

KHEE SAN BERHAD (304376-A)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2008**

The results of Khee San Berhad for the period ended 30 September 2008 are as follows:-

	<u>Note</u>	Individual Period		Cumulative Period	
		Current Year Quarter Ended 30.09.2008 RM'000 (Unaudited)	Preceding Year Corresponding Quarter Ended 30.09.2007 RM'000 (Unaudited)	Current Year-to- Date 30.09.2008 RM'000 (Unaudited)	Preceding Year Corresponding Period Ended 30.09.2007 RM'000 (Unaudited)
REVENUE	8	16,582	13,981	16,582	13,981
COST OF SALES		(14,316)	(13,197)	(14,316)	(13,197)
GROSS PROFIT		2,266	784	2,266	784
OTHER OPERATING INCOME		364	331	364	331
OPERATING EXPENSES		(2,073)	(2,010)	(2,073)	(2,010)
FINANCE COSTS		(212)	(114)	(212)	(114)
PROFIT/(LOSS) BEFORE TAXATION		345	(1,009)	345	(1,009)
TAXATION	17	(38)	100	(38)	100
PROFIT/(LOSS) AFTER TAXATION		307	(909)	307	(909)
ATTRIBUTABLE TO:					
Equity holders of the parent		307	(909)	307	(909)
Minority interests		-	-	-	-
PROFIT/(LOSS) AFTER TAXATION		307	(909)	307	(909)
EARNINGS/(LOSS) PER SHARE (SEN)					
- Basic	25	0.51	(1.52)	0.51	(1.52)
- Diluted		N/A	N/A	N/A	N/A

(The unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2008 and the accompanying explanatory attached to the interim financial statements)

KHEE SAN BERHAD (304376-A)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2008**

	<u>Note</u>	As at end of current year quarter ended 30.09.2008 RM'000 (Unaudited)	As at preceding financial year ended 30.06.2008 RM'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		50,926	40,737
Investment property		3,410	3,410
Intangible assets		1,600	1,600
Deferred Tax Asset		21	21
		<hr/> 55,957	<hr/> 45,768
CURRENT ASSETS			
Asset held for sale		-	42
Inventories		12,167	10,777
Trade and other receivables		17,454	20,812
Fixed deposits, cash and bank balances		5,893	3,307
		<hr/> 35,514	<hr/> 34,938
TOTAL ASSETS		<hr/> 91,471	<hr/> 80,706
EQUITY AND LIABILITIES			
EQUITY			
Share Capital		60,000	60,000
Merger Reserve		(17,444)	(17,444)
Retained Profit		13,663	13,356
TOTAL EQUITY		<hr/> 56,219	<hr/> 55,912
NON-CURRENT AND DEFERRED LIABILITIES			
Deferred Taxation		1,660	1,632
		<hr/> 1,660	<hr/> 1,632
CURRENT LIABILITIES			
Trade and other payables		16,178	12,031
Short-term borrowings	21	17,414	11,131
		<hr/> 33,592	<hr/> 23,162
TOTAL LIABILITIES		<hr/> 35,252	<hr/> 24,794
TOTAL EQUITY AND LIABILITIES		<hr/> 91,471	<hr/> 80,706
Net Assets per share (sen)		93.70	93.19

(The unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2008 and the accompanying explanatory notes attached to the interim financial statements)

KHEE SAN BERHAD (304376-A)
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2008**

	← Attributable to equity holders of the parent →					Total RM'000
	← Non - Distributable →		Distributable			
	Share Capital RM'000	Merger Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000	Minority Interest RM'000	
Balance at 1 July 2008	60,000	(17,444)	-	13,356	-	55,912
Loss after taxation for the financial period	-	-	-	307	-	307
Balance at 30 September 2008	<u>60,000</u>	<u>(17,444)</u>	<u>-</u>	<u>13,663</u>	<u>-</u>	<u>56,219</u>
Balance at 1 July 2007	60,000	(17,444)	2,356	11,735	-	56,647
Loss after taxation for the financial period	-	-	-	(909)	-	(909)
Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	54	-	-	54
Balance at 30 September 2007	<u>60,000</u>	<u>(17,444)</u>	<u>2,410</u>	<u>10,826</u>	<u>-</u>	<u>55,792</u>

(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2008 and the accompanying explanatory notes attached to the interim financial statements)

KHEE SAN BERHAD (304376-A)

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2008**

	Current Year to Date 30.09.2008 RM'000 (Unaudited)	Corresponding Period Ended 30.09.2007 RM'000 (Unaudited)
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	345	(1,009)
Adjustments for:-		
Non-cash items	738	644
Operating profits/(loss) before working capital changes	<u>1,083</u>	<u>(365)</u>
Net change in current assets	2,080	(286)
Net change in current liabilities	4,147	1,223
Cash generated from operations	<u>7,310</u>	<u>572</u>
Other operating activities	(272)	(76)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,038</u>	<u>496</u>
NET CASH USED IN INVESTING ACTIVITIES	(10,735)	(1,040)
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,000	330
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(697)</u>	<u>(214)</u>
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	54
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	(824)	8,924
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>(1,521)</u>	<u>8,764</u>
NOTES TO CASH FLOW STATEMENTS		
Cash and cash equivalents comprise:-		
Fixed deposits, cash and bank balances	5,893	11,581
Bank overdrafts	(7,414)	(2,817)
	<u>(1,521)</u>	<u>8,764</u>

(The unaudited Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for financial year ended 30 June 2008 and the accompanying explanatory notes attached to the interim financial statements)

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30
SEPTEMBER 2008**

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

1. Basis Of Preparation

The interim financial statements are unaudited and have 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 2008. 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 2008.

The accounting policies and methods of computation adopted in this quarterly financial statements of the Group are consistent with those adopted in the most recent annual audited financial statements for the year ended 30 June 2008.

2. Status Of Audit Qualification

The audited financial statements for the year ended 30 June 2008 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 30 September 2008.

5. Changes In Estimates

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

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6. Debt And Equity Securities

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

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 30 September 2008	Investment Holding RM'000	Manufacturing And Trading RM'000	Eliminations RM'000	Group RM'000
REVENUE:				
External	-	16,582	-	16,582
Internal	-	11,994	(11,994)	-
TOTAL	-	28,576	(11,994)	16,582
RESULTS:				
Profit Before Taxation				345
Taxation				(38)
Profit After Taxation				307

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.

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11. Changes In The Composition Of The Group

There were no changes in the composition of the Group for the current quarter and financial year-to-date.

12. Changes In Contingent Liabilities / Assets

There is a contingent liability amounting to approximately RM17.4 million being corporate guarantees given to financial institutions for banking facilities granted to a subsidiary company.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

13. Review Of Performance

Turnover of the Group increased to RM16.582 million for the current quarter which represents 18.60% increase over that of RM13.981 million achieved in the preceding year corresponding quarter. The current quarter result reported a profit before taxation of RM345,000 as compared to the result of the same period last year of loss before taxation of RM1.01 million, due to the better marketing strategies adopted by the Group bearing positive result.

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

	Current Year Quarter 30.09.2008 RM'000	Immediate Preceding Quarter 30.06.2008 RM'000	% +/-
Turnover	16,582	19,916	-16.74
Profit before taxation	<u>345</u>	<u>670</u>	-48.51

The Group achieved a lower turnover of RM16.582 million in the first quarter ended 30 September 2008 representing a 16.74% decrease over that of the preceding quarter. Profit before taxation reduced by 48.51% in the first quarter under review as compared to the preceding quarter. This performance is within the Group's expectation. The following quarter for the period ending 31 December, 2008 should improve further.

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15. Prospects for the Current Financial Year

The year ending 30 June 2009 shall be a challenging year. The management shall continue its endeavour to ensure that the marketing strategies adopted will put the Group in a better stead for 2009.

16. Variance From Profit Forecast

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

17. Taxation

	Current Year Quarter 30.09.2008 RM'000	Current Year To Date 30.09.2008 RM'000
Income taxation:		
Estimate for the period	10	10
Deferred taxation :		
Transferred from deferred tax	28	28
	<u>38</u>	<u>38</u>

18. Profit On Sale Of Unquoted Investments Or Properties

Other than the disposal of a property at net book value of RM42,000 for a consideration of RM77,000, there were no sale of investment and/or properties for the current financial quarter under review.

19. Purchase Or Disposal Of Quoted Securities

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

20. Corporate Proposals

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

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21. Group Borrowings And Debt Securities

	30.09.2008 The Group RM'000
Short term borrowings:	
Bank overdrafts	7,414
Bankers' acceptance	10,000
	<hr/>
	17,414
Long term borrowing	-
	<hr/>
	17,414
	<hr/>

Bank overdrafts and trade facilities of a subsidiary companies are secured by corporate guarantees given by the Company and a negative pledge over the unencumbered assets of the subsidiary company.

22. Off Balance Sheet Financial Instruments

There were no material financial instruments with off balance sheet risk as at 20 November 2008.

23. Material Litigation

Other than as disclosed below, there was no pending material litigation against the Group as at 20 November 2008.

There is a third party claim against a subsidiary since 1982 for a commission on sales of approximately RM2 million, before interest and other costs. Based on legal advice, the directors are of the opinion that the outcome will be in favour of the subsidiary and therefore no provision is required.

24. Proposed Dividend

No interim dividend is proposed for this quarter under review.

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25. Earnings Per Share

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

	Current Quarter 30.09.2008	Year to Date 30.09.2008
Profit after taxation (RM'000)	307	307
Number of ordinary shares in issue ('000)	60,000	60,000
Basic earnings per share (sen)	<u>0.51</u>	<u>0.51</u>

BY ORDER OF THE BOARD

DATO' PANGLIMA KUBU HAJI
MOHD YUSOFF BIN HAJI AMIN
Director

Dated : 28 November 2008