

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31
DECEMBER 2011**

**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 2011. 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 2010.

2. Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements for the year ended 30 June 2011 except for adoption of the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements.

Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Group Cash Settled Share-based Payment
Amendments to FRS 2	Improvements of FRSs 2010
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 101	Presentation of Financial Statements
Amendments to FRS 128	Improvements of FRSs 2010
Amendments to FRS 131	Improvements of FRSs 2010
Amendments to FRS 132	Improvements of FRSs 2010
Amendments to FRS 134	Improvements of FRSs 2010
Amendments to FRS 139	Improvements of FRSs 2010

The adoption of the above FRSs, Amendments to FRSs and IC Interpretations does not have significant financial impact on the Group.

3. Status Of Audit Qualification

The audited financial statements for the year ended 30 June 2011 was not subject to any qualification.

4. Seasonal Or Cyclical Factors

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

5. 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 December 2011.

6. Changes In Estimates

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

7. Debt And Equity Securities

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

8. Dividend

There was no dividend paid for the current quarter.

9. Segment Information

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

Year Ended 31 December 2011	Investment Holding RM'000	Manufacturing And Trading RM'000	Elimination RM'000	Group RM'000
REVENUE:				
- Export	-	25,327	-	25,327
- Local	-	18,430	-	18,430
TOTAL	-	43,757	-	43,757
RESULTS:				
Profit Before Income Tax	(622)	2,769	-	2,147
Income Tax Expense	-	(22)	-	(22)
Profit After Income Tax				2,125

Segmental Analysis for the financial period Ended 31 December 2011 by Product Segment:

LEGEND							
* Market Conditions and demand for its goods and services							
^ The level of its operating activities							
# Factors or circumstances affecting the changes to revenue, costs and profit margin of each business activity or segment							
Ω Any unusual or one off gains / losses affecting the revenue or profit							
△ Any other information which can provide a better understanding of the Listed Issuer's performance							
No.	Sales	(i) *	(ii) ^	(iii) #	(iv) Ω	(v) △	
Segment		Market Conditions	Level	Factors/ Circumstances	Unusual or One off Gains	Other Information	
1	Confectionery	5,381,203.93	Poor () Average () Good (√)	>50% () 50.1% > 75% () 75.1% > 100% (√)	Raw Material Prices (√) Market Conditions (√) Product Competition () Market Competition (√) Prices Increases () New Product Variety () New Product Segment () Capacity Expenditure () Others:- ()	-NA-	-NA-
2	Sweets and Candies	38,375,527.21	Poor () Average () Good (√)	>50% () 50.1% > 75% () 75.1% > 100% (√)	Raw Material Prices (√) Market Conditions (√) Product Competition () Market Competition () Prices Increases () New Product Variety () New Product Segment () Capacity Expenditure () Others:- ()	-NA-	-NA-

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

10. 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.

11. 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.

12. 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.

13. Changes In Contingent Liabilities / Assets

There is a contingent liability amounting to approximately RM28 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

14. Review Of Performance

Turnover of the Group of RM23.097 million for the current quarter represents 18.1% increase over that of RM19,550 million achieved in the preceding year corresponding quarter. The current quarter result reported a profit before income tax of RM1.181 million as compared to the result of the same period last year of profit before income tax of RM336,000 is within the Group's expectation.

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

	Current Year Quarter 31.12.2011 RM'000	Immediate Preceding Quarter 30.9.2011 RM'000	% +/-
Turnover	23,097	20,660	+11.80
Profit before income tax	<u>1,181</u>	<u>966</u>	+22.26

The Group achieved a higher turnover of RM23.097 million in the current quarter ended 31 December 2011 representing a 11.80% increase over that of the preceding quarter. Profit before income tax increased by 22.26% in the current quarter under review as compared to the preceding quarter. This performance is within the Group's expectation.

16. Prospects for the Current Financial Year

The year ending 30 June 2012 shall be another challenging year.

The prospects of the confectionery segment are good with stable orders and utilization running at near full capacity. Cost of raw material remains high but stable while fluctuations in currencies are mitigated by the Company setting prices based on a conservative exchange rate valuation. No changes in product mix and no financial impact from any recent corporate acquisitions, disposals and mergers. There are no new regulations or changes in business direction which may have an impact on the business segment.

The prospects of the sweets and candies segment are good with strong demand from customers. Cost of raw material remains on high but stable while fluctuations in currencies are mitigated by the Company setting prices based on a conservative exchange rate valuation. No changes in product mix and no financial impact from any recent corporate acquisitions, disposals and mergers. There are no new regulations or changes in business direction which may have an impact on the business segment

The management shall continue its endeavour to ensure that the marketing strategies adopted will put the Group in a better stead for 2012.

17. Variance From Profit Forecast

The Group has not made any profit forecast or profit guarantee for the year under review.

18. Income tax expense

	Current Year Quarter 31.12.2011 RM'000	Current Year To Date 31.12.2011 RM'000
Income tax liabilities:		
Estimate for the period	(11)	(22)
	<u>(11)</u>	<u>(22)</u>

19. Corporate Proposals

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

20. Group Borrowings And Debt Securities

	31.12.2011
	The Group
	RM'000
Short term borrowings:	
Bank overdrafts	5,006
Bankers' acceptance	23,176
Hire-purchase creditors	4,392
	<hr/>
	32,574
Long term borrowing	
Hire-purchase creditors	6,196
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	<u>38,770</u>

Bank overdrafts and credit facilities of a subsidiary companies are secured by corporate guarantees given by the Company.

21. Realised and Unrealised Retained Profit

	As at	As at
	31.12.2011	30.6.2011
	RM'000	RM'000
Total retained profit of Company and its subsidiaries:		
- Realised	30,307	27,969
- Unrealised	-	213
Consolidation adjustments	(6,430)	(6,430)
Total Group retained profit	<u>23,877</u>	<u>21,752</u>

22. Material Litigation

There was no pending material litigation against the Group as at 20 February 2011.

23. Proposed Dividend

No dividend is proposed for this quarter under review.

24. Profit before income tax

Profit before income tax is stated after charging/(crediting):-

	Current period quarter	Current period- to-date (6 months)
	31/12/11 RM'000	31/12/11 RM'000
Interest income	-	-
Other income including investment income	(584)	(952)
Interest expense	525	1,115
Depreciation of property, plant and equipment	583	1,161
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Foreign exchange (gain) or loss	(498)	(791)
Gain or loss on derivatives	-	-
Exceptional items	-	-

25. Earnings Per Share

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/12/2011	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2010	CURRENT YEAR TO DATE 31/12/2011	PRECEDING YEAR TO DATE 31/12/2010
Basic	Number of 60,000,000 ordinary shares	Number of 60,000,000 ordinary shares	Number of 60,000,000 ordinary shares	Number of 60,000,000 ordinary shares
Diluted	Not presented as there were no share option granted at the date of the statement of financial position date and the date of this report			

BY ORDER OF THE BOARD

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



MR LESLIE LOOI MENG
AUDIT COMMITTEE CHAIRMAN

Dated :