and updates as issued by the various regulatory authorities including the latest developments in the legislations and regulatory framework affecting the Group.

Access to information and advice

The Board recognizes that the decision-making process is highly contingent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Company and the Group. All the Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

The Executive Directors and/or other relevant Board members will furnish comprehensive explanation on pertinent issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making. In addition, the Board members are updated on the Company's activities and its operations on a regular basis.

External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Key Senior Management team are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the Management team.

The Company Secretary is entrusted to record the minutes of meeting on the Board's and Board Committees' deliberation and ensure the deliberations are adequately documented. The minutes of meetings are then circulated to the Board and Board Committee members in a timely manner for further action.

Board Charter

The Board has established a Board Charter to provide guidance in the roles and responsibilities of the Directors and management, and to facilitate an effective discharge of its duties.

The Board Charter, which serves as a referencing point for Board's activities to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company, also seeks to include a formal schedule of matters reserved to the Board for deliberation and decision, so that the control and direction of the Company are in its hands.

The Board Charter was last reviewed and approved on 13 March 2019. The Board will review the Board Charter from time to time to ensure that the Board Charter remains consistent with the Board's objectives, current law and practices.

Code of Conduct and Ethics

The Company establishes appropriate standards of business conduct and ethical behaviour as a guide to ensure that the Directors and all employees of the Group discharge their respective duties and responsibilities with the highest professionalism and trustworthiness in order to uphold good corporate integrity.

The Code of Conduct and Ethics was adopted on 13 March 2019.

Whistle-Blowing Policy

The Board has in place a Whistle Blowing Policy and serve as a platform and laid out the procedures for employees to raise genuine concerns about any suspected and/or known unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements that is taking place and/or has taken place and/or may take place in the future at the earliest opportunity, without being subject to victimisation, harassment or discriminatory treatment.

The Whistle Blowing Policy sets out the protection to any reporting individual who has made the disclosure or report in good faith, the confidentiality and safeguarding in dealing with such disclosure or report, the communication channel and the procedurals flow of making the disclosure or report.

The Board Charter, Code of Conduct and Ethics and Whistle-Blowing Policy are available for reference on the Group's website at www.kheesanbhd.com

The Board is mindful of the provisions of Section 17A of the MACC Act which came into on effect 1 June 2020. The Board will be reviewing its existing policies as well as its business processes to ensure that they are compliant and in line with the new Section 17A and adoption of the Anti-Bribery and Corruption Policy.

PART II - BOARD COMPOSITION

Board Composition and Balance

The Board currently consists of four (4) members, comprising one (1) Executive Director and three (3) Independent Non-Executive Directors. The Board's composition is in compliance with the provisions of the Listing Requirements of Bursa Securities for independent non-executive directors to make up at least one third (1/3rd) of the Board membership and for a director who is qualified under Paragraph 15.09 (1)(c) of Bursa Securities' Listing Requirements to sit on the Audit Committee.

The Directors play an active role in the Board's decision-making process, offering vast experience and knowledge as well as independence and objectivity, acting in the best interests of the Company. All Independent Non-Executive Directors are independent from the management and free from any relationship with any Director and/or major shareholder of the Group. The profile of each member of the Board is set out in this Annual Report.

Tenure of Independent Non-Executive Directors

The Board acknowledged that the tenure of an independent director shall not be more than nine (9) years. In the event the Board wishes to retain an Independent Director who has served beyond the nine (9) year tenure, shareholders' approval is required subject to assessment of the NC and with valid justification. If the Board wishes to retain an Independent Director after the 12th year, the Board must justify and seek annual shareholders' approval through a two-tier voting process. An Independent Director may continue to serve on the Board subject to him/her being re-designated as Non-Independent Director.

As at the date of this Annual Report, none of our Independent Non-Executive Directors have served more than nine (9) years.

Diverse Board and Senior Management Team

To maintain the best interest of the Company, diversity is applied within the Board, Senior Management and all levels of the organisation. In line with this, the Board and Senior Management are appointed based on merit, mix of skills, competencies, experience, professionalism and other relevant qualities which includes age and cultural background to have better governance in the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

Brief descriptions of the background of Directors and Key Management are presented in Directors' Profile and Key Senior Management's Profile respectively in this Annual Report.

<u>Gender Diversity Policy</u>

The Board has always taken into account diversity as one of the selection criteria of Board appointees as it recognises that a diversified Board will provide effective and dynamic discussions at the Board level.

Currently, the Company does not have a written policy on diversity pertaining to the selection of its Board members. However, the Board is of the collective opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing within the Group.

The Board would endeavour to meet the requirement to identify and recommend suitable female candidate to the Nominating Committee in accordance with their skills, contributions, background, commitments and experiences in the nearby future.

The Board is satisfied with the composition of its current members and is of the view that with the current mix of skills, knowledge, experience and strength, the Board is able to discharge its duties effectively and in a competent manner.

<u>Directors' Commitment</u>

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings.

As of the date of this Statement, none of the Directors held directorship in more than five (5) public listed companies. The Board is satisfied that the Directors have devoted sufficient time in discharging their roles and responsibilities effectively as well as regularly updating and enhancing their skills and knowledge.

During the financial period ended 30 June 2020*, the Directors' attendance at the Board Meetings were as follows:

Name of Directors	**Designation**	**No of meetings attended**
Dato' Sri Liew Yew Chung *(Resigned on 13 September 2019)*	Chairman / Non-Independent Non-Executive Director	7/7
Edward Tan Juan Peng	Executive Director/Chief Executive Officer	19/19
Liew Yet Mei *(Resigned on 13 September 2019)*	Alternate Director to Dato' Sri Liew Yew Chung	N/A
Leslie Looi Meng *(Resigned on 3 July 2019)*	Independent Non-Executive Director	4/4
Huang Yan Teo *(Resigned on 29 July 2019)*	Independent Non-Executive Director	4/4
Wong Hock Foong *(Resigned on 29 August 2019)*	Independent Non-Executive Director	3/5
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif	Independent Non-Executive Director	19/19
Dato' Hj. Mohd Aris Bin Ramli	Independent Non-Executive Director	19/19
Mohanadas A/L K.P.Balan	Independent Non-Executive Director	19/19

* *1 January 2019 to 30 June 2020*

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

Nominating Committee ("NC")

The Board as a whole is responsible for recommending suitable candidates for Directorships to the Board. In evaluating potential candidates, the Board through the NC will assess directorship suitability based on objective criteria, including:

- Qualification;
- Required competencies, skills, expertise and experience;
- Specialist knowledge or technical skills;
- Professionalism and integrity; and
- Time commitment to the Company

In searching for suitable candidates, the Board may receive suggestions from existing Board Members, Management, and major shareholders. The Board is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.

The current composition of NC comprises of three (3) members, all of whom are Independent Non-Executive Directors and chaired by Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif.

The terms of reference of NC are available for reference at the Company's website at www.kheesanbhd.com

All Directors are encouraged to attend training programmes which they have individually or collectively considered relevant or those identified by the Company, to enable them to discharge their duties effectively and to keep abreast with relevant new development on a continuous basis on rules and regulations, economic, industry and technical developments to further enhance their skills and knowledge. The Directors are also regularly updated by the Management and Company Secretary of changes in statutory requirements, accounting standards and other relevant laws and regulations.

The training and development programmes attended by the Directors during the financial period ended were as follows:

Name of Directors	Training/Seminar/Conference
Edward Tan Juan Peng	• Key Disclosure Obligations of a Listed Company - Financial Reporting by CKM Advisory Sdn Bhd on 24 July 2019 • Financial Reporting to Board of Directors and Top Management by Global Connect Intelligence Sdn Bhd on 24 July 2019
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif	• Key Disclosure Obligations of a Listed Company - Financial Reporting by CKM Advisory Sdn Bhd on 24 July 2019 • Financial Reporting to Board of Directors and Top Management by Global Connect Intelligence Sdn Bhd on 24 July 2019 • SEFB Team Building from 31 July to 1 August 2019 • Seminar on Road to Financial Freedom on 24 September 2019 • Forum Pasca Bajet 2020 on 13 October 2019 • Evaluating Effective Internal Audit Function - Audit Committee's Guide on How to Workshop by Bursa Malaysia & IIAM on 17 October 2019 • The Inaugural International Conference on Multidisciplinary 2019 from 8 December to 11 December 2019
Mohanadas A/L K.P.Balan	• Key Disclosure Obligations of a Listed Company - Financial Reporting by CKM Advisory Sdn Bhd on 24 July 2019 • Financial Reporting to Board of Directors and Top Management by Global Connect Intelligence Sdn Bhd on 24 July 2019
Dato' Hj. Mohd Aris Bin Ramli	• Key Disclosure Obligations of a Listed Company - Financial Reporting by CKM Advisory Sdn Bhd on 24 July 2019 • Financial Reporting to Board of Directors and Top Management by Global Connect Intelligence Sdn Bhd on 24 July 2019

The directors will continue to undergo periodic training of relevant courses as well as attend seminars, conferences and similar events in keeping themselves abreast with the latest skills and knowledge to discharge their duties effectively.

Annual Assessment

The Board conducted an annual assessment to evaluate the effectiveness of the Board and the Board Committees through the NC for the financial period ended 30 June 2020. The evaluation involves individual Director completing a set of questions regarding the following key areas:

- Quality and composition
- Quality of information and decision making
- Boardroom activities
- Board Committees

The NC also received the declaration and assessment on the independence by the Independent Non-Executive Directors to ensure they were able to exercise and maintain their independent judgement at all times. Upon reviewing the results of assessments, the NC was satisfied with the existing Board composition as well as the mix of experience, expertise and qualification of its Board members.

The NC had also concluded that all Directors have demonstrated their commitment, responsibilities and effectiveness towards the Company in terms of time and participation during the financial period ended 30 June 2020 and subsequently recommended to the Board on the re-election of the retiring Director(s) at the upcoming Annual General Meeting ("AGM").

During the financial period ended 30 June 2020, apart from the annual assessment, the NC had also conducted the following activities:

(a) Reviewed the composition of the members of the AC, NC, RC, RMC and CACC;
(b) Reviewed the Terms of Reference of the NC;
(c) Reviewed the list of employees above 60 years old in the Group in 2020; and
(d) Proposed the setting up of the Management EXCO & Human Capital Committee

PART III - REMUNERATION

Remuneration Committee

At present, the Remuneration Committee ("RC") consists of a majority of Independent Non-Executive Directors and is chaired by Dato' Hj. Mohd Aris Bin Ramli. The RC is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Directors. The terms of reference of RC are available for reference at the Company's website at www.kheesanbhd.com

Remuneration Policy

The Board believes that appropriate and competitive remuneration is crucial to attract, retain and motivate Directors of the necessary caliber, expertise and experience to lead the Group. In line with this philosophy, remuneration for the Executive Directors is aligned to individual and the Company's performance. For Non-Executive Directors, the fees are set based on the responsibilities shouldered by the respective Directors. Individual Directors do not participate in determining their own remuneration package.

The remuneration of Executive Directors is made up of basic salaries, monetary incentives and fringe benefits; and is linked to their personal performance targets. Salaries for Executive Directors consist of both fixed (i.e. base salary) and variable (performance-based incentive) remuneration components. The remuneration levels of Executive Directors are structured to enable the Company to attract and retain the most qualified Executive Directors. The Company may provide competitive benefits to Executive Directors, such as a fully expensed car or cash alternative in lieu of car, company driver, fuel expenses, private medical insurance and life insurance. Allowances relating to business expenses (i.e. entertainment and travel) incurred are reimbursed such that no additional compensation is given to the Executive Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

The remuneration of Non-Executive Directors is made up of Directors' fees, meeting allowances and other benefits. The level of remuneration for Non-Executive Directors shall reflect the experience and level of responsibilities undertaken by the Non-Executive Director concerned. The remuneration of a Non-Executive Director shall and is not based on commission, percentage of profits, or turnover. Non-Executive Directors are not entitled to receive performance-based bonuses. The remuneration of Non-Executive Directors is reviewed by the Remuneration Committee and Board annually. In accordance with the Companies Act 2016 ("the Act"), payment of directors' fees and benefits shall be approved at a general meeting. The Board shall seek shareholders' approval at the upcoming AGM for the payment of directors' fees and benefits for the directors of the Group for the financial period ended 30 June 2020.

In line with the Code, disclosure of the remuneration of Directors' of the Group is made on a named basis. Details of the remuneration of each Director for the financial period ended 30 June 2020 are as follows:

	Company				Group			
Name of Directors	**Fees (RM)**	**Salaries & Bonuses (RM)**	**Benefits-in-kind (RM)**	**Others (RM)**	**Fees (RM)**	**Salaries & Bonuses (RM)**	**Benefits-in-kind (RM)**	**Others (RM)**
Executive Director								
Edward Tan Juan Peng	39,113	555,000	–	22,600	39,113	555,000	–	22,600
Non-Independent Non-Executive Director								
Dato' Sri Liew Yew Chung *(Resigned on 13 September 2019)*	15,781	–	–	8,000	15,781	–	–	8,000
Independent Non-Executive Director								
Leslie Looi Meng *(Resigned on 3 July 2019)*	14,856	–	–	8,600	14,856	–	–	8,600
Huang Yan Teo *(Resigned on 29 July 2019)*	14,178	–	–	7,300	14,718	–	–	7,300
Wong Hock Foong *(Resigned on 29 August 2019)*	14,856	–	–	5,000	14,856	–	–	5,000
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif	37,949	–	–	43,300	37,949	–	–	43,300
Dato' Hj. Mohd Aris Bin Ramli	40,048	–	–	37,300	40,048	–	–	37,300
Mohanadas A/L K.P.Balan	42,342	–	7,400	39,400	42,342	–	7,400	39,400

The Board is of the view that the disclosure of the Senior Management's remuneration components will not be in the best interest of the Group given the competitive human resources environment as such disclosure may give rise to talent recruitment and retention issue. Also premised on the confidentiality of the remuneration package of our Senior Management, the Board has adopted a disclosure of our Senior Management remuneration in bands of RM50,000 on an unnamed basis. The top five Management of the Group in each remuneration band are as follows:

Range of Remuneration	Number
RM150,000 to RM200,000(*)	2
RM200,001 to RM250,000(*)	3

(*) For 18 months

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I - AUDIT COMMITTEE

The Audit Committee ("AC") of the Company comprises all Independent Non-Executive Directors and is chaired by Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif.

The AC assesses the suitability and independence of the external auditors on an annual basis. Areas of assessment including amongst others, the external auditor's objectivity and independence, audit fees, size and competency of the audit team, audit strategy, audit reporting and partner involvement. The inputs/opinions from the Company's personnel who had constantly contacted with the external audit team throughout the year would also be used as a tool in the judgement of the suitability of the external auditor.

The external auditors, in supporting their independence, will provide the Audit Committee with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. The external auditors have provided such declaration in their annual audit plan presented to the Audit Committee of the Company during the financial period.

PART II - RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic risk management and internal control framework to achieve its objectives within an acceptable risk profile as well as safeguarding the interest of stakeholders and shareholders and the Group's assets.

The Risk Management Committee ("RMC") was established on 13 March 2019. It is chaired by Mr. Mohanadas A/L K.P.Balan. and comprises a majority of Independent Directors. The primary responsibility and purpose of the RMC is to assist the Board in fulfilling its responsibility with respect to evaluating, reviewing and monitoring the Group's risk management framework and activities on on-going basis. The RMC reports to the Board regarding the Group's risk exposures, including review risk assessment model used to monitor the risk exposures and Management's view on the acceptable and appropriate level of risks faced by the Group.

Further information on the Group's risk management and internal control framework is made available in the Statement of Risk Management and Internal Control of this Annual Report 2020.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

PART I - COMMUNICATION WITH STAKEHOLDERS

The Board is committed to provide effective, transparent and regular communication with its shareholders and other stakeholders regarding the business, operations and financial performance of the Group to enable them to make informed decisions.

Through its website www.kheesanbhd.com and its announcements on Bursa Malaysia's website, the Group shares mandatory public announcements as well as publishes its quarterly and annual results. The quarterly financial results are announced via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

The AGM also serves as a principal forum for dialogue with the shareholders where they will be given the opportunity to seek and clarify any issues on the resolutions being proposed and also matters relating to the performance, developments within and the future direction of the Group.

The Annual Report serves to provide a detailed account of Khee San's performance for the financial period as well as its business plans and strategies going forward. The Annual Report is sent to shareholders 28 days prior to the AGM in fulfilment of Practice 12.1 of the MCCG. The Notice of AGM and Proxy Form is also sent 28 days prior to the AGM to enable shareholders to have sufficient time to make arrangements to attend, or to send a proxy in their stead.

The Board continues to encourage shareholders to attend and voice their opinions and concerns and to vote accordingly.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PART II - CONDUCT OF GENERAL MEETINGS

The Company values its AGM as a key shareholder engagement channel. AGMs are conducted in a transparent manner with comprehensive disclosure of financial results, business strategies, the Group's risk factors and its prospects going forward.

Pursuant to the Listing Requirements of Bursa Securities, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. Hence, voting for all resolutions as set out in the Notice of the forthcoming AGM and future general meetings will be conducted by poll. An independent scrutineer will be appointed to validate the votes cast at the general meetings.

Barring unforeseen circumstances, all Directors will be present at the forthcoming AGM of the Group to enable the shareholders to raise questions and concerns directly to those responsible.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is satisfied that throughout the financial period ended 30 June 2020, the Company has applied the principles and recommendations of the corporate governance set out in MCCG, where necessary and appropriate.

This Corporate Governance Overview Statement was approved by the Board on 27 October 2020.

AUDIT COMMITTEE REPORT

A. MEMBERSHIP AND MEETINGS

The Audit Committee ("AC") comprises of three (3) members of which all are Independent Non-Executive Directors, in compliance with Paragraph 15.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The members of the AC and details of their attendance at the AC Meetings for the financial period ended 30 June 2020(*) are as follows:

Name	Designation	Number of Meeting(s) Attended
Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif ^	Chairman, Independent Non-Executive Director	17/17
Mohanadas A/L K.P.Balan ^	Member, Independent Non-Executive Director	17/17
Dato' Hj. Mohd Aris Bin Ramli	Member, Independent Non-Executive Director	17/17

* *1 January 2019 to 30 June 2020*
^ *Member of the Malaysian Institute of Accountants*

On 28 February 2020, the Company's changed its financial year from 31 December to 30 June to reflect a more accurate and transparent financial results due to the current restructuring exercise and to enable the Management and external auditors to have adequate time to finalise the financial statements.

The AC met seventeen (17) times during the financial period. Mr. Edward Tan Juan Peng, the Company's Chief Executive Officer and other senior management staff attended the meetings by invitation of the AC. The representatives of internal and external auditors were also present during deliberations of the subjects which required their input and advices.

The summary of the AC meetings held were as follows:

Date of Meeting	Subject matters
25 February 2019	• Status of the re-audit of financial statements for the FYE 30 June 2015 and 30 June 2016 • Reviewed the Quarterly Results ended 31 December 2018 • Proposal for appointment of Internal Auditor
13 March 2019	• Status of re-audit of financial statements for the FYE 30 June 2015 and 30 June 2016 • Appointment of Internal Auditor
6 May 2019	• Approved the re-audited financial statements for the FYE 30 June 2015 and 30 June 2016 • Approved the audited financial statements for the financial period ended 31 December 2018 • Reviewed the AC Report, CG Overview Statement and SORMIC for Annual Report 2018
28 May 2019	• Reviewed the Quarterly Results ended 31 March 2019 • Reviewed of RRPTs for the period ended 31 March 2019 • Reviewed the Circulars for Proposed RRPTs Renewal and Proposed Share Buy-Back Renewal • Re-appointment of External Auditors

AUDIT COMMITTEE REPORT
(cont'd)

Date of Meeting	Subject matters
25 June 2019	• Discussed the Sales for period ended 31 March 2019 and Debtors for the FYE 31 December 2018
19 July 2019	• Discussed the Sales for period ended 31 March 2019 and Debtors for the FYE 31 December 2018 • Reviewed the Internal Audit Report on Inventory Management • Impact to the Group in respect of Letter of Demand to London Biscuits Berhad ("LBB")
24 July 2019	• Discussed the adjustments and rectification of Quarterly Results for the period ended 31 March 2019
2 August 2019	• Discussed the adjustments and rectification of Quarterly Results for the period ended 31 March 2019 • Approved the Terms of Reference of AC and Whistleblowing Policy
13 August 2019	• Discussed the Solvency Status of the Group • Discussed the restructuring of Company vis-à-vis cash management and debtors' credit terms
27 August 2019	• Reviewed the Quarterly Results ended 30 June 2019 • Reviewed the Internal Audit Report on Finance Function
29 August 2019	• Reviewed the Quarterly Results ended 30 June 2019 • Reviewed of RRPTs for the period ended 30 June 2019 • Revaluation of Assets • Cash flow status and position
3 October 2019	• Cash flow status and position • Changes to authorised signatories of bank accounts
1 November 2019	• Cash flow matters • Planning of Quarterly Results ended 30 September 2019 • Intercompany account between LBB and the Group
14 November 2019	• Reviewed the Quarterly Results ended 30 September 2019 • Reviewed the Internal Audit Report on Human Resource & Payroll Management
21 November 2019	• Reviewed the Quarterly Results ended 30 September 2019
26 February 2020	• Reviewed the Quarterly Results ended 31 December 2019 • Discussed the Change of Financial Year End
26 June 2020	• Reviewed the Quarterly Results ended 31 March 2020

The AC engages on a continuous basis with Management, the external and internal auditors to keep abreast of matters affecting the Group. Where significant issues are noted, the Chairman of the AC communicates and confers with the other members, either through emails, group chat on Watsapp messaging platform, virtual and physical meetings.

AUDIT COMMITTEE REPORT
(cont'd)

B. TERMS OF REFERENCE

The Terms of Reference of the AC are aligned with the MMLR of Bursa Securities and recommendations of the Malaysian Code on Corporate Governance. The Terms of Reference will be revised accordingly, to cater for changes, if any. The Terms of Reference is available at the Company's website at www.kheesanbhd.com

C. SUMMARY OF ACTIVITIES

In line with the Terms of Reference of the AC, the following is a summary of work undertaken by the AC during the financial period ended 30 June 2020 in discharging its functions and duties:

1. Financial Reporting

a) Reviewed Quarterly Results and the annual audited financial statements of the Company for the financial period ended 30 June 2020 including the announcements pertaining thereto before recommending to the Board for approval and release of the announcements to Bursa Securities.

b) Reviewed the annual Audited Financial Statements of the Company and the Group for the financial period ended 31 December 2018 to ensure that it presented a true and fair view of the Company's financial position and performance for the year and compliance with all the regulatory requirements.

2. Annual Reporting

Reviewed the AC Report, Corporate Governance Overview Statement and Statement of Risk Management and Internal Control for insertion into the Company's Annual Report 2018 before tabling and recommending for the Board's approval.

3. External Audit (Kreston John & Gan)

a) Reviewed and discussed the re-audit of Audited Financial Statements ("AFS") for the financial year ended 30 June 2015 and 30 June 2016 respectively including the Quarterly Results ("QR") arising from the directive by the Securities Commission on 21 May 2018. The AFS had been completed on 18 April 2019 and was circulated to shareholders on 8 May 2019.

b) Reviewed and discussed at the meeting held on 13 March 2019, the Audit Plan and Key Audit Matters.

c) Reviewed and discussed at the meeting held on 6 May 2019, the AFS for the financial period ended 31 December 2018.

d) The AC had on 28 May 2019 recommended to the Board for approval, the re-appointment of the External Auditors for the financial year ended 31 December 2019.

4. Internal Audit (PKF Advisory Sdn Bhd)

a) Reviewed the Internal audit reports prepared by the Internal Auditors based on the approved Annual Audit Plan for the Group. The AC also reviewed the audit findings, shortcomings actions taken and the recommendations to improve any weaknesses or non-compliance.

b) Reviewed with Management on corrective actions taken on all matters raised in the internal audit reports to improve the system of internal control.

AUDIT COMMITTEE REPORT
(cont'd)

5. Recurrent Related Party Transactions ("RRPTs")

a) Reviewed the transaction limit of the RRPTs on a quarterly basis for compliance under the Shareholders' Mandate.

b) Reviewed the information, procedures and processes contained in the Shareholders' Circular yearly in relation to the RRPTs between a subsidiary of the Company, Khee San Food Industries Sdn Bhd and London Biscuits Berhad, with the Management Team before tabling and recommending the same for the Board's approval.

6. Special Audit by BDO Governance Advisory Sdn Bhd

During the financial period, the AC appointed BDO Governance Advisory Sdn Bhd ("BDOGA") to conduct a special audit and investigation as the Company had realised there were some discrepancies in the supporting documents used for the drawdown of credit facilities. This was brought to the attention of the Company by the lawyers during the course of the proceeding initiated by Bank of China (Malaysia) Berhad. As such, all bankers' acceptance facilities were evaluated and reassessed.

BDOGA was appointed to carry out agreed upon procedures pertaining to a specific scope of work for the period from 1 October 2018 to 31 March 2019 which are as follows:

(a) To review the validity of purchase orders, invoices, and other relevant documents used as basis to draw down financing from its bankers; and

(b) To trace the movements of funds from the receipt of the draw downs to any subsequent withdrawals and/or transfers of these funds thereafter.

D. INTERNAL AUDIT FUNCTION

The Company appointed PKF Advisory Sdn Bhd on 8 April 2019 as Internal Auditors to assist the AC and the Board in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The IA audit processes were mainly:

- To ascertain the effectiveness of the system of internal controls;
- To assess compliance with policies and procedures and recommended best practices; and
- To review and identify any potential areas for improvement in the effectiveness and efficiency of the processes (if any)

The Internal Auditor's Enterprise Risk Management (ERM) and the Internal Audit Services was aligned with the COSO ERM Framework and the key steps of the ERM Framework was:

1. Pre Workshop: Planning & Preparation
2. Workshop: Risk Identification
3. Worksop: Risk Analysis
4. Post Workshop: Reporting

AUDIT COMMITTEE REPORT
(cont'd)

During the financial period ended 30 June 2020, the Internal Auditors presented 3 Internal Control Reports to the AC as follows:

Date of AC Meeting	Internal Control Report	Scope of review
19 July 2019	Inventory Management of Khee San Food Industries Sdn Bhd	1. Group's Standard Operating Procedures for Inventory and Warehouse (inclusive of Group's Authority Matrix and Segregation of Duties) 2. Stock Issue Voucher from April 2018 to March 2019 3. Weekly Incoming List from April 2018 to March 2019 4. Raw Material Return to Supplier Form from April 2018 to March 2019 5. Return Note Report from April 2018 to March 2019 6. Stock Movement Report from April 2018 to March 2019 7. Stock Transfer Report from April 2018 to March 2019 8. Delivery Order from April 2018 to March 2019 9. Stock Listing as at 16 April 2019 10. Stock Adjustment Report from April 2018 to March 2019 11. User Access Matrix for AutoCount System 12. Month End Stock Count Report from April 2018 to March 2019 13. Year End Stock Count Report on 31 December 2018 14. Production Output Report from April 2018 to March 2019 15. Production Output Summary from April 2018 to March 2019 16. Container Loading Form from April 2018 to March 2019 17. Warehouse Key Custodian Booklet 18. Fire Exit Plan for Raw Material and Finished Good Warehouse
27 August 2019	Finance Function of Khee San Food Industries Sdn Bhd	1. Group's SOP for accounting and finance function 2. Reliability and integrity of financial reporting procedures 3. Organisation chart for accounting and finance function 4. Management account from April 2018 to March 2019 5. Payment voucher and its supporting documents from April 2018 to March 2019 6. Debtor, Creditor, Sales, Credit Note and Purchase Ledger from April 2018 to March 2019 7. Sales invoice and Delivery orders from April 2018 to March 2019 8. Bank reconciliations and Bank statements from April 2018 to March 2019 9. Authorisation matrix for payment 10. User access matrix for Autocount Accounting System 11. Debit & Credit notes from April 2018 to March 2019 12. Fixed asset register as at 31 March 2019 13. Acquisition and disposal of fixed asset from April 2018 to March 2019 14. Banker acceptance from April 2018 to March 2019 15. Insurance policies from April 2018 to March 2019 16. Cash payment vouchers and supporting documents from April 2018 to March 2019 17. Journal vouchers from April 2018 to March 2019 18. Debtors and Creditors' Ageing report as at 31 March 2019

AUDIT COMMITTEE REPORT
(cont'd)

Date of AC Meeting	Internal Control Report	Scope of review
14 November 2019	Human Resource & Payroll Management	1. Group's Standard Operating Procedures for Human Resource & Payroll Management 2. Organization Chart for Human Resource Department 3. List of Employees 4. Employee's Handbook and Acknowledgement of Receipt of the Employee Handbook 5. Code of Conduct and Employee Discipline 6. List of New Hires from October 2018 to September 2019 7. Job Descriptions for key positions 8. Employee's Personal File 9. Manpower Requisition Form from October 2018 to September 2019 10. Payroll Summary and its supporting documents from October 2018 to September 2019 11. Training Documents conducted from October 2018 to September 2019 i.e. Training Request Form, Training Calendar and Post Training Evaluation Form 12. Performance Appraisal Form, Letter of Increment and Letter of Bonus Payout for year 2018 13. Overtime Requisition Form and its supporting documents from October 2018 to September 2019 14. Access matrix to Human Resource & Payroll System

The fees incurred for the outsourcing of the internal audit function for the financial period ended 30 June 2020 was RM63,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. INTRODUCTION

Pursuant to paragraph 15.26(b) and Practice 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in relation to the requirement to prepare the statement on risk management and internal controls, in which the Statement shall be guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The Board of Directors ("the Board") of Khee San Berhad ("the Company") is pleased to present the statement on the state of the risk management and internal controls of the Company and its subsidiaries ("the Group") for the financial period ended 30 June 2020.

The Board believes the practice of good risk management and internal control is an important continuous process to safeguard Shareholders' investment and the Group's assets.

2. BOARD'S RESPONSIBILITIES

The Board upholds its overall responsibility for the Group's system of internal control, including the assurance of its adequacy and integrity of the risk management and internal control system and its alignment with the corporate objectives. The internal control system of the Company covering the risk management, financial, organisational and operation, business environment and compliance controls.

The Board also affirms that they will continuously improve the process for identifying, evaluating, monitoring and managing the significant risks faced by the Group as to safeguard the Shareholders' and Stakeholders' interest. However, in view of the limitation inherent in any system of internal controls and risk management, it should be noted that a system of internal controls and risk management framework are designed to manage the principal risks of the Group rather than to eliminate the risks of failure. As such, the internal control system can only provide reasonable and adequate, but not absolute assurance against material misstatement of management and financial information or against any loss or fraud.

The Board is assisted by the Management in implementing the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to manage and control these risks.

A new Board Committee, Risk Management Committee had been established on 13 March 2019 to assist the Board in their responsibilities to identify, assess and monitor key business / operation / financial / reputational risks to safeguard shareholders' investments and the Company's assets. The formulation of this new committee is to complement the groups' existing Board committees which include Corporate Administration and Compliance Committee formulated on 30 Nov 2018 which is aimed to inculcate good corporate governance culture within the company by reinforcing ethical, prudent and professional behaviour.

The above additional board committee serve as an as testament of the boards long-term commitment in maintaining an effective risk management framework and internal control systems which will ensure the perseverance of Company's shareholder interest and shall allow the Group to effectively meet its business objectives in the current challenging business environment.

3. RISK MANAGEMENT FRAMEWORK

With the increasingly complex and dynamic business environment, proactive management of the overall business risks is a prerequisite in ensuring that the risk management and control framework is embedded into the culture, processes and structures of the Company to achieve its strategic objectives. The Group is committed to ensure that the risks inherent in its business are identified and effectively managed through its planned activities.

As the effectiveness of the risk management system is dependent on constant awareness of potential risks and regular practice of risk assessment processes by all levels of an organisation, the level of success in the implementation of mitigation actions have been incorporated as one of the criteria in the annual performance appraisal of Senior Management. The deliberation of risks and related mitigating responses are carried out at regular management meetings of the Group and significant risks are conveyed to the Board at the quarterly scheduled meetings, if necessary.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

4. INTERNAL AUDIT FUNCTION

The Internal Audit was carried out by the Group's outsourced internal audit function Messrs. PKF Advisory Sdn Bhd ("PKF") which was engaged on 8 April 2019 by the Audit Committee to conduct a holistic independent review of the adequacy, efficiency and effectiveness of the Group's internal control system. The review was conducted on 3 key areas of the Group's operations namely Finance, Human Resource & Payroll Management and Inventory Management. The scope of work of the internal audit includes reviewing the adequacy and the integrity of the Group's internal control systems, management information systems and the system methodology on compliance with the applicable laws, regulations, rules and guidelines. The Internal Auditors had reported their key findings directly to the Audit Committee and they are independent of the Management and operations.

The Audit Committee had approved the Internal Audit Plan for the internal control system of the Group. The Internal Auditors carries out continuous internal controls to ascertain the effectiveness of the system of internal controls, assess compliance with policies and procedures and recommended best practices and review and identify any potential areas for improvement in the effectiveness and efficiency of the Group.

All findings and the recommendations together with the management actions for further improvement were submitted to the Audit Committee on a quarterly basis. In assessing the adequacy and effectiveness of the system, the Audit Committee reports to the Board on its activities, audit findings and the necessary recommendations or actions needed to be taken by the Management to rectify those issues.

During the financial period ended 30 June 2020, the Internal Auditors have conducted various approved internal audit plans which were in consistent with the corporate goal of the Group and all internal Auditors' reports were deliberated by the Audit Committee during its Audit Committee Meetings and recommendations made to the Board and/or the Management was acted upon thereafter.

5. KEY ELEMENTS OF INTERNAL CONTROL

The key elements of risk management and internal control system are described as follows:-

- Establishment of a conducive control environment in accordance with the increasing of level of awareness as well as the actions of the Directors and Management and overall attitude in relation to the risk management and internal control system and its importance to the Group;
- Establishment of the relevant terms of reference and organisational structure which defined, responsibility and accountability to enhance the Group's ability to achieve its strategies and operational objectives;
- A clear and detailed organisational structure has been established to focus on the related reporting responsibilities and accountabilities to ensure and clarify task ownership;
- Board meetings and Management meetings are held more often on the operational issues, financial performance, human resources matter and business plans to review, discuss, identify and manage the key risks so that it is still within controlled environment;
- The initiative to implement a comprehensive policies and procedures manuals including staff handbook to ensure adherence with internal controls and the relevant laws and regulations that have been enforced, provide general rules on, and authority limits over diverse operating, financial, human resources inclusive of health and safety matters;
- Internal policies and procedures as set out in the Group's policies and procedures which include different operational and management aspects are being updated from time to time to address operational deficiencies and changes of risk;
- Different types of communication such as email and teleconferencing are seen as effective instruments for communication and knowledge sharing among the employees. The Group intends to implement a new intranet system now and is expecting to complete in Q2 FY 2021;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

- A Code of Ethics which defines the ethical standards is introduced to all employees and conduct at work. New employees are briefed on the Group's culture, organisational structure, relevant job descriptions, responsibilities and key performance index expectations upon joining the Group by their immediate supervisors and documents copy of the same is filed in their respective personnel files;

- Recruitment of experienced, skilled and professional staff to fulfil the respective responsibilities and ensuring adequate control are in place;

- Continuous provision of information to the management, which covers the financial performance of the Company, such as cashflow performance;

- The major capital expenditure and assets disposals are appraised and approved by the Board as well as the Board of Directors of the subsidiaries, whenever applicable; and

- The Group's financial performance and statements has been reviewed by Audit Committee which is then reported to the Board. Regular and comprehensive management reports to the Audit Committee from various lines of operations and business units, on key business performance, operating statistics and regular matters to allow an effective monitoring of significant variances and deviation from standard operating procedures and budget.

6. BOARD ASSESSMENT

The Chief Executive Officer, being the person primarily responsible for the overseeing and managing of the operational affairs of the Company has provided assurance to the Board that the Group's risk management and internal control system, have been operated adequately and effectively, in all material aspects, based on the Group's policies and procedures. This assurance is coupled with the new management appointments of key critical positions namely Deputy Chief Executive Officer ("DCEO") and Financial Controller ("FC") positions which was previously vacated during the financial period under review from 1 January 2019 to 30 June 2020.

During the financial period review, the internal audit review had identified numerous internal control deficiencies and the appropriate remedial steps had been tabulated formally to Board for their due consideration for implementation. After in-depth deliberation, the Board had decided to adopt and implement the majority of the remedial steps presented for the Board's consideration. In addition, the identified internal control inadequacies were also forwarded and formally communicated to the relevant departmental heads concerned for their due attention and necessary action to which status of implementation shall be periodically reported back to the Board accordingly.

Notwithstanding the above flagged deficiencies, the Board is of the opinion the Company is now on a better footing to manage its risk management and internal control process with the enhancements from the above-mentioned remedial steps which have been duly implemented. The Board opines that system of internal controls with the requisite implemented enhancements described in this statement to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment. Nevertheless, The Board shall continue to strive to further to improve upon the internal controls processes and strengthen the risk management framework of the Group on an ongoing basis.

7. REVIEW BY EXTERNAL AUDITORS

As required under Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors, Messrs. Kreston John & Gan have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide issued by the Malaysian Institute of Accountants. The Practice Guide does not require the External Auditors to consider whether the Statement covers all risks and controls, or to for, an opinion on the adequacy and effectiveness of the risk management and internal controls system of the Group.

The External Auditors had reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the internal controls system within the Group.

This Statement was approved by the Board on 27 October 2020.

DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 ("the Act") to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs"), the requirements of the Act in Malaysia and the MMLR.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

(i) Adopted appropriate accounting policies and applied them consistently;
(ii) Made judgements and estimates that are reasonable and prudent; and
(iii) Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and to detect and prevent fraud and other irregularities.

DIRECTORS' REPORT

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period ended 30 June 2020.

Principal activities

The Company is principally an investment holding company. The principal activities of the subsidiary companies are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

Change of financial year end

The Company changed its financial year end from 31 December to 30 June, with effect from 30 June 2020. The directors are of the opinion that there are administrative conveniences in closing the annual financial year on 30 June.

Results

	Group RM	Company RM
Loss for the financial period after taxation attributable to owner of the Company	(152,800,849)	(105,234,513)

Dividend

The dividend declared or paid by the Company since the end of previous financial period were as follows : -

	RM
In respect of the financial period ended 30 June 2020 : -	
- Interim single-tier dividend of	1,144,000

The directors do not recommend any final dividend for the financial period ended 30 June 2020.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial period other than those as disclosed in the financial statements.

Bad and doubtful debts

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

DIRECTORS' REPORT

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020
(cont'd)

Shares and debentures

During the financial period, the issued and paid up share capital of the Company was increased from 104,000,000 ordinary shares to 114,400,000 ordinary shares by way of an issue of 10,400,000 new ordinary shares for cash pursuant to the private placement at fair value of RM0.3355 per ordinary shares

The new ordinary shares issued during the period rank pari-passu in all respects with the existing ordinary shares of the Company.

Options granted over unissued shares

At an Extraordinary General Meeting held on 11 November 2015, the shareholders had approved the establishment of an Employees Share Option Scheme ("ESOS" or "Scheme").

Employees Share Option Scheme

The Company's ESOS is governed by the by-laws approved by the shareholders at the Extraordinary General Meeting held on 11 November 2015.

The principal features of ESOS are as follows : -

(a) Scheme shall be in force for a period of five years from the effective date at implementation of the scheme but subject to any extension or renewal for a further period of five years.

(b) Eligible persons are employees of the Group, who is a Malaysian citizen who has attained eighteen (18) years of age (including Executive Directors) and have been confirmed and has served at least six (6) months in the employment of the Group on the date of the offer where the Executive Director or employee is under an employment contract, the contract is for a duration of at least one (1) year and has not expired within three (3) months from the date of offer. The eligibility for participation in ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.

(c) The total number of shares to be issued under ESOS shall not exceed 15% of the issued and paid-up share capital of the Company being, the maximum allowable allotment of shares, at any point of time during the duration of Scheme.

(d) The option price for each new RM1.00 share to be offered shall be determined by the ESOS Committee in the following manner : -

    (i) a price at a discount of not more than ten percent (10%) from the five (5) days weighted average market price of the Company's shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad immediately preceding the Date of Offer; or

    (ii) the par value of the Company's shares of RM1.00 each, whichever is the higher.

(e) No option shall be granted for less than 100 shares and shall always be in multiples of 100 shares.

(f) An offer made by the ESOS Committee to a selected employee shall be valid for a period of forty-five (45) days from the date of offer and may be accepted within this prescribed period by the selected employee to whom the offer is made by written notice to the ESOS Committee. Upon acceptance of an offer, the Grantee may during the option period exercise his options in full or in part in such manner as stipulated in the offer letter.

DIRECTORS' REPORT

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020
(cont'd)

Employees Share Option Scheme (Cont'd.)

The principal features of ESOS are as follows : - (Cont'd.)

(g) All new ordinary shares issued upon exercise of the options granted under ESOS will rank pari-passu in all respects with the existing ordinary shares of the Company except that the shares so issued will not be entitled to any dividends, rights allotments and ./or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares.

Details of ESOS are disclosed in the Note 14 to the financial statements.

Current assets

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Valuation methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist : -

i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial period which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial period.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due other than those as disclosed in note 43 to the financial statements.

Change of circumstances

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020
(cont'd)

Items of an unusual nature

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature other than the impairment on property, plant and equipment, trade receivables, investment in subsidiary companies and amount due from a subsidiary company as disclosed in the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the current financial period.

Directors of the Company

The directors of the Company in office at any time during the financial period and since the end of the financial period are : -

Edward Tan Juan Peng

Dato' Hj. Mohd Aris Bin Ramli

Mohanadas A/L K.P. Balan

Prof. Dr. Hj. Mohd Amy Azhar Bin Mohd Harif

Dato' Sri Liew Yew Chung SSAP, DIMP – Resigned on 13 September 2019

Wong Hock Foong – Resigned on 29 August 2019

Huang Yan Teo, PIS, PPN – Resigned on 26 July 2019

Leslie Looi Meng – Resigned on 3 July 2019

Directors' interests

None of the directors holding office at the end of the financial period held any interest in the ordinary shares of the Company and of its related corporations.

Directors' remunerations

The amounts of the remuneration of the directors or past directors of the Company comprising remunerations received or receivable from the Company or any of its subsidiary companies during the financial period are disclosed in Note 28 to the financial statements.

None of the directors or past directors of the Company have received any other benefits otherwise than in cash from the Company or any of its subsidiary companies during the financial period.

No payment has been paid to or payable to any third party in respect of the services provided to the Company or any of its subsidiary companies by the directors or past directors of the Company during the financial period.

DIRECTORS' REPORT

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020
(cont'd)

Indemnifying Directors, Officers or Auditors

No indemnities have been given to or insurance premium paid, during or since the end of the financial period, for any person who is or has been the director, officer or auditor of the Company.

Directors' benefits

Since the end of the previous financial period, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments, received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 39 to the financial statements.

There were no arrangements during and at the end of the financial period, to which the Company is a party, which had the object of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Significant events

Details of significant events are disclosed in Note 41 to the financial statements.

Events after the reporting period

Details of events after the reporting period are disclosed in Note 42 to the financial statements.

DIRECTORS' REPORT

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020
(cont'd)

Auditors

a) Details of the auditors' remuneration for the Group and for the Company are disclosed in Note 26 to the financial statements.

b) The auditors, Kreston John & Gan, Chartered Accountants, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance
With a resolution of the Directors

Edward Tan Juan Peng

Mohanadas A/L K.P. Balan

Kuala Lumpur
Date :30 October 2020

INDEPENDENT AUDITORS' REPORT

TO MEMBERS OF KHEE SAN BERHAD

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Khee San Berhad, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 154.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinions section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Qualified Opinion

<u>Outstanding Bank Confirmation Request</u>

As disclosed in Note 43 to the financial statements, the Group and the Company are currently involved in a spate of litigation against their bankers resulting to deadlock in bank confirmation process by the bankers. The Group and the Company are addressing the issue to relevant authorities in due time. As at-to-date, we have yet to receive the reply on our bank confirmation request from certain bankers of the Group. Consequential thereof, we are unable to reconcile and confirm the balance in total sum of the followings accounts as at 30 June 2020 : -

	Group RM
Cash at bank	129,563
Bank overdraft	5,939,815
Bankers' acceptances	56,004,000
Lease liabilities	1,543,705

Without the bank confirmation, we are also unable to verify the related accrued interest charges, additional or new collateral, if any, by other alternative procedures.

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Kreston John & Gan
Chartered Accountants • AF 0113

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INDEPENDENT AUDITORS' REPORT

TO MEMBERS OF KHEE SAN BERHAD
(cont'd)

KRESTON
JOHN & GAN

Emphasis of Matters

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the financial statements, which discloses the following : -

1. For the financial period ended 30 June 2020, the Group and the Company incurred net losses of RM152,800,849 and RM105,234,513 respectively. As of that date, the Group reported shareholders' deficit of RM10,884,605, and the Group's and the Company's current liabilities exceeded the current assets by RM117,156,989 and RM2,554,960 respectively.

2. As disclosed in Note 42(ii) to the financial statements, the Company had on 10 July 2020 announced that it has triggered the Prescribed Criteria of paragraph 2.1(f) of Practice Note 17 ("PN17") pursuant to paragraph 8.04(2) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia whereby it has defaulted in payment by the listed issuers, its major subsidiary or major associated company, as the case may be, as announced pursuant to paragraph 9.19A of the MMLR as per the Company's announcement made on 8 July 2020.

   Pursuant to the Bursa Malaysia's Circular dated 16 April 2020; Additional Temporary Relief Measures To Listed Issuer, the Company which has triggered the above Prescribed Criteria under PN 17 of the MMLR from 17 April 2020 to 30 June 2021 ("Relief Period") was granted PN 17 Relief Measures as follows : -

   a. the Company will not be classified as a PN 17 listed issuer and will not be required to comply with the obligations pursuant to paragraph 8.04(3) and PN 17 of the MMLR for a period of 12 months from the date of triggering the criteria;

   b. the Company is still required to make an immediate announcement that it has triggered the Suspended Criteria and the relief provided ("Relief Announcement");

   c. upon the expiry of the 12 months from the Relief Announcement, the Company must re-assess its condition and announce whether it continues to trigger any of the criteria in PN 17 of the MMLR ("said Announcement");

   d. if the company continues to trigger any of the criteria in PN17 of the MMLR, it will then be classified as a PN17 listed issuer and must comply with all the obligations under paragraph 8.04(3) and PN 17 of the MMLR, including the obligation to submit a regularisation plan to the relevant authorities within 12 months from the said Announcement.

The above events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Nevertheless, the financial statements of the Group and of the Company have been prepared on a going concern basis, the validity of which is dependent on the following : -

a. the Company is currently in the process of formulating a Proposed Regularisation Plan to address the financial condition of the Group and of the Company and believes that the Proposed Regularisation Plan once formulated and implemented after obtaining the approval from relevant authorities, will enable the Group and the Company to generate sufficient cash flows to meet their obligations;

b. advances from a director amounted to RM5 million in June 2020 as disclosed in Note 22 to the financial statements;

c. continuous financial support provided by substantial shareholders to the Group and the Company to meet their obligations; and

d. the Group and the Company are currently implementing various group-wide cost-cutting measures to reduce the operating costs and improve profitability and stringent monitoring of administrative costs.

INDEPENDENT AUDITORS' REPORT
TO MEMBERS OF KHEE SAN BERHAD
(cont'd)

KRESTON
JOHN & GAN

Emphasis of Matters (Cont'd.)

Material Uncertainty Related to Going Concern (Cont'd.)

Should the going concern basis for the preparation of the financial statements be no longer appropriate. Adjustments will have to be made to state the assets at their realisable values and to provide for further liabilities which may arise.

Our opinion is not modified in respect of this matter.

Agreed Upon Procedures Conducted by BDO Governance Advisory Sdn Bhd

As disclosed in Note 41 (ix) to the financial statements, the Company had on 25 June 2020 engaged the services of BDO Governance Advisory Sdn Bhd ("BDOGA") to carry out agreed upon procedures pertaining to a specific scope of work which are as follows : -

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.

Subsequently on 14 September 2020, the Company further instructed BDOGA to : -

1. Complete and report on the tracing of the flow of funds, i.e. analysis demonstrating how funds drawn down from bankers' acceptances were used information for the period from 1 October 2018 to 4 July 2019; and

2. Provide a breakdown of the issue for each bank.

Based on the findings by BDOGA as further disclosed in Note 41 (ix) to the financial statements, we have verified that all sales and purchases likely to be fictitious in nature were duly reversed out from the financial statements for the current financial period from 1 January 2019 to 30 June 2020.

Nothing has come to our attention that significant adjustment is required to be made on related opening balances as at 1 January 2019.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Audit I Tax I Advisory

INDEPENDENT AUDITORS' REPORT
TO MEMBERS OF KHEE SAN BERHAD
(cont'd)

Key Audit Matters (Cont'd.)

No.	Key audit matters	Our audit performed and responses thereon
1	Revenue recognition Revenue is one of the significant accounts in the financial statements and also an important driver of the Group's operating results. We identified revenue recognition to be an area of audit focus as it is to be a possible cause of higher risk of material misstatements in the timing and amount of revenue recognised. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.	Our audit procedures included as follow : - a) Evaluated whether the accounting policy adopted by the management is consistent with the requirements of MFRS 15, Revenue from Contracts with Customers.; b) Tested the operating effectiveness of the Group's internal controls over timing and amount of revenue recognised; c) Verified the documents for transactions selected based on sampling basis; d) Checked the sales prior and subsequent to the period-end and inspected the documents which evidenced the delivery of goods to customers; e) Tested sales transactions as well as credit notes issued, near to the period ended date to assess whether the revenue was recognised in the correct period; and f) Inspected the terms of significant sales contracts to determine the point of transfer of control over goods or services.
2	Property, plant and equipment The carrying amount of the Group's property, plant and equipment amounted to RM114,956,858 respectively and represented 83% of the Group's total assets as at 30 June 2020. The management has assessed if there are indication of impairment and performed an assessment on the carrying amount of the property, plant and equipment.	Our audit procedures included as follows : - a) Reviewed and checked the ownership and physical existence of major property, plant and equipment b) Reviewed the insurance coverage of major items, if any; and c) Assessed and reviewed whether there is any indication that the assets may be impaired and the adequacy of impairment loss on the property, plant and equipment.
	For freehold land and building, the management estimated the fair value of the freehold land and building based on the valuation performed by external independent valuers.	Our audit procedures included as follows : - a) Assessing the competency and objectivity of the external valuers which included consideration of their qualifications and experience; b) Understanding the scope and purpose of the valuation by reading the terms of reference; and c) Assessing the valuation approach used and appropriateness of the key assumption based on our knowledge of the property industry.

INDEPENDENT AUDITORS' REPORT
TO MEMBERS OF KHEE SAN BERHAD
(cont'd)

KRESTON JOHN & GAN

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

TO MEMBERS OF KHEE SAN BERHAD
(cont'd)

KRESTON
JOHN & GAN

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also : -

- Identify and assess the risk of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT
TO MEMBERS OF KHEE SAN BERHAD
(cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that in our opinion, we have not obtained all the information and explanations that required for the matter as described in the *Basis of Qualified Opinions* section.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Kreston John & Gan
(AF 0113)
Chartered Accountants

Yong Chung Sin
Approval No: 02892/04/2022 J

Kuala Lumpur,
Date : 30 October 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2020

	Note	30.6.2020 RM	31.12.2018 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	**114,956,858**	176,852,436
Intangible assets	7	**-**	600,000
Right-of-use assets	8	**7,633,935**	-
Total Non-Current Assets		**122,590,793**	177,452,436
Current Assets			
Inventories	9	**5,263,902**	10,288,314
Trade receivables	10	**2,542,737**	114,235,263
Other receivables, deposits and prepayments	11	**2,750,103**	1,530,493
Current tax assets		**1,064,669**	103,491
Cash and bank balances		**4,311,151**	19,013,989
Total Current Assets		**15,932,562**	145,171,550
Total Assets		**138,523,355**	322,623,986
EQUITY AND LIABILITIES			
Equity attributable to owner of the Company			
Share capital	12	**109,789,517**	106,300,498
Reserves	13	**(120,674,122)**	24,610,364
Total Equity		**(10,884,605)**	130,910,862
Non-Current Liabilities			
Deferred tax liabilities	15	**14,996,231**	11,517,000
Borrowings	16	**-**	3,472,006
Lease liabilities	19	**1,322,178**	-
Total Non-Current Liabilities		**16,318,409**	14,989,006
Current Liabilities			
Trade payables	20	**22,057,336**	14,108,514
Other payables and accruals	21	**31,424,753**	81,734,954
Amount due to a director	22	**5,000,000**	-
Current tax liabilities		**5,943**	5,943
Borrowings	16	**73,730,475**	80,874,707
Lease liabilities	19	**871,044**	-
Total Current Liabilities		**133,089,551**	176,724,118
Total Liabilities		**149,407,960**	191,713,124
Total Equity and Liabilities		**138,523,355**	322,623,986

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020

	Note	**1.1.2019 to 30.6.2020 RM**	1.7.2017 to 31.12.2018 RM
Revenue	23	**66,110,366**	258,633,486
Cost of sales		**(74,552,020)**	(207,707,315)
Gross (loss) /profit		**(8,441,654)**	50,926,171
Other income	24	**4,455,139**	6,532,199
Distribution costs		**(3,873,239)**	(13,804,781)
Administrative expenses		**(18,723,603)**	(16,406,161)
Impairment loss on property, plant and equipment		**(31,285,202)**	-
Impairment loss on trade receivables		**(83,899,363)**	(981,699)
Other operating expenses		**(3,988,760)**	(9,959,454)
(Loss) /Profit from operations		**(145,756,682)**	17,306,275
Finance costs	25	**(7,222,234)**	(7,227,953)
(Loss) /Profit before taxation	26	**(152,978,916)**	10,078,322
Income tax expense	29	**178,067**	(3,772,198)
(Loss) /Profit for the financial period		**(152,800,849)**	6,306,124
Other comprehensive income : -			
- Revaluation surplus on property, plant and equipment		**8,660,363**	-
Total comprehensive (loss) /income for the financial period		**(144,140,486)**	6,306,124
(Loss) /Profit for the financial period attributable to : -			
Owners of the Company		**(152,800,849)**	6,306,124
Total comprehensive (loss) /income for the financial period attributable to : -			
Owners of the Company		**(144,140,486)**	6,306,124
Basis earnings per shares (sen)	30	**(137.37)**	6.06
Diluted earnings per shares (sen)	30	**(137.37)**	6.06

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020

	< ----	Non-Distributable	----	---- >	< Distributable >	
	Share capital RM	Share premium RM	Merger reserves RM	Revaluation reserves RM	Retained earnings RM	Total RM
Balance at 1 July 2017	104,000,000	2,300,498	(17,443,699)	22,588,406	14,199,533	125,644,738
Transactions with owners : -						
Dividend paid (Note 31)	-	-	-	-	(1,040,000)	(1,040,000)
Transfer of share premium in accordance with section 618(2) of the Companies Act, 2016	2,300,498	(2,300,498)	-	-		-
Profit /Total comprehensive income for the financial period	-	-	-	-	6,306,124	6,306,124
Balance at 31 December 2018	106,300,498	-	(17,443,699)	22,588,406	19,465,657	130,910,862

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020
(cont'd)

	< ---------- Non-Distributable			---------->	< Distributable >	
	Share capital RM	Share premium RM	Merger reserves RM	Revaluation reserves RM	(Accumulated losses) RM	Total RM
Balance at 1 January 2019	**106,300,498**	-	**(17,443,699)**	**22,588,406**	**19,465,657**	**130,910,862**
Issuance of shares (Note 12)	**3,489,019**	-	-	-	-	**3,489,019**
Transactions with owners : -						
Dividend paid (Note 31)	-	-	-	-	**(1,144,000)**	**(1,144,000)**
Loss for the financial period	-	-	-	-	**(152,800,849)**	**(152,800,849)**
Other comprehensive income for the financial period	-	-	-	**8,660,363**	-	**8,660,363**
Total comprehensive income for the financial period	-	-	-	**8,660,363**	**(152,800,849)**	**(144,140,486)**
Balance at 30 June 2020	**109,789,517**	-	**(17,443,699)**	**31,248,769**	**(134,479,192)**	**(10,884,605)**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020

	Note	**1.1.2019 to 30.6.2020 RM**	1.7.2017 to 31.12.2018 RM
Cash flows from operating activities			
(Loss) /Profit before taxation		**(152,978,916)**	10,078,322
Adjustment for : -			
Depreciation of property, plant and equipment		**14,698,131**	8,494,298
Depreciation of right-of-use assets		**883,168**	-
Loss /(Gain) on disposal of property, plant and equipment		**601,810**	(131)
Impairment losses on property, plant and equipment		**31,285,202**	-
Impairment losses on intangible assets		**600,000**	200,000
Impairment losses on inventories		**1,372,519**	1,046,609
Impairment losses on trade receivables		**83,899,363**	981,699
Impairment losses on other receivables		**1,037**	-
Interest expenses		**7,222,234**	7,227,953
Other receivables and deposits written off		**239,165**	1,326,362
Property, plant and equipment written off		**-**	154,024
Unrealised gain on foreign exchange - net		**(1,073,518)**	(3,170,507)
Operating (loss) /profit before working capital changes		**(13,249,805)**	26,338,629
Changes in working capital : -			
Inventories		**3,651,893**	771,285
Trade receivables		**48,219,400**	(81,857,540)
Other receivables, deposits and prepayments		**(1,459,812)**	1,762,304
Trade payables		**7,948,822**	(1,237,260)
Other payables and accruals		**(50,310,201)**	79,025,775
Amount due to a director		**5,000,000**	-
Cash (used in) /generated from operations		**(199,703)**	24,803,193
Interest paid		**(7,222,234)**	(7,227,953)
Tax paid		**(783,111)**	(1,173,574)
Tax refund		**-**	125,758
Net cash (used in) /from operating activities		**(8,205,048)**	16,527,424
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**650,000**	6,000
Purchases of property, plant and equipment	32	**(653,883)**	(21,728,346)
Purchase of right-of-use assets		**(55,910)**	-
Net cash used in investing activities		**(59,793)**	(21,722,346)
Balance carried forward		**(8,264,841)**	(5,194,922)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020
(cont'd)

	Note	**1.1.2019 to 30.6.2020 RM**	1.7.2017 to 31.12.2018 RM
Balance brought forward		**(8,264,841)**	(5,194,922)
Cash flows from financing activities			
Dividend paid		**(1,144,000)**	(1,040,000)
Proceed from issuance of shares		**3,489,019**	-
(Repayment) /Drawdown of borrowings	33	**(11,446,727)**	22,725,450
Repayment of finance lease liabilities	33	**-**	(7,783,736)
Repayment of lease liabilities		**(3,884,426)**	-
Net cash (used in) /from financing activities		**(12,986,134)**	13,901,714
Net increase in cash and cash equivalents		**(21,250,975)**	8,706,792
Effects of foreign exchange translation		**-**	183,701
Cash and cash equivalents at the beginning of the financial period		**17,530,041**	8,639,548
Cash and cash equivalents at the end of the financial period	34	**(3,720,934)**	17,530,041

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
30 JUNE 2020

	Note	30.6.2020 RM	31.12.2018 RM
ASSETS			
Non-Current Assets			
Investment in subsidiary companies	5	**4,361,326**	33,348,600
Amount due from a subsidiary company	6	**-**	71,719,378
Total Non-Current Assets		**4,361,326**	105,067,978
Current Assets			
Other receivables, deposits and prepayments	11	**-**	6,542
Cash and bank balances		**1,018**	21,495
Total Current Assets		**1,018**	28,037
Total Assets		**4,362,344**	105,096,015
EQUITY AND LIABILITIES			
Equity attributable to owner of the Company			
Share capital	12	**109,789,517**	106,300,498
Reserves	13	**(107,983,151)**	(1,604,638)
Total Equity		**1,806,366**	104,695,860
Current Liabilities			
Other payables and accruals	21	**2,550,035**	394,212
Current tax liabilities		**5,943**	5,943
Total Current Liabilities		**2,555,978**	400,155
Total Equity and Liabilities		**4,362,344**	105,096,015

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020

	Note	**1.1.2019 to 30.6.2020 RM**	1.7.2017 to 31.12.2018 RM
Revenue		**-**	-
Other operating income	24	**8,954**	-
Administrative expenses		**(4,069,690)**	(2,531,124)
Impairment loss on amount due from a subsidiary company		**(72,186,503)**	-
Impairment loss on investment in subsidiary companies		**(28,987,274)**	-
Loss before taxation	26	**(105,234,513)**	(2,531,124)
Income tax expense	29	**-**	22,826
Loss for the financial period, representing total comprehensive loss for the period		**(105,234,513)**	(2,508,298)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020

	<---------- Non-Distributable ---------->		< Distributable >	
	Share capital RM	Share premium RM	Retained earnings /(Accumulated) losses RM	Total RM
Balance at 1 July 2017	104,000,000	2,300,498	1,943,660	108,244,158
Transactions with owners : -				
Dividend paid (Note 31)	-	-	(1,040,000)	(1,040,000)
Transfer of share premium in accordance with Section 618(2) of the Companies Act, 2016	2,300,498	(2,300,498)	-	-
Total comprehensive loss for the financial period	-	-	(2,508,298)	(2,508,298)
Balance at 31 December 2018	106,300,498	-	(1,604,638)	104,695,860
Issuance of shares (Note 12)	**3,489,019**	**-**	**-**	**3,489,019**
Transactions with owners : -				
Dividend paid (Note 31)	**-**	**-**	**(1,144,000)**	**(1,144,000)**
Total comprehensive loss for the financial period	**-**	**-**	**(105,234,513)**	**(105,234,513)**
Balance at 30 June 2020	**109,789,517**	**-**	**(107,983,151)**	**1,806,366**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020

	Note	**1.1.2019 to 30.6.2020 RM**	1.7.2017 to 31.12.2018 RM
Cash flows from operating activities			
Loss before taxation		**(105,234,513)**	(2,531,124)
Adjustment for : -			
Impairment loss on investment in subsidiary companies		**28,987,274**	-
Impairment loss on amount due from a subsidiary company		**72,186,503**	-
Impairment loss on other receivables		**1,037**	-
Operating loss before working capital		**(4,059,699)**	(2,531,124)
Changes in working capital : -			
Other receivables, deposits and prepayments		**5,505**	(5,505)
Amount due from subsidiary companies		**(467,125)**	1,844,239
Other payables and accruals		**2,155,823**	166,367
Cash used in operations		**(2,365,496)**	(526,023)
Tax refund		**-**	8,000
Net cash used in operating activities		**(2,365,496)**	(518,023)
Cash flows from financing activities			
Dividend paid		**(1,144,000)**	(1,040,000)
Proceed from issuance of shares		**3,489,019**	-
Net cash from /(used in) financing activities		**2,345,019**	(1,040,000)
Net decrease in cash and cash equivalents		**(20,477)**	(1,558,023)
Cash and cash equivalents at the beginning of the financial period		**21,495**	1,579,518
Cash and cash equivalents at the end of the financial period	34	**1,018**	21,495

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020

1. **General information**

Khee San Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company are as follows : -

Registered office	:	No. 5-9A The Boulevard Offices Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur.
Principal place of business	:	Lot 1819, 1820, 1821, 1822, 1823, 1824 & 1832, Jalan Kolej 43300 Seri Kembangan Selangor Darul Ehsan.

The consolidated financial statements of the Company as at and for the financial period ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the period ended 30 June 2020 do not include other entities.

The Company is principally an investment holding company. The principal activities of the subsidiary companies are set out in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 30 October 2020.

2. **Basis of preparation of financial statements**

a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

The Group and the Company reported the following conditions and events : -

1. For the financial period ended 30 June 2020, the Group and the Company incurred net losses of RM152,800,849 and RM105,234,513 respectively. As of that date, the Group reported shareholders' deficit of RM10,884,605, and the Group's and the Company's current liabilities exceeded their current assets by RM117,156,989 and RM2,554,960 respectively.

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

2. As disclosed in Note 42(ii) to the financial statements, the Company on 10 July 2020 announced that it has triggered the Prescribed Criteria of paragraph 2.1(f) of PN17 pursuant to paragraph 8.04(2) of MMLR of Bursa Malaysia whereby it has defaulted in payment by the listed issuers, its major subsidiary or major associated company, as the case may be, as announced pursuant to paragraph 9.19A of the MMLR as per announcement made on 8 July 2020.

Pursuant to the Bursa Malaysia's Circular dated 16 April 2020: Additional Temporary Relief Measures To Listed Issuer, the Company which has triggered the above Prescribed Criteria under PN 17 of the MMLR from 17 April 2020 to 30 June 2021 ("Relief Period") was granted PN 17 Relief Measures as follows : -

(a) the Company will not be classified as a PN17 listed issuer and will not be required to comply with the obligations pursuant to paragraph 8.04 (3) and PN17 of the MMLR for a period of 12 months from the date of triggering the criteria;

(b) the Company is still required to make an immediate announcement that it has triggered the Suspended Criteria and the relief provided ("Relief Announcement").

(c) Upon the expiry of the 12 months from the Relief Announcement, the Company must re-assess its condition and announce whether it continues to trigger any of the criteria in PN17 of the MMLR ("said Announcement").

(d) if the Company continues to trigger any of the criteria in PN17 of the MMLR, it will then be classified as a PN17 listed issuer and must comply with all the obligations under paragraph 8.04 (3) and PN17 of the MMLR, including the obligation to submit a regularisation plan to the relevant authorities within 12 months from the said Announcement.

The Directors have concluded that the combination of the circumstances highlighted above indicate material uncertainties that may cast significant doubt over the ability of the Group and of the Company to continue as going concern and therefore, may be unable to realise their assets and discharge their liabilities in the normal course of business.

Nevertheless, the financial statements of the Group and of the Company have been prepared on a going concern basis, the validity of which is dependent on the following : -

(a) the Company is currently in the process of formulating a Proposed Regularisation Plan to address the financial condition of the Group and of the Company and believes that the Proposed Regularisation Plan once formulated and implemented after obtaining approval from relevant authorities, will enable the Group and the Company to generate sufficient cash flows to meet their obligations;

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

(b) advances from a director amounted to RM5 million in June 2020 as disclosed in Note 22 to the financial statements;

(c) continuous financial support provided by substantial shareholders to the Group and the Company to meet their obligations; and

(d) the Group and the Company are currently implementing various group-wide cost-cutting measures to reduce the operating costs and improve profitability and stringent monitoring of administrative costs.

For these reasons, the Directors are of the opinion that the Group and the Company will be able to continue in operational existence for the foreseeable future and to realise their assets and settle their liabilities in the ordinary course of business.

Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise.

The Group and the Company have applied the following accounting standards, interpretations and amendments of the MFRSs for the first-time for the financial period beginning on 1 January 2019 : -

- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- MFRS 16, Leases
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement

The Group and the Company have applied the following accounting standards, interpretations and amendments of the MFRSs for the first-time for the financial period beginning on 1 January 2019 : - (Cont'd.)

- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long Term Interests in Associates and Joint Ventures
- IC Interpretation 23, Uncertainty over Income Tax Treatments

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

The Group and the Company have adopted the above accounting standards, interpretations and amendments of the MFRSs for the first-time in the 2020 financial statements, which resulted in changes in accounting policies as follows : -

MFRS 16, Leases

The Group and the Company have adopted MFRS 16 for the first-time in the 2020 financial statements, with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method. The practical expedients elected and detailed impacts of the first-time adoption of MFRS 16, Leases are disclosed in Note 44 to the financial statements. The details of the accounting policies on leases are disclosed separately in Note 3(d) to the financial statements.

Other than that, the adoption of other accounting standards, interpretations and amendments of the MFRSs listed above did not have any material impact on the current period or any prior period and is not likely to have a material effect for future period.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company.

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3, Business Combinations – Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendments to MFRS 16, Leases – Covid-19 – Related Rent Concessions

MFRSs, interpretations and amendments effective for annual periods beginning on or after 17 August 2020

- Amendments to MFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020 Cycle)
- Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018-2020 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment – Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018 – 2020 Cycle)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, Insurance Contracts
- Amendments to MFRS 17, Insurance Contracts
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments : -

- from the annual period beginning on 1 July 2020 for those accounting standards, interpretations and amendments that are applicable to the Group and to the Company and effective for annual periods beginning on or after 1 January 2020;

- from the annual period beginning on 1 July 2021 for those accounting standards, interpretations and amendments that are applicable to the Group and to the Company and effective for annual periods beginning on or after 1 June 2020;

- from the annual period beginning on 1 July 2021 for those accounting standards, interpretations and amendments that are applicable to the Group and to the Company and effective for annual periods beginning on or after 17 August 2020;

- from the annual period beginning on 1 July 2022 for those accounting standards, interpretations and amendments that are applicable to the Group and to the Company and effective for annual periods beginning on or after 1 January 2022; and

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments : - (Cont'd.)

- from the annual period beginning on 1 July 2023 for those accounting standards, interpretations and amendments that are applicable to the Group and to the Company and effective for annual periods beginning on or after 1 January 2023.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mention below : -

Amendments to MFRS 3, Business Combinations – Definition of a Business

The amendments revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be organized workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term "outputs" is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as "concentration test" that, if met, eliminates the need for further assessment. Under the concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments should be applied prospectively.

Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of "material" has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

2. **Basis of preparation of financial statements (Cont'd.)**

a) Statement of compliance (Cont'd.)

Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material (Cont'd.)

The amendment also : -

- clarify that an entity assesses materiality in the context of the financial statements as a whole;
- explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information; and
- clarify the meaning of "primary users of general purpose financial statements" to whom those financial statements are directed, by defining them as "existing and potential investors, lenders and other creditors" that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of amendments to MFRS 3, and amendments to MFRS 101 and MFRS 108.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and Company's functional currency.

d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020
(cont'd)

2. **Basis of preparation of financial statements (Cont'd.)**

d) Use of estimates and judgements (Cont'd.)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items : -

i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a reducing-balance basis over their estimated useful life. Management estimated the useful life of these assets to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

ii) Depreciation of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over their useful life or the end of the lease term. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

iii) Impairment of investment in subsidiary companies

The Company reviews the investments in subsidiary companies for impairment when there is an indication of impairment and assess the impairment of receivables on the amounts due from subsidiaries when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiary companies and amounts due from subsidiaries are assessed by reference to the value in use of the respective subsidiaries.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiaries discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set assumption of reflect their income and cash flows. Judgement had also been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiaries.

iv) Allowance for inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews are required judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

v) Measurement of Expected Credit Loss ("ECL") allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

2. **Basis of preparation of financial statements (Cont'd.)**

   d) Use of estimates and judgements (Cont'd.)

      vi) Deferred tax assets

      Deferred tax assets are recognised for all unabsorbed tax losses, unabsorbed capital allowances and unutilised reinvestment allowance to the extent that it is probable that taxable profit will be available against which the unabsorbed tax losses, unabsorbed capital allowances and unutilised reinvestment allowance can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

      vii) Income tax expense

      There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimates. The Group and the Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. **Significant accounting policies**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, Leases, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 44 to the financial statements.

a) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns though its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over as investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of these investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions the Group measures the cost of goodwill at the acquisition date as : -

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

3. **Significant accounting policies (Cont'd.)**

a) Basis of consolidation (Cont'd.)

ii) Business combinations (Cont'd.)

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

iii) Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

3. **Significant accounting policies (Cont'd.)**

b) Financial instruments

i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is trade receivables without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy appliable to the nature of the host contract.

ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, a foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(h)(i)) where the effective interest rate is applied to the amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

3. **Significant accounting policies (Cont'd.)**

b) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

b) Fair value through other comprehensive income

i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(h)(i)) where the effective interest rate is applied to the amortised cost.

ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss under the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This include derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. **Significant accounting policies (Cont'd.)**

b) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

c) Fair value through profit or loss (Cont'd.)

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through comprehensive income, are subject to impairment assessment (see Note 3(h)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows : -

a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss : -

i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

3. **Significant accounting policies (Cont'd.)**

b) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial liabilities (Cont'd.)

a) Fair value through profit or loss

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting in the current year.

Trade date accounting refers to : -

a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

3. **Significant accounting policies (Cont'd.)**

b) Financial instruments (Cont'd.)

iv) Financial guarantee contracts (Cont'd.)

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of : -

a) The amount of the loss allowance; and

b) The amount initially recognised loss, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different. In which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

c) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment except for freehold land are measured at cost or valuation less any accumulated depreciation and any accumulated impairment losses. Freehold land with indefinite useful life is not depreciated.

The Group revalues its freehold land and building every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Valuation of the properties involves a degree of judgement before arriving at the respective property's revalued amount. At such, the revalued amount of the properties may be different from its actual market price.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

3. **Significant accounting policies (Cont'd.)**

c) Property, plant and equipment (Cont'd.)

i) Recognition and measurement (Cont'd.)

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate item (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

3. **Significant accounting policies (Cont'd.)**

c) Property, plant and equipment (Cont'd.)

iii) Depreciation (Cont'd.)

Depreciation is recognised in profit or loss on a reducing-balance basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they available for use. Leased assets are depreciation over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The principal annual rates of depreciation for the property, plant and equipment are as follows : -

	Rate %
Buildings	2
Electrical equipment	10 – 20
Furniture, fittings and equipment	5 – 10
Motor vehicles	20
Plant and machinery	5 – 20

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriates.

d) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained profits at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, Leases and related interpretations.

Current financial period

i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether : -

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

3. **Significant accounting policies (Cont'd.)**

d) Leases (Cont'd.)

Current financial period (Cont'd.)

i) Definition of a lease (Cont'd.)

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether : - (Cont'd.)

- the customer has the right to direct the use of the asset. The customer for this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset, or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or a reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for lease of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

ii) Recognition and initial measurement

a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group's entities incremental borrowing rate. Generally, the Group entities uses their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following : -

- fixed payments, including in-substance fixed payments less any incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;

- amounts expected to be payable under a residual value guarantee;

3. **Significant accounting policies (Cont'd.)**

d) Leases (Cont'd.)

Current financial period (Cont'd.)

ii) Recognition and initial measurement (Cont'd.)

a) As a lessee (Cont'd.)

Lease payments included in the measurement of the lease liability comprise the following : - (Cont'd.)

- the exercise price under a purchase option that the Group is reasonably certain to exercise; and

- penalties for early termination of a lease unless the Group is reasonable certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with leases as an expense on a straight-line basis over the lease term.

b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 16 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

3. **Significant accounting policies (Cont'd.)**

d) Leases (Cont'd.)

Current financial period (Cont'd.)

iii) Subsequent measurement

a) As a lessee

The right-of-use asset is a subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measure at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

Previous financial period

i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset. Assets with unexpired economic life of 50 years and above will be classified as long-term lease assets, whereas short-term lease assets will be those assets with unexpired economic life of less than 50 years.

Minimum lease payments made under finance lease were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

3. **Significant accounting policies (Cont'd.)**

d) Leases (Cont'd.)

Previous financial period (Cont'd.)

i) Finance lease (Cont'd.)

Leasehold land which in substance is a fiancé lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

ii) Operating lease

Leases, where the Group or the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and, except for property interest held under operating lease, the leased assets were not recognised on the statement of financial position. Property interest held under an operating lease, which was held to earn rental income or for capital appreciation or both, was classified as investment property and measured using fair value model.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they were incurred.

Leasehold land which in substance is an operation lease is classified as prepaid lease payments.

e) Intangible assets

Intangible assets represent the trademarks at cost less any accumulated impairment losses. Trademarks have an indefinite useful life as it is maintained through continuous marketing and introduction of new products. Trademarks are tested annually for impairment. Where an indication of impairment exists, the carrying amount of trademarks are assessed and written down immediately to its recoverable amount.

f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less than estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

3. **Significant accounting policies (Cont'd.)**

g) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

h) Impairment

i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without under cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

3. **Significant accounting policies (Cont'd.)**

h) Impairment (Cont'd.)

i) Financial assets (Cont'd.)

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially of full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, lease receivables, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

3. **Significant accounting policies (Cont'd.)**

h) Impairment (Cont'd.)

ii) Other assets (Cont'd.)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial period in which the reversals are recognised.

i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

ii) Ordinary shares

Ordinary shares are classified as equity.

j) Employee benefits

i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

3. **Significant accounting policies (Cont'd.)**

j) Employee benefits (Cont'd.)

ii) State plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a "Trinomial" pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting period, then they are discounted.

k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

3. **Significant accounting policies (Cont'd.)**

l) Revenue and other income

i) Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met : -

- the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

If control of the assets is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards the satisfaction of each of those performance obligations. Otherwise, revenue is recognised at a point in time when the customer obtain control over the goods or service.

a) Good sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sale agreement, that the control of the goods have been transferred to the customer and recovery of the consideration is probable. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

ii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recgonised as other income.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

3. **Significant accounting policies (Cont'd.)**

m) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

3. **Significant accounting policies (Cont'd.)**

o) Earnings per ordinary shares

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basis EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

q) Contingencies

i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

r) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

3. **Significant accounting policies (Cont'd.)**

r) Fair value measurements (Cont'd.)

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows : -

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

4. **Property, plant and equipment**

	<------- At valuation ------->		<------------------------------- At costs				------------------------------->	
Group	Freehold land RM	Buildings RM	Electrical equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Plant and machinery RM	Plant and Machinery in-progress RM	Total RM
30.6.2020								
At 1.1.2019	**28,880,390**	**5,752,555**	**16,575,623**	**721,801**	**4,879,229**	**165,616,464**	**19,352,719**	**241,778,781**
Reclassification upon initial adoption of MFRS 16	**-**	**-**	**-**	**-**	**(1,272,832)**	**(7,823,408)**	**-**	**(9,096,240)**
At 1.1.2019 (As restated)	**28,880,390**	**5,752,555**	**16,575,623**	**721,801**	**3,606,397**	**157,793,056**	**19,352,719**	**232,682,541**
Additions	**-**	**175,520**	**386,710**	**29,343**	**-**	**62,310**	**-**	**653,883**
Disposals	**-**	**-**	**-**	**-**	**(2,600,000)**	**-**	**(19,352,719)**	**(21,952,719)**
Adjustment on revaluation	**-**	**(269,984)**	**-**	**-**	**-**	**-**	**-**	**(269,984)**
Revaluation surplus	**3,929,610**	**8,209,984**	**-**	**-**	**-**	**-**	**-**	**12,139,594**
At 30.6.2020	**32,810,000**	**13,868,075**	**16,962,333**	**751,144**	**1,006,397**	**157,855,366**	**-**	**223,253,315**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

4. **Property, plant and equipment (Cont'd.)**

Group	Freehold land RM	Buildings RM	Electrical equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Plant and machinery RM	Plant and Machinery in-progress RM	Total RM
30.6.2020								
Accumulated depreciation								
At 1.1.2019	-	**276,946**	**10,282,113**	**445,240**	**2,319,976**	**51,602,070**	-	**64,926,345**
Reclassification upon initial adoption of MFRS 16	-	-	-	-	**(399,301)**	**(595,746)**	-	**(995,047)**
At 1.1.2019 (As restated)	-	**276,946**	**10,282,113**	**445,240**	**1,920,675**	**51,006,324**	-	**63,931,298**
Charge for the financial period	-	**535,107**	**1,000,638**	**25,651**	**188,235**	**12,948,500**	-	**14,698,131**
Disposals	-	-	-	-	**(1,348,190)**	-	-	**(1,348,190)**
Adjustment on revaluation	-	**(269,984)**	-	-	-	-	-	**(269,984)**
At 30.6.2020	-	**542,069**	**11,282,751**	**470,891**	**760,720**	**63,954,824**	-	**77,011,255**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

4. **Property, plant and equipment (Cont'd.)**

Group	<-------- At valuation --------> Freehold land RM	Buildings RM	<---------- At costs ---------- Electrical equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Plant and machinery RM	Plant and Machinery in-progress RM ---------->	Total RM
30.6.2020								
Impairment								
At 1.1.2019	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	**31,285,202**	-	**31,285,202**
At 30.6.2020	-	-	-	-	-	**31,285,202**	-	**31,285,202**
Carrying amount	**32,810,000**	**13,326,006**	**5,679,582**	**280,253**	**245,677**	**62,615,340**	-	**114,956,858**

4. **Property, plant and equipment (Cont'd.)**

Group	<------- At valuation	------->	<------------------------		At costs		------------------------>	
	Freehold land RM	Buildings RM	Electrical equipment RM	Furniture, fittings and equipment RM	Motor vehicles RM	Plant and machinery RM	Plant and Machinery in-progress RM	Total RM
31.12.2018								
At 1.7.2017	28,880,390	5,133,236	15,515,491	1,615,629	4,784,332	153,684,228	9,952,450	219,565,756
Additions	-	619,319	1,060,132	6,379	156,540	1,880,786	19,451,719	23,174,875
Disposals	-	-	-	(900,207)	(61,643)	-	-	(961,850)
Reclassification	-	-	-	-	-	10,051,450	(10,051,450)	-
At 31.12.2018	28,880,390	5,752,555	16,575,623	721,801	4,879,229	165,616,464	19,352,719	241,778,781
Accumulated depreciation								
At 1.7.2017	-	117,699	9,244,694	1,138,045	1,945,307	44,788,259	-	57,234,004
Charge for the financial period	-	159,247	1,037,419	53,378	430,443	6,813,811	-	8,494,298
Disposals	-	-	-	(746,183)	(55,774)	-	-	(801,957)
At 31.12.2018	-	276,946	10,282,113	445,240	2,319,976	51,602,070	-	64,926,345
Carrying amount	28,880,390	5,475,609	6,293,510	276,561	2,559,253	114,014,394	19,352,719	176,852,436

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

4. **Property, plant and equipment (Cont'd.)**

i) The freehold land and building of the Group at carrying amount of RM46,136,006 (31.12.2018 – RM34,355,999) are stated at directors' valuation based on professional valuations made by an independent professional qualified valuer on the open market value basis conducted in financial period 2020.

Had the freehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts of the revalued assets that would have been included in the financial statements at the end of the financial period as follows : -

	Group	
	30.6.2020	31.12.2018
	RM	RM
Freehold land	**3,795,500**	3,795,500
Buildings	**8,379,619**	8,375,112
	12,175,119	12,170,612

ii) Details of the Group's freehold land and buildings and information about the fair value hierarchy are as follows : -

	Group
	Level 2
	RM
30.6.2020	
Freehold land	**32,810,000**
Buildings	**13,326,006**
	46,136,006
31.12.2018	
Freehold land	28,880,390
Buildings	5,475,609
	34,355,999

The fair values of the freehold land and buildings of the Group are categorised as Level 2. The properties are valued by an independent firm of professional valuers based on the "market value" which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm length transaction after proper marketing wherein the parties has each acted knowledgeably, prudently and without compulsion.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

4. **Property, plant and equipment (Cont'd.)**

ii) Details of the Group's freehold land and buildings and information about the fair value hierarchy are as follows : - (Cont'd.)

<u>Level 2 fair value</u>

Level 2 fair value freehold land and buildings have been generally derived using the open market value approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is comparing the subject property with comparable properties which have been sold or are being offered for sale and making adjustment for factors which affect value such as location, floor level and siting, floor area, finishes, building services, management and maintenance, age and state of repair, market conditions and other relevant factors.

The Group does not have non-financial assets measured at Level 1 and Level 3 hierarchy.

iii) The carrying amount of property, plant and equipment of the Group at the reporting date held under finance lease arrangements is as follows : -

	Group	
	30.6.2020	31.12.2018
	RM	RM
Plant and machinery	**-**	31,729,622
Motor vehicles	**-**	2,218,035
	-	33,947,657

5. **Investment in subsidiary companies**

	Company	
	30.6.2020	31.12.2018
	RM	RM
Unquoted shares, at cost	**35,567,639**	35,567,639
Less: Impairment losses	**(31,206,313)**	(2,219,039)
	4,361,326	33,348,600

5. **Investment in subsidiary companies (Cont'd.)**

The reconciliation of allowance account is as follows : -

	Company	
	30.6.2020	31.12.2018
	RM	RM
At beginning of the financial period	**2,219,039**	2,219,039
Impairment losses recognised during the financial period	**28,987,274**	-
At the end of the financial period	**31,206,313**	2,219,039

The details of the subsidiary companies are as follows : -

Name of subsidiary	Place of incorporation	Principal activities	Effective ownership interest	
			30.6.2020	31.12.2018
			%	%
Khee San Food Industries Sdn. Bhd.*	Malaysia	Manufacturer of candy confectionery and wafer products	**100**	100
Khee San Marketing Sdn. Bhd.	Malaysia	Distribution of candy, confectionery and wafer products	**100**	100

* The auditors' report of the subsidiary companies contains an emphasis of material uncertainty related to going concern.

6. **Amount due from a subsidiary company**

	Company	
	30.6.2020	31.12.2018
	RM	RM
Non-Current		
Amount due from a subsidiary company	**72,186,503**	71,719,378
Less : Impairment losses (Note 36(b)(i))	**(72,186,503)**	-
	-	71,719,378

The amount due from a subsidiary company represents unsecured interest-free advances with no fixed term of repayment.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

7. Intangible assets

Group	Trademarks RM
30.6.2020	
Cost	
At 1.1.2019 /30.6.2020	**1,600,000**
Accumulated impairment loss	
At 1.1.2019	**1,000,000**
Impairment losses recognised during the financial period	**600,000**
At 30.6.2020	**1,600,000**
Carrying amount	**-**
31.12.2018	
Cost	
At 1.7.2017 /31.12.2018	1,600,000
Accumulated impairment loss	
At 1.7.2017	800,000
Impairment losses recognised during the financial period	200,000
At 31.12.2018	1,000,000
Carrying amount	600,000

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

8. Right-of-use assets

Group	Motor vehicles RM	Plant and machinery RM	Total RM
30.6.2020			
Cost			
At 1.1.2019 (as previously stated)	-	-	-
Reclassification upon initial adoption of MFRS 16	**1,272,832**	**7,823,408**	**9,096,240**
At 1.1.2019 (as restated)	**1,272,832**	**7,823,408**	**9,096,240**
Additions	**415,910**	**-**	**415,910**
At 30.6.2020	**1,688,742**	**7,823,408**	**9,512,150**
Accumulated depreciation			
At 1.1.2019 (as previously stated)	-	-	-
Reclassification upon initial adoption of MFRS 16	**399,301**	**595,746**	**995,047**
At 1.1.2019 (as restated)	**399,301**	**595,746**	**995,047**
Charge for the financial period	**236,306**	**646,862**	**883,168**
At 30.6.2020	**635,607**	**1,242,608**	**1,878,215**
Carrying amount	**1,053,135**	**6,580,800**	**7,633,935**

9. Inventories

	Group	
	30.6.2020 RM	31.12.2018 RM
At cost		
Raw materials	**2,968,228**	6,961,402
Work-in-progress	**732,067**	1,456,794
Finished goods	**1,563,607**	1,870,118
	5,263,902	10,288,314

Recognised in profit or loss : -		
- Inventories recognised as costs of sales	**73,179,501**	206,660,706
- Impairment loss on inventories	**1,372,519**	1,046,609

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

10. **Trade receivables**

	Group	
	30.6.2020	31.12.2018
	RM	RM
Trade receivables	**117,146,952**	144,940,115
Less : Impairment losses (Note 36(b)(i))	**(114,604,215)**	(30,704,852)
	2,542,737	114,235,263

The normal credit terms of trade receivables range from immediate payment to 90 days (31.12.2018 – immediate payment to 180 days). Other terms are assessed and approved on a case-by-case basis.

The foreign currency exposure of trade receivables of the Group is as follows : -

	Group	
	30.6.2020	31.12.2018
	RM	RM
Australian Dollar	**-**	4,970
Euro	**-**	1,756,536
Hong Kong Dollar	**36,518**	283,443
Indonesian Rupiah	**-**	349,672
Japanese Yen	**124,058**	4,629,782
Singapore Dollar	**-**	26,112
Thai Baht	**98,076**	163,063
US Dollar	**551,077**	29,429,740

11. **Other receivables, deposits and prepayments**

	Group		Company	
	30.6.2020	31.12.2018	**30.6.2020**	31.12.2018
	RM	RM	**RM**	RM
Other receivables	**815,024**	295,488	**1,037**	1,037
Less : Impairment loss (Note 36(b)(i))	**(1,037)**	-	**(1,037)**	-
	813,987	295,488	**-**	1,037
Deposits	**1,659,329**	1,114,916	**-**	-
Prepayments	**276,787**	120,089	**-**	5,505
	2,750,103	1,530,493	**-**	6,542

Included in deposits of the Group is an amount of RM NIL (31.12.2018 – RM211,490) relating to the deposits paid for the purchase of plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020
(cont'd)

12. **Share capital**

	Group and Company			
	30.6.2020	31.12.2018	**30.6.2020**	31.12.2018
	Number of ordinary shares		**RM**	RM
Issued and fully paid				
Ordinary shares with no par value : -				
At beginning of the period	**104,000,000**	104,000,000	**106,300,498**	104,000,000
Transfer from share premium in accordance with Section 618(2) of the Companies Act, 2016	**-**	-	**-**	2,300,498
Issuance of shares	**10,400,000**	-	**3,489,019**	-
At end of the financial period	**114,400,000**	104,000,00	**109,789,517**	106,300,498

During the financial period, the issued and paid up share capital of the Company was increased from 104,000,000 ordinary shares to 114,400,000 ordinary shares by way of an issue of 10,400,000 new ordinary shares for cash pursuant to the private placement at fair value of RM0.3355 per ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

13. **Reserves**

	Group		Company	
	30.6.2020	31.12.2018	**30.6.2020**	31.12.2018
	RM	RM	**RM**	RM
Non-distributable				
Share premium	**-**	-	**-**	-
Merger reserves	**(17,443,699)**	(17,443,699)	**-**	-
Revaluation reserves	**31,248,769**	22,588,406	**-**	-
	13,805,070	5,144,707	**-**	-
Distributable				
(Accumulated loss) /Retained earnings	**(134,479,192)**	19,465,657	**(107,983,151)**	(1,604,638)
	(120,674,122)	24,610,364	**(107,983,151)**	(1,604,638)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

13. **Reserves (Cont'd.)**

	Group and Company	
	30.6.2020	31.12.2018
	RM	RM
Share premium		
At beginning of the financial period	-	2,300,498
Transfer to share capital in accordance with Section 618(2) of the Companies Act, 2016	-	(2,300,498)
At end of the financial period	-	-

Share premium

Section 618(2) of the Companies Act, 2016 states that upon the commencement of Section 74, the share premium account shall become part of share capital.

Merger reserves

The merger reserve is related to the subsidiaries which were consolidated under the merger method of accounting. The merger reserve arose from the difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries upon consolidation using merger accounting principles.

Revaluation reserves

The revaluation reserves of the Group represents surplus on revaluation of freehold land and buildings of the subsidiary companies.

14. **Employee Share Option Scheme ("ESOS")**

The Company's ESOS is governed by the by-laws approved by the shareholders at the Extraordinary General meeting held on 11 November 2015.

The principal features of ESOS are as follows : -

i. Scheme shall be in force for a period of five (5) years from the effective date at implementation of the scheme but subject to any extension or renewal for a further period of five (5) years.

ii. Eligible persons are employees of the Group, who is a Malaysian citizen who has attained eighteen (18) years of age (including Executive Directors) and have been confirmed and has served at least six (6) months in the employment of the Group on the date of the offer where the Executive Director or employee is under an employment contract, the contract is for a duration of at least one (1) year and has not expired within three (3) months from the date of offer. The eligibility for participation in ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.

iii. The total number of shares to be issued under ESOS shall not exceed 15% of the issued and paid-up share capital of the Company being, the maximum allowable allotment of shares, at any point of time during the duration of Scheme.

14. **Employee Share Option Scheme ("ESOS")**

The principal features of ESOS are as follows : - (Cont'd.)

iv. The option price for each new RM1.00 share to be offered shall be determined by the ESOS Committee in the following manner : -

   i) a price at a discount of not more than ten percent (10%) from the five (5) days weighted average market price of the Company's shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad immediately preceding the Date of Offer; or

   ii) the par value of the Company's shares of RM1.00 each, whichever is the higher.

v. No option shall be granted for less than 100 shares and shall always be in multiples of 100 shares.

vi. An offer made by the ESOS Committee to a selected employee shall be valid for a period of forty-five (45) days from the date of offer and may be accepted within this prescribed period by the selected employee to whom the offer is made by written notice to the ESOS Committee. Upon acceptance of an offer, the Grantee may during the option period exercise his options in full or in part in such manner as stipulated in the offer letter.

vii. All new ordinary shares issued upon exercise of the options granted under ESOS will rank pari-passu in all respects with the existing ordinary shares of the Company except that the shares so issued will not be entitled to any dividends, rights allotments and/ or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares.

Since the end of previous financial period, there were no share option exercised.

15. **Deferred tax liabilities**

The movement on the net of deferred tax is as follows : -

	Group	
	30.6.2020	31.12.2018
	RM	RM
At beginning of the financial period	**11,517,000**	8,727,000
Recognised in profit or loss (Note 29)	**-**	2,790,000
Credit arising from revaluation reserves	**3,479,231**	-
At end of the financial period	**14,996,231**	11,517,000

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

15. **Deferred tax liabilities (Cont'd.)**

The components and movements of deferred tax assets and liabilities during the financial period are as follows : -

	Group	
	30.6.2020	31.12.2018
	RM	RM
Deferred tax liabilities		
Accelerated capital allowances	**9,963,186**	9,9,63,186
Revaluation reserve	**5,033,045**	1,553,814
	14,996,231	11,517,000

Unabsorbed tax losses and unutilised capital allowances of the Group amounted to RM17,738,831 and RM8,714,493 respectively (31.12.2018 – RM Nil and RM Nil) which are available to set-off against future chargeable income for which the tax effects have not been recognised in the financial statements.

16. **Borrowings**

	Group	
	30.6.2020	31.12.2018
	RM	RM
Non-Current		
Secured		
Finance lease liabilities	**-**	3,472,006
Current		
Secured		
Bankers' acceptances	**65,698,390**	77,145,117
Bank overdraft	**8,032,085**	1,483,948
Finance lease liabilities	**-**	2,245,642
	73,730,475	80,874,707
Total borrowings : -		
Secured		
Bankers' acceptance (Note 17)	**65,598,390**	77,145,117
Bank overdraft (Note 17)	**8,032,085**	1,483,948
Finance lease liabilities (Note 18)	**-**	5,717,648
	73,730,475	84,346,713

NOTES TO THE FINANCIAL STATEMENTS
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16. **Borrowings (Cont'd.)**

Effective interest rates per annum on the borrowings of the Group is as follows : -

	Group	
	30.6.2020	31.12.2018
	%	%
Bankers' acceptances	**3.53 – 6.95**	4.43 – 6.95
Bank overdraft	**1.25**	1.25
Finance lease liabilities	**-**	2.41 – 6.60

17. **Bankers' acceptances and bank overdraft**

Group

Secured

The bankers' acceptances and bank overdraft are secured by corporate guarantee given by the Company and negative pledge over the unencumbered assets of the Group.

18. **Finance lease liabilities**

	Group	
	30.6.2020	31.12.2018
	RM	RM
Minimum lease payments : -		
- not later than one year	**-**	2,541,659
- later than one year and not later than two years	**-**	2,084,623
- later than two years and not later than five years	**-**	1,635,462
- later than five years	**-**	92,544
	-	6,354,288
Less : Future interest charges	**-**	(636,640)
Present value of finance lease liabilities	**-**	5,717,648
Repayable as follows : -		
Non-Current		
- later than one year and not later than two years	**-**	1,930,540
- later than two years and not later than five years	**-**	1,451,514
- later than five years	**-**	89,952
	-	3,472,006
Current		
- not later than one year	**-**	2,245,642
	-	5,717,648

NOTES TO THE FINANCIAL STATEMENTS
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18. **Finance lease liabilities (Cont'd.)**

The Group obtains finance lease facilities to finance its purchase of motor vehicles and plant and machinery. The remaining finance lease terms are in the range from 1 to 7 years. Implicit interest rates of the finance lease are fixed at the inception of the finance lease arrangements, and the finance lease instalments are fixed throughout the finance lease period. The Group has the option to purchase the assets at the end of the agreements. There are no significant restriction clauses imposed on the finance lease arrangements.

19. **Lease liabilities**

	Group	
	30.6.2020	31.12.2018
	RM	RM
Minimum lease payments : -		
- not later than one year	**957,028**	-
- later than one year and not later than two years	**537,465**	-
- later than two years and not later than five years	**968,239**	-
- later than five years	**70,901**	-
	2,533,633	-
Less : Future interest charges	**(340,411)**	-
Present value of lease liabilities	**2,193,222**	-
Repayable as follows : -		
Non-Current		
- later than one year and not later than two years	**468,913**	-
- later than two years and not later than five years	**789,877**	-
- later than five years	**63,388**	-
	1,322,178	-
Current		
- not later than one year	**871,044**	-
	2,193,222	-
	%	%
Effective interest rate	**2.34 – 6.00**	-

Included in the Group's lease liabilities were leases of motor vehicles and plant and machinery under leases expiring from 1 to 7 years. Implicit interest rate of the lease is fixed at the inception of the lease arrangements, and the lease instalments are fixed throughout the lease period. The Group have the option to purchase the assets at the end of the agreements. There are no significant restriction clauses imposed on the lease arrangements.

20. **Trade payables**

The normal credit terms of the Group trade payables are in the range from 30 to 90 days (31.12.2018 – 30 to 90 days). However, the terms may vary upon negotiation with the trade payables.

21. **Other payables and accruals**

	Group		**Company**	
	30.6.2020	31.12.2018	**30.6.2020**	31.12.2018
	RM	RM	**RM**	RM
Other payables	**21,952,628**	80,529,716	**677,325**	163,336
Accruals	**9,436,125**	576,549	**1,872,710**	230,876
Provisions	**-**	592,689	**-**	-
Deposits	**36,000**	36,000	**-**	-
	31,424,753	81,734,954	**2,550,035**	394,212

Included in other payables of the Group are : -

i) an amount of RM NIL (31.12.2018 – RM75,132,942) due to a major corporate shareholder with a common director in the Company.

ii) an amount of RM NIL (31.12.2018 – RM626,446) due to a person connected to one of the directors in the Company.

The amounts outstanding are unsecured, interest free and repayable on demand in cash and cash equivalents.

22. **Amount due to a director**

The amount outstanding is unsecured, interest free and repayable on demand in cash and cash equivalents.

23. **Revenue**

	Group	
	1.1.2019 to 30.6.2020	1.7.2017 to 31.12.2018
	RM	RM
Revenue from contract with customers : -		
- Sale of goods	**66,110,366**	258,633,486
Timing of revenue : -		
- at point of time	**66,110,366**	258,633,486

NOTES TO THE FINANCIAL STATEMENTS
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24. Other income

	Group		Company	
	1.1.2019 to 30.6.2020 RM	1.7.2017 to 31.12.2018 RM	**1.1.2019 to 30.6.2020 RM**	1.7.2017 to 31.12.2018 RM
Assembly charges	**-**	808,688	**-**	-
Gain on disposal of property, plant and equipment	**-**	131	**-**	-
Gain on foreign exchange				
- Unrealised	**1,073,518**	3,325,270	**-**	-
- Realised	**2,918,631**	1,836,093	**-**	-
Rental income	**298,201**	447,302	**-**	-
Sales of scrap	**60,029**	105,270	**-**	-
Others	**104,760**	9,445	**8,954**	-
	4,455,139	6,532,199	**8,954**	-

25. Finance costs

	Group	
	1.1.2019 to 30.6.2020 RM	1.7.2017 to 31.12.2018 RM
Interest expense of financial liabilities that are not fair value through profit or loss : -		
- Banker acceptance	**5,566,950**	5,287,899
- Bank overdraft	**905,240**	829,587
- Finance lease /lease liabilities	**343,877**	1,033,846
- Letter of credit charges	**4,117**	13,358
- Other interest charge	**402,050**	58,357
- Term loan	**-**	4,906
	7,222,234	7,227,953

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

26. Profit before taxation

	Group		Company	
	1.1.2019 to 30.6.2020 RM	1.7.2017 to 31.12.2018 RM	**1.1.2019 to 30.6.2020 RM**	1.7.2017 to 31.12.2018 RM
This is arrived at after charging : -				
Auditors' remuneration				
- current year provision	**180,000**	180,000	**45,000**	45,000
- over provision in previous year	**2,086**	-	**(11,700)**	-
- other services	**13,000**	500,000	**13,000**	143,100
Depreciation of : -				
- property, plant and equipment	**14,698,131**	8,494,298	**-**	-
- right-of-use assets	**883,168**	-	**-**	-
Employee benefits expenses (Note 27)	**13,303,356**	14,361,894	**1,049,215**	751,077
Impairment loss on : -				
- property, plant and equipment	**31,285,202**	-	**-**	-
- subsidiary companies	**-**	-	**28,987,274**	-
- intangible assets	**600,000**	200,000	**-**	-
- amount due from a subsidiary company	**-**	-	**72,186,503**	-
- inventories	**1,372,519**	1,046,609	**-**	-
- trade receivables	**83,899,363**	981,699	**-**	-
- other receivables	**1,037**	-	**1,037**	-
Finance costs (Note 25)	**7,222,234**	7,227,953	**-**	-
Lease rental	**-**	150,906	**-**	-
Loss on disposal of property, plant and equipment	**601,810**	-	**-**	-
Other receivables and deposits written off	**239,165**	1,326,362	**-**	-
Property, plant and equipment written off	**-**	154,024	**-**	-
Rental of plant and equipment	**13,880**	12,580	**-**	-
Rental of premises	**1,313,724**	1,270,041	**-**	-
Unrealised loss on foreign exchange	**-**	154,763	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

26. **Profit before taxation (Cont'd.)**

	Group		Company	
	1.1.2019 to 30.6.2020 RM	1.7.2017 to 31.12.2018 RM	**1.1.2019 to 30.6.2020 RM**	1.7.2017 to 31.12.2018 RM
This is arrived at after crediting : -				
Gain on disposal of property, plant and equipment	**-**	131	**-**	-
Gain on foreign exchange				
- Unreaslised	**1,073,518**	3,325,270	**-**	-
- Realised	**2,918,631**	1,836,093	**-**	-
Rental income	**298,201**	447,302	**-**	-

27. **Employee benefits expense**

	Group		Company	
	1.1.2019 to 30.6.2020 RM	1.7.2017 to 31.12.2018 RM	**1.1.2019 to 30.6.2020 RM**	1.7.2017 to 31.12.2018 RM
Salaries, allowance and bonus	**11,954,922**	10,443,818	**899,358**	638,466
Employees provident fund	**580,322**	578,902	**112,290**	77,486
Employment insurance system	**6,300**	1,110	**617**	230
Social security costs	**108,215**	73,926	**5,258**	2,908
Other staff related expenses	**653,597**	3,264,138	**31,692**	31,987
	13,303,356	14,361,894	**1,049,215**	751,077

Included in employee benefits expense of the Group and of the Company are directors' emoluments excluding benefits-in-kind, amounting to RM555,000 (31.12.2018 – RM450,000) as disclosed in Note 28 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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28. **Directors' remuneration**

	Group and Company	
	1.1.2019 to 30.6.2020	1.7.2017 to 31.12.2018
	RM	RM
Executive directors		
- Fees	**61,713**	6,000
- Other emoluments	**555,000**	450,000
	616,713	456,000
Non-executive directors		
- Fees	**329,710**	41,900
Total excluding benefits-in-kind	**946,423**	497,900

29. **Income tax expense**

	Group		Company	
	1.1.2019 to 30.6.2020	1.7.2017 to 31.12.2018	**1.1.2019 to 30.6.2020**	1.7.2017 to 31.12.2018
	RM	RM	**RM**	RM
Income tax				
- current financial period provision	**-**	1,000,000	**-**	-
- over /(under) provision in previous financial period	**178,067**	(17,802)	**-**	(22,826)
	178,067	982,198	**-**	(22,826)
Deferred taxation (Note 15)	**-**	2,790,000	**-**	-
	178,067	3,772,198	**-**	(22,826)

Income tax is calculated at the Malaysian statutory tax rate of 24% (31.12.2018 – 24%) of the estimated assessable profit for the period.

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

29. **Income tax expense (Cont'd.)**

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows : -

	Group		**Company**	
	1.1.2019 to 30.6.2020	1.7.2017 to 31.12.2018	**1.1.2019 to 30.6.2020**	1.7.2017 to 31.12.2018
	%	%	**%**	%
Applicable tax rate	**(24)**	24	**(24)**	(24)
Tax effects of : -				
- Non-allowable expenses	**24**	14	**(24)**	24
- Over /(under) provision of taxation in previous financial period	**-**	(1)	**-**	(1)
Effective tax rate	**-**	37	**-**	(1)

30. **(Loss) /Earning per share**

Basic :

Basic loss per share is calculated by dividing the loss for the financial year attributable to equity holders of the Company by the weighted-average number of ordinary shares in issue during the financial period.

	Group	
	1.1.2019 to 30.6.2020	1.7.2017 to 31.12.2018
(Loss) /Profit for the period attributable to ordinary equity holders of the Company (RM)	**(152,800,849)**	6,306,124
Weighted-average number of ordinary shares in issue (Unit)	**110,920,658**	104,000,000
Basic (loss) /earning per share (sen)	**(137.37)**	6.06

Diluted :

The basic and diluted (loss) /earning per share are equal as the Company has no dilutive potential ordinary shares.

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31. **Dividend paid**

The interim dividend paid in respect of the financial year ended are as follows : -

	Company	
	1.1.2019 to 30.6.2020 RM	1.7.2017 to 31.12.2018 RM
Interim single-tier dividend of RM0.01 per share, paid on 9 August 2019	**1,144,000**	-
Interim single-tier dividend of RM0.01 per share, paid on 7 March 2018	**-**	1,040,000

32. **Purchases of property, plant and equipment**

	Group	
	1.1.2019 to 30.6.2020 RM	1.7.2017 to 31.12.2018 RM
Purchase or property, plant and equipment (Note 4)	**653,883**	23,174,875
Financed by finance lease agreement	**-**	(1,446,529)
	653,883	21,728,346

33. **Changes in liabilities arising from financing activities**

	At beginning of the financial period RM	Net change from financing cash flows RM	Acquisition of new lease /financing RM	Reclassification upon initial adoption of MFRS 16 RM	At end of the financial period RM
Group					
30.6.2020					
Bankers' acceptance	**77,145,117**	**(11,446,727)**	**-**	**-**	**65,698,390**
Finance lease liabilities	**5,717,648**	**-**	**-**	**(5,717,648)**	**-**
	82,862,765	**(11,446,727)**	**-**	**(5,717,648)**	**65,698,390**
31.12.2018					
Bankers' acceptance	54,153,000	22,992,117	-	-	77,145,117
Term loan	266,667	(266,667)	-	-	-
Finance lease liabilities	12,054,855	(7,783,736)	1,446,529	-	5,717,648
	66,474,522	14,941,714	1,446,529	-	82,862,765

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

34. **Cash and cash equivalents**

	Group		Company	
	1.1.2019 to 30.6.2020 RM	1.7.2017 to 31.12.2018 RM	**1.1.2019 to 30.6.2020 RM**	1.7.2017 to 31.12.2018 RM
Cash and bank balances	**4,311,151**	19,013,989	**1,018**	21,495
Bank overdraft (Note 16)	**(8,032,085)**	(1,483,948)	**-**	-
	(3,720,934)	17,530,041	**1,018**	21,495

The foreign currency exposures of cash and bank balances of the Group are as follows : -

	Group	
	1.1.2019 to 30.6.2020 RM	1.7.2017 to 31.12.2018 RM
US Dollar	**10,733**	10,372
Japanese Yen	**-**	95,842

35. **Segmental information**

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

Business segments

The Group comprises the following main business segments : -

Investment holding	Investment holding.
Manufacture and trading	Manufacturing and trading of food and all related products.

There are varying levels of integration amount the reportable segments. This integration includes transfers of raw materials, shared managed services and financial resources. Inter-segment pricing is determined on negotiated basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

35. **Segmental information (Cont'd.)**

Business segments (Cont'd.)

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets and liabilities

The total of segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial period to acquire property, plant and equipment, and intangible assets other than goodwill.

a) Business Segment

	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
30.6.2020				
Revenue				
Revenue from external customers	-	**66,110,366**	-	**66,110,366**
Total revenue	-	**66,110,366**		**66,110,366**
Results				
Segment results	**(105,243,467)**	**(146,142,131)**	**101,173,777**	**(150,211,821)**
Other operating income	**8,954**	**4,446,185**	-	**4,455,139**
Finance costs	-	**(7,222,234)**	-	**(7,222,234)**
Loss before taxation	**(105,234,513)**	**(148,918,180)**	**101,173,777**	**(152,978,916)**
Income tax expense	-	**178,067**	-	**178,067**
Loss for the financial period	**(105,234,513)**	**(148,740,113)**	**101,173,777**	**(152,800,849)**

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

35. **Segmental information (Cont'd.)**

a) Business Segment (Cont'd.)

	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
30.6.2020				
Other information				
Segment assets	**4,362,344**	**143,980,103**	**(9,819,092)**	**138,523,355**
Segment liabilities	**2,555,978**	**224,496,251**	**(77,644,269)**	**149,407,960**
Non-cash expenses				
- Depreciation of property, plant and equipment	**-**	**14,698,131**	**-**	**14,698,131**
- Depreciation of right-of-use assets	**-**	**883,168**	**-**	**883,168**
- Impairment loss on property, plant and equipment	**-**	**31,285,202**	**-**	**31,285,202**
- Impairment loss on intangible assets	**-**	**600,000**	**-**	**600,000**
- Impairment loss on inventories	**-**	**1,372,519**	**-**	**1,372,519**
- Impairment loss on trade receivables	**-**	**83,899,363**	**-**	**83,899,363**
- Impairment loss on other receivables	**1,037**	**-**	**-**	**1,037**
- Loss on disposal of property, plant and equipment	**-**	**601,810**	**-**	**601,810**
- Other receivables and deposits written off	**-**	**239,165**	**-**	**239,165**
Non-cash income				
- Gain on foreign exchange - unrealised	**-**	**1,073,518**	**-**	**1,073,518**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

35. **Segmental information (Cont'd.)**

a) Business Segment (Cont'd.)

	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
30.6.2020				
Included in the measure of segment assets are : -				
Additions to non-current assets other than financial instruments and deferred tax assets	**-**	**1,069,793**	**-**	**1,069,793**
31.12.2018				
Revenue				
Revenue from external customers	-	258,633,486	-	258,633,486
Total revenue	-	258,633,486	-	258,633,486
Results				
Segment results	(2,531,124)	13,305,200	-	10,774,076
Other operating income	-	6,532,199	-	6,532,199
Finance costs	-	(7,227,953)	-	(7,227,953)
(Loss) /Profit before taxation	(2,531,124)	12,609,446	-	10,078,322
Income tax expense	22,826	(3,795,024)	-	(3,772,198)
(Loss) /Profit for the financial period	(2,508,298)	8,814,422	-	6,306,124

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

35. **Segmental information (Cont'd.)**

a) Business Segment (Cont'd.)

	Investment holding RM	Manufacturing and trading RM	Elimination RM	Total RM
31.12.2018				
Other information				
Segment assets	105,096,015	326,963,349	(109,435,378)	322,623,986
Segment liabilities	400,155	267,399,747	(76,086,778)	191,713,124
Non-cash expenses				
- Depreciation of property, plant and equipment	-	8,494,298	-	8,494,298
- Impairment loss on inventories	-	1,046,609	-	1,046,609
- Impairment loss on intangible assets	-	200,000	-	200,000
- Impairment loss on trade receivables	-	981,699	-	981,699
- Other receivables and deposits written off	-	1,326,362	-	1,326,362
- Property, plant and equipment written off	-	154,024	-	154,024
- Unrealised loss on foreign exchange	-	154,763	-	154,763
Non-cash income				
- Gain on disposal of property, plant and equipment	-	(131)	-	(131)
- Gain on foreign exchange - unrealised	-	(3,325,270)	-	(3,325,270)
Included in the measure of segment assets are : -				
Additions to non-current assets other than financial instruments and deferred tax assets	-	23,174,875	-	23,174,875

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

35. **Segmental information (Cont'd.)**

b) Geographical segment

The manufacturing and trading operations are based not only in Malaysia but also spread throughout the rest of Asia, Europe, Africa and Middle East.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	Revenue		Segment assets	
	1.1.2019 to 30.6.2020 RM	1.7.2017 to 31.12.2018 RM	**1.1.2019 to 30.6.2020 RM**	1.7.2017 to 31.12.2018 RM
Malaysia	**28,830,901**	176,233,343	**138,523,355**	322,623,986
Rest of Asia	**33,148,964**	64,158,923	**-**	-
Europe	**667,935**	2,004,371	**-**	-
Africa	**130,725**	15,821,949	**-**	-
Middle East	**3,331,841**	414,900	**-**	-
	66,110,366	258,633,486	**138,523,355**	322,623,986

The following are the major customers with revenue equal or more than 10% of the Group's total revenue : -

	Revenue		Segment
	1.1.2019 to 30.6.2020 RM	1.7.2017 to 31.12.2018 RM	
Customer A	**23,349,098**	64,515,856	Manufacturing and trading
Customer B	**8,058,412**	56,798,110	Manufacturing and trading
Customer C	**-**	30,516,962	Manufacturing and trading

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

36. **Financial instruments**

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows : -

i) Financial assets measured at amortised cost ("FAAC"); and
ii) Financial liabilities measured at amortised cost ("FLAC").

Group	Carrying amount RM	FAAC RM	FLAC RM
30.6.2020			
Financial assets			
Trade receivables	**2,542,737**	**2,542,737**	**-**
Other receivables and deposits	**2,473,316**	**2,473,316**	**-**
Cash and bank balances	**4,311,151**	**4,311,151**	**-**
	9,327,204	**9,327,204**	**-**
Financial liabilities			
Trade payables	**(22,057,336)**	**-**	**(22,057,336)**
Other payables and accruals	**(31,424,753)**	**-**	**(31,424,753)**
Amount due to a director	**(5,000,000)**	**-**	**(5,000,000)**
Borrowings	**(73,730,475)**	**-**	**(73,730,475)**
Lease liabilities	**(2,193,222)**	**-**	**(2,193,222)**
	(134,405,786)	**-**	**(134,405,786)**
31.12.2018			
Financial assets			
Trade receivables	114,235,263	114,235,263	-
Other receivables and deposits	1,410,404	1,410,404	-
Cash and bank balances	19,013,989	19,013,989	-
	134,659,656	134,659,656	-
Financial liabilities			
Trade payables	(14,108,514)	-	(14,108,514)
Other payables and accruals	(81,734,954)	-	(81,734,954)
Borrowings	(84,346,713)	-	(84,346,713)
	(180,190,181)	-	(180,190,181)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

36. **Financial instruments (Cont'd.)**

a) Categories of financial instruments (Cont'd.)

Company	Carrying amount RM	FAAC RM	FLAC RM
30.6.2020			
Financial asset			
Cash and bank balances	**1,018**	**1,018**	**-**
Financial liability			
Other payables and accruals	**(2,550,035)**	**-**	**(2,550,035)**
31.12.2018			
Financial assets			
Other receivables and deposits	1,037	1,037	-
Amount due from a subsidiary company	71,719,378	71,719,378	-
Cash and bank balances	21,495	21,495	-
	71,741,910	71,741,910	-
Financial liabilities			
Other payables and accruals	(394,212)	-	(394,212)

b) Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments as follows : -

- Credit risk
- Liquidity and cash flow risks
- Market risk
- Operational risk

i) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiary and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

36. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables

Risk management objectives, policies and processes for managing the risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has significant concentration of credit risk in the form of outstanding balance of approximately RM1,221,281 due from two (2) trade receivables which represents 53% of the total trade receivables of the Group. However, the directors are of the opinion that these amount outstanding is fully recoverable. Credit risk and receivables are monitored on an ongoing basis. These procedures substantially mitigate credit risk of the Group.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment losses

The Group uses an allowance matrix to measure the expected credit losses ("ECL") of trade receivables from individual customers, which comprise a very large number of insignificant balances outstanding.

To measure the ECLs, trade receivables have been grouped based on credit risk and days past due. The Groups consider a receivable to have significant high credit risk when its outstanding balance is more than 12 months.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

36. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)

Recognition and measurement of impairment losses (Cont'd.)

Where a receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the reporting date which are grouped together as they are expected to have similar risk nature : -

Group	Gross RM	Loss Allowance RM	Net RM
30.6.2020			
Not past due	**1,536,435**	**-**	**1,536,435**
Past due 1 – 30 days	**316,007**	**-**	**316,007**
Past due 31 – 60 days	**56,515**	**-**	**56,515**
Past due 61 – 90 days	**55,108**	**-**	**55,108**
Past due 91 – 120 days	**43,596**	**-**	**43,596**
Past due 121 – 150 days	**174,666**	**-**	**174,666**
Past due 151 – 180 days	**8,595**	**-**	**8,595**
Past due over 180 days	**114,956,030**	**(114,604,215)**	**351,815**
	117,146,952	**(114,604,215)**	**2,542,737**
31.12.2018			
Not past due	86,386,271	(1,179,580)	85,206,691
Past due 1 – 30 days	8,672,437	(1,221,841)	7,450,596
Past due 31 – 60 days	12,520,591	(706,086)	11,814,505
Past due 61 – 90 days	4,735,949	(1,725,111)	3,010,838
Past due 91 – 120 days	4,282,226	(607,868)	3,674,358
Past due 121 – 150 days	4,458,701	(1,921,808)	2,536,893
Past due 151 – 180 days	3,296,554	(3,003,450)	293,104
Past due over 180 days	20,587,386	(20,339,108)	248,278
	144,940,115	(30,704,852)	114,235,263

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

36. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)

Recognition and measurement of impairment losses (Cont'd.)

The movements in the allowance for impairment in respect of trade receivables during the financial period are as follows : -

	Lifetime ECL RM	Credit impaired RM	Total RM
Group			
At 1 July 2017	29,723,153	-	29,723,153
Net measurement of loss allowance	981,699	-	981,699
At 31 December 2018	30,704,852	-	30,704,852
Net measurement of loss allowance	-	83,899,363	83,899,363
At 30 June 2020	30,704,852	83,899,363	114,604,215

The allowance in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivable directly.

Other receivables

Risk management objectives, policies and processes for managing the risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

There are no significant changes as compared to previous financial period.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

36. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Other receivables (Cont'd.)

Recognition and measurement of impairment losses

The Group uses an allowance matrix to measure the expected credit losses ("ECL") of its receivables Where a receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

The movements in the allowance for impairment in respect of other receivables during the financial period are as follows : -

	Lifetime ECL RM	Credit impaired RM	Total RM
Group			
At 1 July 2017 /31 December 2018	-	-	-
Net measurement of loss allowance	**-**	**1,037**	**1,037**
At 30 June 2020	**-**	**1,037**	**1,037**

Financial guarantee

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM73,730,475 (31.12.2018 – RM78,629,065) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

36. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiary companies. The Company monitors the ability of the subsidiary companies to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment losses

Generally, the Company considers loans and advances to subsidiary companies have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiary companies' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiary companies are not able to pay when demanded. The Company considers a subsidiary company's loan or advance to be credit impaired when : -

- The subsidiary company is unlikely to repay its loan or advance to the Company in full;
- The subsidiary company's loan or advance is overdue for more than 365 days; or
- The subsidiary company is continuously loss making and is having a deficit shareholders' funds.

The Company determines the probability of default for these loans and advances individually using internal information available.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

36. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Inter-company loans and advances

The movements in the allowance for impairment in respect of inter-company loans and advances during the financial period are as follows : -

	Lifetime ECL RM	Credit impaired RM	Total RM
Company			
At 1 July 2017 /31 December 2018	-	-	-
Net measurement of loss allowance	**-**	**72,186,503**	**72,186,503**
At 30 June 2020	**-**	**72,186,503**	**72,186,503**

ii) Liquidity and cash flow risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

36. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments : -

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
Group							
30.6.2020							
Non-derivative financial liabilities							
Trade payables	**22,057,336**	**-**	**22,057,336**	**22,057,336**	**-**	**-**	**-**
Other payables and accruals	**31,424,753**		**31,424,753**	**31,424,753**	**-**	**-**	**-**
Amount due to a director	**5,000,000**	**-**	**5,000,000**	**5,000,000**	**-**	**-**	**-**
Bankers' acceptance	**65,698,390**	**3.53 – 6.95**	**65,698,390**	**65,698,390**	**-**	**-**	**-**
Bank overdraft	**8,032,085**	**1.25**	**8,032,085**	**8,032,085**	**-**	**-**	**-**
Lease liabilities	**2,193,222**	**2.34 – 6.00**	**2,533,633**	**957,028**	**537,465**	**968,239**	**70,901**
	134,405,786		**134,746,197**	**133,169,592**	**537,465**	**968,239**	**70,901**

36. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments : -

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
Group							
31.12.2018							
Non-derivative financial liabilities							
Trade payables	14,108,514	-	14,108,514	14,108,514	-	-	-
Other payables and accruals	81,734,954	-	81,734,954	81,734,954	-	-	-
Bankers' acceptances	77,145,117	4.43 – 6.95	77,145,117	77,145,117	-	-	-
Bank overdraft	1,483,948	1.25	1,483,948	1,483,948	-	-	-
Finance lease liabilities	5,717,648	2.41 – 6.60	6,354,288	2,541,659	2,084,623	1,635,462	92,544
	180,190,181		180,926,821	177,014,192	2,084,623	1,635,462	92,544

36. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM
Company				
30.6.2020				
Non-derivative financial liabilities				
Other payables and accruals	**2,550,035**	**-**	**2,550,035**	**2,550,035**
31.12.2018				
Non-derivative financial liabilities				
Other payables and accruals	394,212	-	394,212	394,212

iii) Market risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the respective functional currency of Group entities. The currency giving rise to this risk were primarily Australian Dollar ("AUD"), Singapore Dollar ("SGD"), US Dollar ("USD"), Hong Kong Dollar ("HKD"), Thai Baht ("THB"), Japanese Yen ("JPY"), Euro ("EURO"), and Indonesian Rupiah ("IDR").

Risk management objectives, policies and processes for managing the risk

The Group is closely monitoring the foreign currency risk on an ongoing basis to ensure that the net exposure is at acceptable level. In occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

36. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Exposure to foreign currency risk (Cont'd.)

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was : -

	30.6.2020 **RM**	31.12.2018 RM
Trade receivables (Note 10)		
- AUD	**-**	4,970
- EURO	**-**	1,756,536
- HKD	**36,518**	283,443
- IDR	**-**	349,672
- JPY	**124,058**	4,629,782
- SGD	**-**	26,112
- THB	**98,076**	163,063
- USD	**551,077**	29,429,740
Cash and bank balances (Note 34)		
- USD	**10,733**	10,372
- JPY	**-**	95,842

Currency risk sensitivity analysis

At 5% strengthening of Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased /(decreased) equally and post-tax profit or loss by the amount shown below. This analysis is based on foreign currency exchange rate variance that the Group considered to be reasonable possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

	30.6.2020		31.12.2018	
	Equity	**Profit for the period**	Equity	Profit for the period
Increase	**40,486**	**40,486**	1,832,166	1,832,166

At 5% of weakening of RM against the above foreign currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

36. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rate. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes interest rates. Short-term investment such as deposits with licensed bank are not significantly exposed to interest rate risk.

Risk Management objectives, policies and processes for managing the risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rate fall.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was : -

	30.6.2020		31.12.2018	
		Interest rate		Interest rate
	RM	**%**	RM	%
Group				
Fixed rate instruments				
Lease liabilities	**(2,193,222)**	**2.34 – 6.00**	-	-
Finance lease liabilities	**-**	**-**	(5,717,648)	2.41 – 6.60
Floating rate instruments				
Bankers' acceptances	**(65,698,390)**	**3.53 – 6.95**	(77,145,117)	4.43 – 6.95
Bank overdraft	**(8,032,085)**	**1.25**	(1,483,948)	1.25

Interest rate risk sensitivity analysis : -

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change on interest rates at the end of the reporting period would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020
(cont'd)

36. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis : - (Cont'd.)

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had been 100 basis points lower /higher, with all other variables held constant, the Group's loss net of tax would have been RM 560,000 higher /lower, arising mainly as a result of lower /higher interest expense on floating rate borrowings. The assumed movement in basis point for interest rate sensitivity analysis is based on the currently observable market environment.

iv) Operational risk

The operational risk arises from the daily activities of the Group which includes legal, credit reputation and financing risk and other risks associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

The directors will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risk faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

c) Fair value information

The carrying amount of cash and cash equivalents, trade and other receivables, inter-company balances, trade and other payables, amount due to a director, short term borrowings and current portion of lease payables approximate fair value due to the relatively short-term nature of these financial instruments.

The aggregate fair value of the other financial assets and liabilities carried on the statements of financial position approximates its carrying value and the Group does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be settled.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

36. **Financial instruments (Cont'd.)**

c) Fair value information (Cont'd.)

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique : -

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be settled. Therefore, the fair value hierarchy is not presented.

37. **Capital management**

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity to be the key component of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issued new shares, redeem debts or sell assets, where necessary, to maintain an optimal capital structure, Management has not formulated any formal policies and processes for monitoring the Group's capital in view of its simple structure. Nevertheless, management will always strive to improve those policies and processes whenever the need arises.

38. **Contingent liabilities**

	Company	
	30.6.2020	31.12.2018
	RM	RM
Unsecured		
Corporate guarantees issued to bank for bank facilities granted to : -		
- subsidiary companies	**73,730,475**	78,629,065

The directors are of the opinion that adequate allowance has been made in the financial statements for any possible liabilities.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

39. **Related parties**

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of the senior management of the Group.

The Group has related party relationship with its subsidiaries, Directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are shown below. The related party balances are shown in Note 6, 21 and 22 to the financial statements.

a) Related party /companies transactions : -

Transactions with a company in which is an existing corporate shareholder with a common director in the Company which had resigned during the financial period : -

	Group	
	1.1.2019 to 30.6.2020 RM	1.7.2017 to 31.12.2018 RM
Sales		
- London Biscuits Berhad	**23,349,098**	56,798,110
Purchases		
- London Biscuits Berhad	**-**	71,889,281
Rental income		
- London Biscuits Berhad	**298,201**	447,302
Sales of property, plant and equipment		
- London Biscuits Berhad	**19,352,719**	-

b) Compensation of key management personnel

The remuneration paid by the Group and the Company to key management personnel during the financial period are disclosed in Note 28 in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

40. Capital commitment

	Group	
	30.6.2020	31.12.2018
	RM	RM
Authorised and contracted for : -		
- Property, plant and equipment	**-**	351,490

41. Significant events

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

ii) On 3 July 2019, the Company announced that the Company had carried out a private placement exercise for the issuance of 10,400,000 shares at RM0.3350 per share. The said private placement was listed on 9 July 2019.

iii) On 9 August 2019, the Company replied the query from Bursa Malaysia dated 8 August 2019, informing that the Company has engaged with the banks through active discussions to reschedule the short-term borrowings to mid-term borrowings via conversion of the short-term borrowings to term loans. Whilst the Company was in active discussion, Bank of China ("BOC") has issued the demands for repayments, including the Company's lawyer. The Company took the position that since there were active discussions with the banks and the Company, there was no theoretical default.

The Company also informed that the Company is putting in place several fund-raising exercises to address the Company's current financing mismatch and its repayment obligations.

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

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

41. **Significant events (Cont'd.)**

vi) On 2 December 2019, the Company announced that the Company had proposed to undertake the following proposals : -

a) A private placement of 94,000,000 new ordinary shares, representing approximately 45.11% of the total enlarged issued in the Company to Mamee-Double Decker (M) Sdn Bhd ("MDD") ("Proposed Subscription"); and

b) A renounceable rights issue of 208,400,000 new shares on the basis 1:1 Rights Share for every 1 existing share in the Company held on an entitlement date to be announced later after the completion of the Proposed Subscription ("Proposed Rights Issue").

On 18 December 2019, the Company announced that the listing application in relation to Proposed Subscription and Proposed Rights Issue had been submitted to Bursa Malaysia for its approval.

On 6 January 2020, the Company announced that Bursa Malaysia had approved the following via their letter dated 3 January 2020 and subject to the conditions as stated in the announcement dated 6 January 2020 : -

a. Listing of and quotation for 94,000,000 new shares to be issued pursuant to the Proposed Subscription; and

b. Listing and quotation for 208,4000,000 new shares to be issued pursuant to the Proposed Rights Issue.

On 28 February 2020, the Company announced

a) that the Company had executed a Supplemental Subscription Agreement with MDD to amend, vary and supplement certain other provisions and terms of the Principal Agreement entered into between the Company and MDD : -

i. to revise the subscription price from RM 0.25 to RM 0.20 per subscription share of which the total subscription price be changed from RM 23,500,000 to RM 30,000,000;

ii. to increase the number of the subscription shares from 94,000,000 (representing approximately 45.11% of the enlarged issued capital of the Company after the said subscription to 150,000,000 (representing approximately 56.73% of the enlarged issued capital of the Company after the said subscription; and

b) as a result of the new enlarged share base upon completion of the said Proposed Subscription and the increased funding requirements of the Company, the Proposed Rights Issue will be revised to a rights issue involving the issuance of 330,500,000 Rights Shares on the basis of 5 Rights Shares for every 4 existing shares in the Company held on an entitlement date to be determined.

However, the Company had on 3 June 2020 announced that the abovementioned corporate exercise had been terminated as the party involved in the exercise could not meet the Conditions Precedent under the Proposed Subscription.

41. **Significant events (Cont'd.)**

vii) The COVID-19 pandemic has significantly disrupted many business operations around the world. For the Group and the Company, the impact on business operations has not been a direct consequence of the COVID-19 pandemic but a result of the measures taken by the Government of Malaysia to contain it.

The Group and the Company have performed an assessment of the overall impact of the situation on the Group's and the Company's operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there is no material adverse effects on the financial statements for the financial period ended 30 June 2020.

The scare and duration of the economic uncertainty and its related impact on the outlook and prospects of the Group and the Company could not be reasonably estimated at this juncture. The Group and the Company are closely monitoring the evolving situation of the COVID-19 pandemic and the effects, it any will be reflected in the next annual financial statements.

viii) On 3 June 2020, the Company announced that it had terminated its earlier Proposed Subscription Agreement with MDD and Proposed Rights Issue as the Conditions Precedent under the Subscription Agreement had lapsed, and that the parties have mutually agreed not to proceed with the said corporate exercise.

ix) On 25 June 2020, the Company announced that it had engaged the services of BDO Governance Advisory Sdn Bhd ("BDOGA") to carry out agreed upon procedures pertaining to a specific scope of work which are as follows : -

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.

   This engagement shall commence immediately from the day hereof and shall continue until the completion of the exercise.

   The Company expects to complete this Engagement within six (6) weeks from the date hereof and the findings may, pursuant to the terms of this Engagement, be announced accordingly for public record.

On 7 July 2020, the Company further announced that the triggering factors for the appointment of BDOGA is to conduct the probe as the Company has realised, there were some discrepancies in the supporting documents used for the drawdown of the facilities. It was brought to the attention of the Company by the lawyers during the course of the proceeding initiated by Bank of China (Malaysia) Berhad. As such, all bankers' acceptance facilities are now being evaluated and reassessed.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

41. **Significant events (Cont'd.)**

ix) (Cont'd.)

On 25 September 2020, the Company announced that BDOGA's review on the credit facilities in default, and the validity of the invoices and supporting documents in relation to the credit facilities, revealed the following : -

1. All applications of the credit facilities were signed by Dato' Sri Liew Yew Chung;
2. Sales invoices amounting to RM39,454,484 submitted as basis for drawdown of credit facilities appear to be fictitious and for products not manufactured by Khee San Food Industries Sdn Bhd;
3. Purchase invoices amounting to RM4,467,123, which are not supported by stock card movements, were submitted as basis for drawdown of credit facilities, of which RM2,922,263, in respect of purchases from Secret Ingredients Sdn Bhd appear to be fictitious;
4. Discrepancies between Summary Listings of Invoices submitted for credit facility drawdown and the actual invoices attached to the Summary Listings;
5. Financing drawn in excess over total amounts stated in invoices; and
6. Financing from 2 different Banks over the same invoices.

Subsequently on 14 September 2020, the Board had instructed BDOGA to : -

1. Complete and report on the tracing of the flow of funds, i.e. analysis demonstrating how funds drawn down from Bankers' Acceptances were used; and
2. Provide a breakdown of the issue for each Bank.

On 20 October 2020, the Company announced that BDOGA's had reviewed the movements of receipts of funds from the Banks to subsequent withdrawals /transfer of the funds ("money trail") based on date and information for the period 1 October 2018 to 31 March 2019 and extended to 4 July 2019 ("Review Period").

BDOGA was not able to trace the specific movement of funds received from the drawdowns. However, BDOGA were able to establish /identify the following in respect of the observed net outflow of funds from the Company of RM13,574,762 during the Review Period as follows : -

1. RM3,000,000 of receipts from Secret Ingredients Sdn Bhd ("SISB") for the sale of products that are neither manufactured nor normally sold by Khee San Food Industries Sdn Bhd ("KSFI");
2. Payments of RM22,994,759 to SISB for purchases of raw materials are in respect of invoices previously identified to be fictitious;
3. Transfer of RM790,000 to Khee San Berhad to defray its' operating expenses;
4. Receipts of RM50,230,000 from London Biscuits Berhad ("LBB"), which appear to have been used to repay credit facilities;
5. Remittances of RM85,191,000 to LBB for which no supporting or underlying documentation could be identified to support the transfer of such funds to LBB;
6. A total of RM12,602,500 used to defray operating expenses, made up of drawdowns of RM165,011,919 and repayments of RM177,664,747; and
7. Numerous instances in which funds drawn down were immediately (on the same day) used to repay previous drawdowns.

The Company is consulting its legal counsel on the appropriate course of action to be taken. The Company will make the necessary announcement to Bursa Malaysia as and when there are further developments in relation thereof.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

42. **Events after the reporting period**

i) On 8 July 2020 and 10 July 2020, the Company announced all the defaults with Creditor Banks which are summarised as follows : -

No	Bank	BA Facilities (RM)	OD Facilities (RM)	Total Facilities (RM)	Date of Default
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**	

The Company reiterated that the Company has discovered numerous potential irregularities and potential discrepancies in the supporting documents used pursuant to the drawdown of these facilities as well as the usage of these funds. This is further compounded by the fact that the then-holding company, London Biscuits Bhd ("LBB") owes the Company approximately RM54 million, which was also brought to the attention of the Creditor Banks. Some Creditor Banks are reluctant to respond as they are refuting certain facts as they are also involved in the LBB liquidation exercise.

On 25 June 2020, the Company engaged the services of BDOGA to undertake a forensic evaluation and assessment on the draw down documents pertaining to these transactions, as well as the funds remittance. As such, the Company will initiate formal claim and legal avenue against these perpetrators should the Company discovers instances of irregularities and breaches, which include seeking appropriate legal remedies against the Creditor Banks.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

42. **Events after the reporting period (Cont'd.)**

ii) On 10 July 2020, the Company announced to Bursa Malaysia, that the Company has triggered the Prescribed Criteria of paragraph 2.1(f) of Practice Note 17 ("PN17") pursuant to paragraph 8.04(2) of the Main Market Listing Requirements ("MMLR") whereby it has defaulted in payment by the listed issuers, its major subsidiary or major associated company, as the case may be, as announced pursuant to paragraph 9.19A of the MMLR as per announcement made on 8 July 2020.

Pursuant to the Bursa Malaysia's Circular dated 16 April 2020: Additional Temporary Relief Measures To Listed Issuer, Bursa will be granting affected listed issuers that triggers any of the following criteria under PN 17 of the MMLR ("Suspended Criteria") from 17 April 2020 to 30 June 2021 ("Relief Period") relief from complying with the obligation under paragraph 8.04 (3) and PN17 : -

a) its shareholders' equity on a consolidated basis is 25% or less of its share capital (excluding treasury shares) and such shareholders' equity is less than RM40 million.

b) auditors have highlighted a material uncertainty related to going concern or expressed a qualification on the listed issuer's ability to continue as a going concern in its latest audited financial statements and its shareholders' equity on a consolidated basis is 50% or less of its share capital (excluding treasury shares); and

c) default in payment by the listed issuers, its major subsidiary or major associated company, as the case may be, as announced pursuant to paragraph 9.19A of the MMLR and the listed issuer is unable to provide a solvency declaration to the Exchange.

As the Company has triggered the Suspended Criteria (c) during the Relief Period, the Company has been granted a relief from complying with the obligations under the paragraph 8.04(3) and PN17 of the Main Market Listing Requirements ("PN17 Relief Measures") for a period of 12 months from the date of triggering the criteria.

Under the PN17 Relief Measures : -

a) the Company will not be classified as a PN17 listed issuer and will not be required to comply with the obligations pursuant to paragraph 8.04 (3) and PN 17 of the MMLR for a period of 12 months from the date of triggering the criteria;

b) the Company is still required to make an immediate announcement that it has triggered the Suspended Criteria and the relief provided ("Relief Announcement");

c) upon the expiry of the 12 months from the Relief Announcement, the Company must re-assess its condition and announce whether it continues to trigger any of the criteria PN 17 of the MMLR ("said Announcement"); and

d) if the Company continues to trigger any of the criteria in PN17 of the MMLR, it will be classified as a PN17 listed issuer and must comply with all the obligations under paragraph 8.04 (3) and PN17 of the MMLR, including the obligation to submit a regularisation plan to the relevant authorities within 12 months from the said Announcement.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020
(cont'd)

43. Material litigation

i) **ALLIANCE BANK MALAYSIA BERHAD -V- KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD (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 19 November 2020.

The Company's solicitor opined that there is a high probability of success and had appointed BDOGA 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 bank is flawed and if so, giving rise to a substantial counter-claim.

ii) **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 20 November 2020.

The Company's solicitor 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020
(cont'd)

43. **Material litigation (Cont'd.)**

iii) **MAYBANK ISLAMIC BERHAD -V- KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD (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"). MIB's claim against KSFI and KSB are as follows : -

1. The sum of RM1,060,412.56 as at 30 June 2020;
2. Further profit on the utilised 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 July 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 June 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 July 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 20 November 2020.

The Company's solicitor opined that there is a high probability of success and had appointed BDOGA 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 bank is flawed and if so, giving rise to a substantial counter-claim.

iv) **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;
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 such further and/or other relief deemed fit and appropriate by the Court.

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

The Company's solicitor 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

43. **Material litigation (Cont'd.)**

v) **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 has been fixed on 25 January 2021.

The Company's solicitor 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.

vi) **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 Standard Chartered Bank Malaysia Berhad ("Defendant"). The details of the Writ of Summon and Statement of Claim are as follows : -

1. That the sums due to the Defendant be set off in totality or the fictitious portion be omitted from repayment as the Court directs;
2. 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;
3. 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.
4. General damages of RM150,000,000.00 to be assessed by the Court;
5. 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;
6. Costs; and
7. Such further and/or other relief deemed fit and appropriate by the Court.

The next Case-Management has been fixed on 12 November 2020.

The Company's solicitor 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020
(cont'd)

43. **Material litigation (Cont'd.)**

vii) **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.

The Company'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.

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

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

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 and Khee San Food Industries Sdn Bhd. The details of the Writ of Summon and Statement of Claim are as follows : -

1. 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;
2. 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;
3. 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;
4. General damages of RM150,000,000.00 to be assessed by the Court;
5. Interest at the rate of 4%;
6. Costs; and
7. Such further and/or other relief deemed fit and appropriate by the Court.

The next Case-Management has been fixed on 17 November 2020.

The Company's solicitor 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.

ix) **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.

The next Case-Management has been fixed on 5 November 2020.

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020
(cont'd)

43. **Material litigation (Cont'd.)**

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

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

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

KSFI's solicitor is 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.

xi) **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 had 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.

The next Case-Management has been fixed on 6 November 2020.

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

xii) **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 had filed a Writ of Summon and Statement of Claim against Impo Holdings Pvt Ltd for the outstanding trade debt amounted to RM408,088.02.

The next Case-Management has been fixed on 12 November 2020.

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

xiii) **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.

The next Case-Management has been fixed on 19 November 2020.

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

43. **Material litigation (Cont'd.)**

xiv) **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.

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

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

xv) **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.

The next Case-Management has been fixed on 6 November 2020.

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

xvi) **KHEE SAN BERHAD AND KHEE SAN FOOD INDUSTRIES SDN BHD -V- BANK OF CHINA (MALAYSIA) BERHAD (WA-22NCC-466-08/2019)**

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

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

The Company's solicitor opined that there is a high probability of success and had appointed BDOGA 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 bank is flawed and if so, giving rise to a substantial counter-claim.

xvii) **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 KFSI, 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 Plaintiffs. The Defendant was during the Review Period, designated as chairman, non-independent and non-executive director of the Company and KSFI.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020
(cont'd)

43. **Material litigation (Cont'd.)**

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

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

1. A declaration that the Defendant is liable to account as constructive trustee to the Plaintiffs for the sum of RM20,060,000 or such other sum as the Court thinks fit on the grounds of breach of fiduciary duty /breach of trust;
2. An order that the Defendant pay to KSFI a sum of RM20,060,000 or such other sum as the Court think fit;
3. 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;
4. Damages:
5. Interest at such rate and for such period as the Court thinks fit;
6. Costs; and
7. 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.

44. **Changes in accounting policy**

During the financial period, the Group adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, Determining whether an Arrangement contains a Lease were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group is a lessee, the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained profits at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 9%. Right-of-use assets are measured at either : -

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Edward Tan Juan Peng and Mohanadas A/L K.P. Balan, being two of the directors of Khee San Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 56 to 154 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2020 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors

Edward Tan Juan Peng

Mohanadas A/L K.P. Balan

Kuala Lumpur,
Date : 30 October 2020

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

I, Voo Lip Sang @ Philip, NRIC 670703-12-5401, being the officer primarily responsible for the financial management of Khee San Berhad, do solemnly and sincerely declare that the financial statements set out on pages 56 to 154, to the best of my knowledge and belief, are correct.

And, I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at Kuala Lumpur on 30 October 2020.

Voo Lip Sang @ Philip
MIA CA15143

Before me

Datin Hjh Raihela Wanchik (W-275)
Commissioner for Oaths

ADDITIONAL COMPLIANCE INFORMATION

1. SHARE BUY-BACK

There was no share buy-back of the Company's share during the financial period under review.

2. NON-AUDIT FEES

During the financial period, the amount of audit and non-audit fees paid or payable to the External Auditors, Messrs. Kreston John & Gan by the Company and the Group respectively were as follows:

	Company (RM)	Group (RM)
Statutory audit fees	55,000	190,000
Non-audit fees	13,000	13,000

3. DEPOSITORY RECEIPT PROGRAMME

During the financial period under review, the Company did not sponsor any Depository Receipt Programme.

4. OPTIONS, WARRANT OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities issued to any parties during the financial period under review.

5. MATERIAL CONTRACTS

The Board is not aware of any material contracts entered into by the Company (not being contracts entered into in the ordinary course of business of the Company) involving the Directors and Major Shareholders for the financial period under review.

6. REVALUATION POLICY

The Group adopts a policy to revalue at a regular interval of at least once in every five (5) years for its landed properties with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued land and buildings materially differ from the market value. The last revaluation of the properties was made on 28 June 2019.

7. UTILISATION OF PROCEEDS

During the financial period under review, the Company issued a total of 10,400,000 new ordinary shares at an issue price of RM0.3350 each in the share capital of the Company ("Private Placement").

The Private Placement had raised gross proceeds of approximately RM3.484 million.

ADDITIONAL COMPLIANCE INFORMATION
(cont'd)

The details of the utilisation of proceeds raised from the Private Placement are as follows:

Purpose	Proposed utilisation as per announcement dated 3 July 2019 RM'0000	Actual utilisation as at 30 June 2020 RM'000	Intended Timeframe for utilisation	Balance Unutilised RM'000
Purchase of raw material	1,821	1,821	Within 3 months	–
Working capital requirements	1,532	1,532	Within 3 months	–
Expenses in relation to the Private Placement	131	131	Within 1 month	–
Total	3,484	3,484		

8. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

The recurrent related party transaction entered into by Khee San Food Industries Sdn Bhd ("KSFI") during the financial period ended 30 June 2020 were as follows:

Related Parties	Nature of Relationship	Nature of Transaction	Transacted Value from 1 January 2019 to 30 June 2020 (RM)
London Biscuits Berhad ("LBB")	LBB was a Major Shareholder of the Company.#	Purchase of assorted raw materials, such as packaging materials, sugar and flavouring on a perpetual basis by KSFI from LBB.	2,943,396
London Biscuits Berhad	LBB was a Major Shareholder of the Company.#	Sale of sweets and confectionery products including contract manufacturing of deposited candies, hard and chewy candies/ sweets, wafers and chewing gums on a perpetual basis KSFI to LBB.	23,349,098
London Biscuits Berhad	LBB was a Major Shareholder of the Company.#	Rental of machineries, such as fryer machine, for the purposes of producing the products, such as potato chips and others, on a perpetual basis by KSFI to Kinos Food Industries (M) Sdn Bhd. The transaction will be on an arm's length basis and based on a rate which would be lower than market rate or at market rate.	298,201

London Biscuits Berhad ceased to be a Major Shareholder of the Company on 29 November 2019. Therefore, the Company do not intend to renew the shareholders' mandate for the Recurrent Related Party Transactions at the forthcoming Annual General Meeting.

ADDITIONAL COMPLIANCE INFORMATION
(cont'd)

9. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The current ESOS scheme of the Company is governed by the by-laws approved by the Shareholders at the Annual General Meeting held on 11 November 2015 and commenced on 20 November 2015 for a period of five years and subject to extension or renewal for a further period of five years.

During the financial period under review, there was no options which have been offered and subscribed by the eligible employees of the Group. The percentage of share options applicable to the Directors and senior management under the ESOS are as follows:

Directors and Senior Management	During the Financial Period Ended 31 December 2019	Since Commencement of the ESOS up to 31 December 2018
Aggregate maximum allocation	NIL	41.49%
Actual granted and accepted	NIL	41.49%

The Company did not grant any options over the ordinary shares pursuant to the ESOS to the Non-Executive Directors during the financial period under review.

LIST OF PROPERTIES OF THE GROUP
AS AT 30 JUNE 2020

Year of Revaluation* (Acquisition)	Location	Postal Address	Tenure & Usage (Approx. age of buildings) (Years)	Land Area (sq.m)	Description	Net Book Value as at 30 June 2020 (RM)
KHEE SAN FOOD INDUSTRIES SDN BHD						
2019 (1982)	Lot Nos. 1819 to 1824 & 1832, Mukim & District of Petaling Selangor Darul Ehsan	Lots 1819 to 1824, Jalan Kolej, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Own Use (34 to 53 years)	22,887.48	Factory and office	43,968,751
2019 (1993 - 1996)	GM 461, Lot No. 14254, Mukim & District of Petaling, Selangor Darul Ehsan	No CS-16A, Jalan Jinma 1, Taman Jinma, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Workers' Hostel (43 to 48 years)	416.84	1 unit of semipermanent single storey semi-detached house with 2 sections	400,000
2019 (1993 - 1996)	GM 904, Lot No. 30731, Mukim & District of Petaling, Selangor Darul Ehsan	No. CS-30A, Jalan Jinma 3, Taman Jinma, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Workers' Hostel (43 to 48 years)	531.13	1 unit of semipermanent single storey	505,067
2019 (1993 - 1996)	GM 68, Lot No. 14241 Mukim & District of Petaling, Selangor Darul Ehsan	No. CS-41A & 41B, Jalan Jinma 3, Taman Jinma, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Workers' Hostel (43 to 48 years)	428.18	1 unit of semipermanent single storey semi-detached house with 2 sections	835,566
2019 (1993 - 1996)	GM 902, Lot 30729 Mukim & District of Petaling, Selangor Darul Ehsan	No. CS-43A, Jalan Jinma 3, Taman Jinma, 43300 Seri Kembangan, Selangor Darul Ehsan	Freehold Workers' Hostel (42 to 47 years)	413.14	1 unit of semipermanent single storey semi-detached house with 2 sections	426,622
					TOTAL	46,136,006

Note:
Revalued by Independent Professional Valuer
** The last Revaluation of the Properties was performed on 28 June 2019*

ANALYSIS OF SHAREHOLDINGS
AS AT 12 OCTOBER 2020

Number of Shares Issued	:	114,400,000
Voting rights	:	One vote for one ordinary share
No. of Shareholders	:	2,707

DISTRIBUTION OF SHAREHOLDINGS

CATEGORY	NO. OF HOLDERS	%	NO. OF SHARES	%
Less than 100	173	6.39	2,921	0.00
100 - 1,000 shares	387	14.30	196,670	0.17
1,001 - 10,000 shares	1,301	48.06	6,117,159	5.35
10,001 - 100,000 shares	725	26.78	25,537,450	22.32
100,001 to less than 5% of issued shares	119	4.40	56,893,500	49.74
5% and above of issued shares	2	0.07	25,652,300	22.42
TOTAL	**2,707**	**100.00**	**114,400,000**	**100.00**

THIRTY (30) LARGEST SHAREHOLDERS

NOS.	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	DATO' DR NG MENG KEE	17,052,300	14.91
2	KOH CHEE MENG	8,600,000	7.52
3	LUI CHONG HUAT	5,365,700	4.69
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING	4,681,300	4.09
5	LIANG CHIANG HENG	2,556,000	2.23
6	TEE YEOW	2,337,200	2.04
7	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: RAKUTEN TRADE SDN BHD FOR BEH SUI LOON	2,187,200	1.91
8	CHONG CHIN SIONG	1,900,000	1.66
9	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR PHANG CHET PING (MY0322)	1,880,900	1.64
10	SIOW YEOW HEW	1,800,000	1.57
11	TAN LAM MOOI	1,800,000	1.57
12	YEOH KEAN BENG	1,513,300	1.32

ANALYSIS OF SHAREHOLDINGS

AS AT 12 OCTOBER 2020
(cont'd)

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

NOS.	NAME OF SHAREHOLDER	NO. OF SHARES	%
13	LIEW SWEE MIO @ LIEW HOI FOO	1,300,700	1.14
14	LIEW YOON KEE	1,050,000	0.92
15	TEE POH LIAN	1,000,000	0.87
16	YEOH WEI CHIEH	971,100	0.85
17	GAN THENG PUAT @ YEOW THENG PUAT	836,700	0.73
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: EXEMPT AN FOR MAYBANK KIM ENG SECURITIES PTE LTD (A/C 649063)	800,000	0.70
19	TAN KUAN KAE	750,000	0.66
20	TI GEOK CHIAM	608,700	0.53
21	CHUA SIA HONG	600,000	0.52
22	REZA BIN SHARIFFUDIN	600,000	0.52
23	LOW LAY HONG	570,500	0.50
24	NG HOCK CHUAN	500,000	0.44
25	PHANG CHET PING	500,000	0.44
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR PIONG TECK ONN	453,900	0.40
27	LAILA BINTI ISMAIL	450,000	0.39
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR MARIA TAY LAI IM (E-SS2)	450,000	0.39
29	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR CHUA CHENG HUAT	444,000	0.39
30	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY: YONG YOON CHEK (EM1-P88)	443,000	0.39
	TOTAL	**64,002,500**	**55.95**

ANALYSIS OF SHAREHOLDINGS
AS AT 12 OCTOBER 2020
(cont'd)

SUBSTANTIAL SHAREHOLDERS

		SHAREHOLDINGS			
		Direct Interest	%	Deemed interest	%
1	DATO' DR NG MENG KEE	17,052,300	14.91	–	–
2	KOH CHEE MENG	8,600,000	7.52	–	–

DIRECTORS' SHAREHOLDINGS

		SHAREHOLDINGS			
		Direct Interest	%	Deemed interest	%
1	EDWARD TAN JUAN PENG	–	–	–	–
2	DATO' HJ. MOHD ARIS BIN RAMLI	–	–	–	–
3	PROF. DR. HJ. MOHD AMY AZHAR BIN MOHD HARIF	–	–	–	–
4	MOHANADAS A/L K.P.BALAN	–	–	–	–

NOTICE OF 25TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 25th Annual General Meeting ("AGM") of KHEE SAN BERHAD ("the Company") will be held at Langkawi Room, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Wednesday, 2 December 2020 at 10.00 a.m. However, please be informed that in the event that the Conditional Movement Control Order is extended, the Company will make the necessary announcements on the details of the AGM accordingly.

The following are the business to be transacted at the 25th AGM:

A G E N D A

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial period ended 30 June 2020 together with the Reports of the Directors and Auditors thereon. **(Refer to Explanatory Notes)**

2. To approve the payment of Directors' Fees and benefits under provided totalling RM285,690 for the financial period ended 30 June 2020. (Approved amount at 24th AGM: RM132,400) **RESOLUTION 1**

3. To approve the payment of Directors' Fees and benefits payable up to an amount of RM316,900 for the period from the date of this 25th AGM until the next AGM of the Company in 2021. **RESOLUTION 2**

4. To re-elect Mr. Edward Tan Juan Peng, who retires in accordance with Article 120 of the Company's Constitution and being eligible, has offered himself for re-election. **RESOLUTION 3**

5. To re-appoint Messrs Kreston John & Gan (AF 0113) as Auditors of the Company and to authorise the Directors to fix their remuneration. **RESOLUTION 4**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolution:

6. **ORDINARY RESOLUTION - AUTHORITY UNDER SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES**

   "THAT subject always to the Companies Act, 2016 ("the Act"), the Constitution of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any other governmental/regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 20% of the total number of issued shares of the Company at the time of submission to the authority and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **RESOLUTION 5**

7. To transact any other business for which due notice shall have been given.

NOTICE OF 25TH ANNUAL GENERAL MEETING
(cont'd)

BY ORDER OF THE BOARD

SIEW SUET WEI (MAICSA 7011254)
SSM PC No. 202008001690

LIM YEN TENG (LS0010182)
SSM PC No. 201908000028
Company Secretaries

Kuala Lumpur
Date: 30 October 2020

Notes:

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the AGM, the Company shall be requesting the Record of Depositors as at 23 November 2020. Only a depositor whose name appears on the Record of Depositors as at 23 November 2020 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
2. A member entitled to attend and vote at this AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, speak and vote in his place. A proxy may but need not be a member of the Company.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member is an exempt authorised nominee, it may appoint multiple proxies for each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under the Corporation's Common Seal or under the hand of an officer or attorney so authorized.
6. The Proxy Form must be deposited at the Company's Registered Office at 5-9A The Boulevard Offices, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES

7. **Audited Financial Statements for the financial period ended 30 June 2020**

   This Agenda item is meant for discussion only as under the provisions of Section 340(1)(a) of the Companies Act 2016, the audited financial statements do not require the approval of the shareholders. As such, this matter will not be put forward for voting.

8. **Ordinary Resolution No. 1**

   There was an under-provision of Directors' Fees and benefits for the financial period ended 30 June 2020 due to the change of financial year from 31 December to 30 June and additional meetings held during the financial period.

9. **Ordinary Resolution No. 2**

   The Company is seeking shareholders' approval pursuant to Section 230(1) of the Companies Act 2016 for the increase in payment of the Directors' fees and benefits incurred or to be incurred from the date of the 25th AGM until the next AGM of the Company to be held in the year 2021.

NOTICE OF 25TH ANNUAL GENERAL MEETING
(cont'd)

The Directors' benefits payable to the Directors comprise meeting allowances. If the Proposed Resolution 2 is passed at the 25th AGM, the payment of the Directors' benefits will be made by the Company as and when incurred. The Board is of the view that it is fair and equitable for the Directors to be paid as and when incurred, given that the Directors have duly discharged their responsibilities and provided their services to the Company for the said period.

10. **Ordinary Resolution No. 3**

Article 120 of the Company's Constitution provides that an election of Directors shall take place each year at the annual general meeting of the Company where one third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) shall retire from office and be eligible for re-election. PROVIDED ALWAYS THAT all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. The retiring Director, Mr. Edward Tan Juan Peng is standing for re-election as Director and being eligible, has offered himself for re-election.

11. **Ordinary Resolution No. 4**

The Board had approved the recommendation by the Audit Committee on the re-appointment of Messrs Kreston John & Gan as Auditors of the Company. Messrs Kreston John & Gan had met the criteria prescribed under the Paragraph 15.21 of the MMLR and indicated their willingness to continue their services for the next financial year.

12. **Ordinary Resolution No. 5**

The proposed Ordinary Resolution 5 is a renewal mandate of the general mandate for the issuance of shares by the Company under Sections 75 and 76 of the Companies Act 2016. Bursa Securities had vide its letter dated 16 April 2020, allowed a listed corporation to seek higher general mandate under paragraph 6.03 of the Main Market Listing Requirements of Bursa Securities from the existing 10% to not more than 20% of the total number of issued shares of the Company ("20% General Mandate") for such purposes as the Directors of the Company consider would be in the interest of the Company. This 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2021 and thereafter, the 10% general mandate will be reinstated.

This 20% General Mandate, if passed, will provide flexibility for the Company and empower the Board to allot and issue new shares speedily in the Company up to an amount not exceeding in total 20% of the total number of issued shares of the Company to meet its funding requirements for working capital, operational expenditure and for the purpose of the strategic development of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued under the provision of the general mandate granted to the Directors at the 24th Annual General Meeting held on 28 June 2019, which will lapse at the conclusion of the 25th Annual General Meeting. Hence, no proceeds were raised therefrom.

STATEMENT ACCOMPANYING NOTICE OF 25TH ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Details of individual who are standing for election as Directors (excluding Directors standing for re-election)

No individual is seeking election as a Director at the 25th AGM of the Company.

2. General mandate for issue of securities in accordance with Paragraph 6.03 of the Listing Requirements of Bursa Securities

The Company will seek shareholders' approval at the general meeting for issue of securities in accordance with Paragraph 6.03(3) of the MMLR of Bursa Securities. Please refer to the Proposed Ordinary Resolution 5 as stated in the Notice of the 25th AGM of the Company for details.

ADMINISTRATIVE GUIDE

FOR THE 25TH ANNUAL GENERAL MEETING ("AGM")

Date & Time	:	Wednesday, 2 December 2020 at 10.00 a.m.
Venue	:	Langkawi Room, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur

1. SAFETY MEASURES IN LIGHT OF THE COVID-19 OUTBREAK

For the conduct of the 25th AGM, the Company wishes to advise the shareholders that the Company will be taking precautionary measures in line with the Standard Operating Procedures issued by Majlis Keselamatan Negara ("MKN") dated 16 June 2020 and any revisions that may be made from time to time by MKN and/or the relevant authorities.

All attendees will be required to wear face mask and undergo temperature check prior to entering the meeting venue. The Company reserves the right to deny entry to anyone with a temperature of 37.5 degrees Celsius or higher and/or showing symptoms of respiratory illness such as coughing and sneezing. Therefore, if you are unwell, you are strongly advised to appoint a proxy or the Chairman of the meeting to attend and vote on your behalf at the 25th AGM.

The Company seeks the understanding and cooperation of all shareholders and other attendees to contain the spread of COVID-19.

2. ELIGIBILITY TO ATTEND BASED ON THE RECORD OF DEPOSITORS

Only a shareholder whose name appears on the Record of Depositors dated 23 November 2020 shall be entitled to attend or appoint proxy(ies) to attend and/or vote on his/her behalf.

3. REGISTRATION ON THE DAY OF THE 25TH AGM

Registration will start at 9.00 a.m. on 2 December 2020. Original MyKad or passport is required to be presented during registration for verification. You will not be allowed to register on behalf of another person even with the original MyKad or passport of that person.

Attendees are advised to arrive early at the meeting venue as for precautionary and safety measure, the door to the meeting venue will be closed sharp at 10.00 a.m.

4. ENQUIRY

If you have any enquiries prior to the 25th AGM, you may contact the following during office hours:

Tel. No.	: 03-2282 6331
Fax No.	: 03-2201 9331
Email	: cosec@accoris.my
Contact person	: Company Secretary

Shareholders are advised to check the Company's website at www.kheesanbhd.com and Bursa Malaysia announcements from time to time for the latest updates on the status or changes to the 25th AGM's arrangement.

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PROXY FORM

KHEE SAN BERHAD
Registration No.: 199401018697 (304376-A)
(Incorporated in Malaysia)

No. of shares held		
CDS Account No.		
No. of shares to be represented by each proxy	Proxy 1	Proxy 2

I/We ____ of ____________________

____ being a

member of **KHEE SAN BERHAD**, hereby appoint:

(1) Mr/Ms ____________________________________ (NRIC No. __________________) OR

failing whom, Mr/Ms ______________________________ (NRIC No. __________________)

(the next name and address should be completed where it is desired to appoint two proxies)

*(2) Mr/Ms ____________________________________ (NRIC No. __________________)

failing whom, Mr/Ms ______________________________ (NRIC No. __________________)

OR the **CHAIRMAN OF THE MEETING**, as *my/our proxy, to vote for *me/us and on *my/our behalf at the 25th Annual General Meeting ("AGM") of the Company to be held at Langkawi Room, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Wednesday, 2 December 2020 at 10.00 a.m. and, at every adjournment thereof *for/against the resolutions to be proposed thereat.

Please indicate with a cross (X) in the space whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.

		For	Against
RESOLUTION 1	To approve the payment of Directors' Fees payment of Directors' Fees and benefits under provided totalling RM285,690 for the financial period ended 30 June 2020.		
RESOLUTION 2	To approve the payment of Directors' Fees and benefits payable up to an amount of RM316,900 for the period from the date of this 25th AGM until the next AGM of the Company in 2021.		
RESOLUTION 3	To re-elect Mr. Edward Tan Peng Juan who retires pursuant to Article 120 of the Company's Constitution		
RESOLUTION 4	To re-appoint Messrs Kreston John & Gan (AF 0113) as Auditors and to authorise the Directors to fix their remuneration		
RESOLUTION 5	Authority under Sections 75 And 76 of the Companies Act 2016 for the Directors to allot and issue shares		

Dated this ____________ day of __________________ 2020

____
Signature(s)/Common Seal of Member

Notes:

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the AGM, the Company shall be requesting the Record of Depositors as at 23 November 2020. Only a depositor whose name appears on the Record of Depositors as at 23 November 2020 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.
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4. Where a member is an exempt authorised nominee, it may appoint multiple proxies for each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under the Corporation's Common Seal or under the hand of an officer or attorney so authorized.
6. The Proxy Form must be deposited at the Company's Registered Office at 5-9A The Boulevard Offices, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Fold this flap for sealing

Then fold here

"25TH ANNUAL GENERAL MEETING"

AFFIX
STAMP

THE COMPANY SECRETARY
KHEE SAN BERHAD
Registration No.: 199401018697 (304376-A)
5-9A THE BOULEVARD OFFICES
MID VALLEY CITY
LINGKARAN SYED PUTRA
59200 KUALA LUMPUR

1st fold here

Khee San Berhad
Reg no. 199401018697 (304376-A)

Lot 1819 - 1824 & 1832 Jalan Kolej
Seri Kembangan
43300 Selangor, Malaysia

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Email: info@kheesanbhd.com
Website: www.kheesanbhd.com