

Khee San Berhad (304376-A)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2008

PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134

1. Basis Of Preparation

The interim financial statement is unaudited and has been prepared in accordance with the requirements of FRS 134 - Interim Financial Reporting (Formerly known as MASB 26) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2007. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2007.

The accounting policies and methods of computation adopted in this quarterly financial statement of the Group are consistent with those adopted in the most recent annual audited financial statements for the year ended 30 June 2007.

2. Status Of Audit Qualification

The audited financial statement for the year ended 30 June 2007 was not subject to any qualification.

3. Seasonal Or Cyclical Factors

The results of the Group are not subject to any seasonal or cyclical factors.

4. Nature And Amount Of Exceptional And Extraordinary Items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows during the quarter ended 31 March 2008.

5. Changes In Estimates

There were no material changes in the estimates used for the preparation of this interim financial report.

6. Debt And Equity Securities

During the financial period, there were no issuances, cancellation, repurchases or resale of debt and equity securities.

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7. Dividend

There was no dividend paid for the current quarter.

8. Segment Information

Segment analysis for the current financial year-to-date:-

Period Ended 31 March 2008	Investment Holding RM'000	Manufacturing And Trading RM'000	Eliminations RM'000	Group RM'000
REVENUE:				
External	-	46,895	-	46,895
Internal	-	21,009	(21,009)	-
TOTAL	-	67,904	(21,009)	46,895
RESULTS:				
Loss Before Taxation				(2,006)
Taxation				(140)
Loss After Taxation before Exceptional Item				(2,146)

The Group's operations are mainly in the manufacture and trading of sweets and confectionery.

9. Revaluation of Property, Plant and Equipment

The valuations of land and buildings have been brought forward, without any amendments from the previous annual financial statements.

10. Material Subsequent Events

There have been no material events subsequent to the end of the quarter that have not been reflected in the financial statements.

11. Changes In The Composition Of The Group

As announced to Bursa Malaysia on 31 December, 2007, the Group has disposed its entire equity interest in a wholly owned subsidiary, Khee San International (HK) Limited for a cash consideration totaling RM4.00.

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There is a contingent liability amounting to approximately RM4 million being corporate guarantees given to financial institutions for banking facilities granted to a subsidiary company.

13. Capital Commitments

Capital expenditure authorised and contracted for but not provided in the financial statements as at 31 March, 2008 in respect of purchase of property, plant and equipment, approximately

RM'0004,500**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****14. Review Of Performance**

Turnover of the Group decreased to RM17.731 million for the current quarter which represents nominal 0.54% decrease over that of RM17.828 million achieved in the preceding year corresponding quarter. The current quarter result reported a loss before taxation of RM1.394 million as compared to the result of the same period last year of loss before taxation of RM126,000 due to increase in cost of production.

15. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter

	Current Year Quarter 31.3.2008 RM'000	Immediate Preceding Quarter 31.12.2007 RM'000	% +/-
Turnover	17,731	15,183	+16.78
(Loss)/Profit before taxation	<u>(1,392)</u>	<u>397</u>	-450.63

The Group achieved a higher turnover of RM17.731 million in the third quarter ended 31 March 2008 representing 16.78% increase over the preceding quarter. Loss before taxation increased by 450.63% in the third quarter under review as compared to the preceding quarter due to pressure of increase in cost of production resulting in lower profit margin.

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16. Current Year Prospects

The year ending 30 June 2008 is expected to be difficult. However, the management shall continue its endeavour to ensure that the marketing strategies adopted will put the Group in a better stead.

17. Variance From Profit Forecast

As the Group has not provided any profit forecast or profit guarantee, no explanatory notes will be provided.

18. Taxation

	Current Year Quarter 31.3.2008 RM'000	Current Year To Date 31.3.2008 RM'000
Current taxation:		
Estimate for the period	120	(240)
Deferred taxation :		
Transferred from deferred tax	-	100
	<u>120</u>	<u>(140)</u>

The effective tax rate for the current quarter was lower than the statutory tax rate principally due to utilisation of tax losses and unabsorbed capital allowances brought forward available for set-off against taxable business income of one of the subsidiary companies.

19. Profit On Sale Of Unquoted Investments Or Properties

There was no sale of unquoted investment or sales of properties for the current quarter and financial year-to-date.

20. Purchase Or Disposal Of Quoted Securities

There were no purchase or sale of quoted securities in the current quarter under review.

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21. Corporate Proposals

There were no new corporate proposals that have been announced by the Company as at date of this report.

22. Group Borrowings And Debt Securities

	31.3.2008
	The Group
	RM'000
Short term borrowings:	
Bank overdraft	1,744
Bankers' acceptance	4,998
	<hr/>
	6,742
Long term borrowing:	
	-
	<hr/>
	6,742
	<hr/>

Bank overdraft and trade facilities of one of the subsidiary companies are secured by corporate guarantees given by the Company and a negative pledge over the unencumbered assets of the subsidiary company. The term loans of the subsidiary company are secured by corporate guarantees given by the Company and a specific debenture over certain plant and machineries of the subsidiary company.

23. Off Balance Sheet Financial Instruments

There were no material financial instruments with off balance sheet risk as at 23 May 2008.

24. Material Litigation

There was no pending material litigation against the Group as at 23 May 2008.

25. Proposed Dividend

The Board does not recommend any interim dividend for the third quarter ended 31 March 2008.

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26. (Loss)/Earnings Per Share

The (loss)/earnings per share is calculated by dividing the Group's (loss)/profit after taxation for the financial period over the number of ordinary shares in issue during the financial period as follows:-

	Current Quarter 31.3.2008	Year to Date 31.3.2008
(Loss)/Profit after taxation (RM'000)	(1,274)	233
Number of ordinary shares in issue ('000)	60,000	60,000
Basic (loss)/earnings per share (sen)	<u>(2.12)</u>	<u>0.39</u>

BY ORDER OF THE BOARD

DATO' PANGLIMA KUBU HAJI MOHD YUSOFF BIN HAJI AMIN
Dated : 30 MAY 2008