

**KHEE SAN BERHAD** (304376-A)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 3RD QUARTER ENDED 31 MARCH 2014**

The results of Khee San Berhad for the period ended 31 March 2014 are as follows:-

	Individual Period		Cummulative Period	
	Current Year Quarter Ended 31.3.2014 RM'000 (Unaudited)	Preceding Year Corresponding Quarter Ended 31.3.2013 RM'000 (Unaudited)	Current Year-to- Date 31.3.2014 RM'000 (Unaudited)	Preceding Year Corresponding Year Ended 31.3.2013 RM'000 (Unaudited)
REVENUE	30,341	26,694	85,366	73,851
COST OF SALES	(26,863)	(23,550)	(73,337)	(66,059)
GROSS PROFIT	3,478	3,144	12,029	7,792
OTHER OPERATING INCOME	193	389	653	1,074
OPERATING EXPENSES	(2,196)	(1,178)	(5,943)	(3,154)
FINANCE COSTS	(644)	(772)	(3,358)	(2,103)
PROFIT BEFORE INCOME TAX	831	1,583	3,381	3,609
INCOME TAX EXPENSE	(237)	(37)	(512)	(112)
PROFIT AFTER INCOME TAX	594	1,546	2,869	3,497
OTHER COMPREHENSIVE INCOME	-	-	-	-
<b>TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD</b>	<b>594</b>	<b>1,546</b>	<b>2,869</b>	<b>3,497</b>
ATTRIBUTABLE TO:				
Equity holders of the parent	594	1,546	2,869	3,497
Minority interests	-	-	-	-
<b>PROFIT AFTER INCOME TAX</b>	<b>594</b>	<b>1,546</b>	<b>2,869</b>	<b>3,497</b>
EARNINGS PER SHARE (SEN)				
- Basic	0.99	2.58	4.78	5.83
- Diluted	N/A	N/A	N/A	N/A

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2013 and the accompanying explanatory attached to the interim financial statements)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2014**

	As at end of current year quarter ended 31.3.2014 RM'000 (Unaudited)	As at preceding financial year ended 30.6.2013 RM'000 (Audited)
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	145,966	131,351
Investment property	2,750	2,750
Other investment	-	138
Intangible assets	1,600	1,600
Deferred income tax assets	56	456
	<u>150,372</u>	<u>136,295</u>
<b>CURRENT ASSETS</b>		
Inventories	13,312	13,002
Trade and other receivables	21,169	12,674
Assets held for sale	-	1,960
Cash and bank balances	1,103	3,662
	<u>35,584</u>	<u>31,298</u>
<b>TOTAL ASSETS</b>	<u>185,956</u>	<u>167,593</u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share Capital	60,000	60,000
Merger Reserve	(17,444)	(17,444)
Revaluation reserve	23,323	23,323
Retained Profit	32,628	29,759
<b>TOTAL EQUITY</b>	<u>98,507</u>	<u>95,638</u>
<b>NON-CURRENT AND DEFERRED LIABILITIES</b>		
Long-term borrowings	19,098	13,760
	<u>19,098</u>	<u>13,760</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	22,618	24,011
Amount due to ultimate holding company	3,186	580
Short-term borrowings	42,547	33,604
	<u>68,351</u>	<u>58,195</u>
<b>TOTAL LIABILITIES</b>	<u>87,449</u>	<u>71,955</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>185,956</u>	<u>167,593</u>
Net Assets per share (sen)	164.18	159.40

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 3RD QUARTER ENDED 31 MARCH 2014**

	← Attributable to equity holders of the parent →				Total RM'000
	Share Capital RM'000	Merger Reserve RM'000	Revaluation Reserve RM'000	Retained Profit RM'000	
<b>Balance at 1 July 2013</b>	60,000	(17,444)	23,323	29,759	95,638
Profit after income tax for the financial period	-	-	-	2,869	2,869
<b>Balance at 31 March 2014</b>	<b>60,000</b>	<b>(17,444)</b>	<b>23,323</b>	<b>32,628</b>	<b>98,507</b>
<b>Balance at 1 July 2012</b>	60,000	(17,444)	19,856	25,730	88,142
Profit after income tax for the financial period	-	-	-	3,497	3,497
<b>Balance at 31 March 2013</b>	<b>60,000</b>	<b>(17,444)</b>	<b>19,856</b>	<b>29,227</b>	<b>91,639</b>

(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 2013 and the accompanying explanatory notes attached to the interim financial statements)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE 3RD QUARTER ENDED 31 MARCH 2014**

	<b>Current Year to Date 31.3.2014 RM'000 (Unaudited)</b>	<b>Corresponding Period Ended 31.3.2013 RM'000 (Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	3,381	3,609
Adjustments for:-		
Gain on disposal of property, plant and equipment	(11)	-
Depreciation	3,721	3,050
Interest expense	3,198	2,008
Operating profits before working capital changes	<u>10,289</u>	<u>8,667</u>
Net change in inventories	(309)	117
Net change in receivables	(8,383)	(276)
Net change in payables	1,212	1,453
Cash generated from operations	<u>2,809</u>	<u>9,961</u>
Tax paid	(226)	(226)
Interest paid	(3,198)	(2,008)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>(615)</u>	<u>7,727</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
+ Purchase of property, plant and equipment	(2,960)	(6,041)
Proceed from disposal of investment	138	-
Proceed from disposal of property, plant and equipment	59	-
Proceed from disposal of investment properties	1,960	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(803)</u>	<u>(6,041)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net changes in bankers acceptance	5,788	1,704
Repayment of term loan	(1,929)	(326)
Hire-purchase instalment paid	(4,658)	(3,780)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(799)</u>	<u>(2,402)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(2,217)</u>	<u>(716)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	(180)	(4,501)
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<u>(2,397)</u>	<u>(5,217)</u>
<i>+Property, plant and equipment at aggregate cost of RM18,382,000 (2013-RM13,801,000) was acquired during the financial period of which RM15,422,000 (2013-RM7,760,000 ) was acquired by means of hire-purchase and term loan.</i>		
<b>Cash and cash equivalents comprise:-</b>		
Cash and bank balances	1,103	1,626
Bank overdrafts	(3,500)	(6,843)
	<u>(2,397)</u>	<u>(5,217)</u>

**(The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for financial year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2014**

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

#### **1. Basis Of Preparation**

These condensed consolidated interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standard (MFRS) 134: Interim Financial Reporting, International Accounting Standard (IAS) 34: Interim Financial Reporting and with 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 Group’s audited financial statements for year ended 30 June 2013. The consolidated financial statement of the Group as at and for the year ended 30 June 2013 were prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”).

#### **2. Accounting Policies**

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 30 June 2013.

#### **3. Qualification of Financial Statements**

The audited financial statements for the year ended 30 June 2013 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 Unusual Items**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows during the period under review.

**6. Nature and Amount Of 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**

There were no issuances, cancellation, repurchases or resale of debt and equity securities in the Company during the period under review.

**8. Dividend Paid**

There was no dividend paid for the current quarter.

**9. Segmental Reporting**

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

Quarter Ended 31 March 2014	Investment Holding RM'000	Manufacturing And Trading RM'000	Elimination RM'000	Group RM'000
REVENUE:				
- Export	-	43,950	-	43,950
- Local	-	41,416	-	41,416
TOTAL	-	85,366	-	85,366
RESULTS:				
Profit Before Income Tax	(76)	3,457	-	3,381
Income Tax Expense	-	(512)	-	(512)
Profit After Income Tax				2,869

Segmental Analysis for the financial period ended 31 December 2013 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.	Segment	Sales RM'000	(i) *		(ii) ^		(iii) #		(iv) Ω	(v) ◻
			Market Conditions		Level		Factors / Circumstances		Unusual or One off Gains	Other Information
1	Confectionery	12,073	Poor	( )	>50%	( )	Raw Material Prices	( v )	-NA-	-NA-
			Average	( )	50.1% > 75%	( )	Market Conditions	( v )		
			Good	( v )	75.1% > 100%	( v )	Product Competition	( )		
			Demand				Market Competition	( v )		
			Poor	( )			Prices Increases	( )		
			Average	( )			New Product Variety	( )		
			Strong	( v )			New Product Segment	( )		
							Capacity Expenditure	( )		
							Others:-	( )		
2	Sweets and Candies	73,293	Market Conditions		Level		Factors / Circumstances		Unusual or One off Gains	Other Information
			Poor	( )	>50%	( )	Raw Material Prices	( v )	-NA-	-NA-
			Average	( )	50.1% > 75%	( )	Market Conditions	( v )		
			Good	( v )	75.1% > 100%	( v )	Product Competition	( )		
			Demand				Market Competition	( )		
			Poor	( )			Prices Increases	( )		
			Average	( )			New Product Variety	( )		
			Strong	( v )			New Product Segment	( )		
							Capacity Expenditure	( )		
							Others:-	( )		

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

#### 10. Revaluations 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. Contingent Liabilities or Contingent Assets

There is a contingent liability amounting to approximately RM59 million being corporate guarantees given to financial institutions for banking facilities granted to a wholly owned 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 RM30.341 million for the current quarter represents 13.66% increase over that of RM26.694 million achieved in the preceding year corresponding quarter. The current quarter result reported a profit before income tax of RM831,000. This performance is within the Group's expectation as this quarter's financial result was affected by an increase in raw material cost.

### **15. Comparison With Immediate Preceding Quarter's Result**

	<b>Current Year Quarter 31.3.2014 RM'000</b>	<b>Immediate Preceding Quarter 31.12.2013 RM'000</b>	<b>% +/-</b>
Turnover	30,341	29,987	+1.18
Profit before income tax	<u>831</u>	<u>1,265</u>	-34.31

The Group achieved a higher turnover of RM30.341 million in the current quarter ended 31 March 2014 representing a 1.18% increase over that of the preceding quarter. The performance for the current year quarter is within the Group's expectation due to aggressive advertising and promotional campaigns. However, profit before income tax came down by 34.31% to RM831,000. This is due to an increase in raw material cost.

### **16. Current Year Prospects**

The year ended 30 June 2013 had been another challenging year. The management shall continue its endeavour to ensure that the marketing strategies adopted will put the Group in a better stead for 2014.

The prospects of the confectionery segment are good with stable orders and utilization running at near full capacity.

The prospects of the sweets and candies segment are good with strong demand from customers.

In respect of both business segments, cost of raw material remains high but stable while fluctuations in currencies are mitigated by the Group setting prices based on a conservative exchange rate valuation. There are no changes in business direction which may have impact on the business segments.



**17. Profit Forecast or Profit Guarantee**

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

**18. Income Tax Expense**

	<b>Current Year Quarter 31.3.2014 RM'000</b>	<b>Current Year To Date 31.3.2014 RM'000</b>
Income tax liabilities:		
Estimate for the period	67	112
Deferred income tax:		
Transferred to deferred income tax	170	400
	<u>237</u>	<u>512</u>

**19. Status Of Corporate Proposals**

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

**20. Group Borrowings**

	<b>31.3.2014 The Group RM'000</b>
<b>Short term borrowings:</b>	
Bank overdrafts	3,500
Bankers' acceptance	29,860
Hire-purchase payables	6,581
Term loan	2,606
	<u>42,547</u>
<b>Long term borrowing</b>	
Hire-purchase payables	11,190
Term loan	7,908
	<u>19,098</u>
	<u>61,645</u>

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

**21. Realised and Unrealised Retained Profit**

	<b>As at 31.3.2014 RM'000</b>	<b>As at 30.6.2013 RM'000</b>
Total retained profit of Company and its subsidiaries:		
- Realised	36,843	33,574
- Unrealised	56	456
Consolidation adjustments	<u>(4,271)</u>	<u>(4,271)</u>
Total Group retained profit	<u><u>32,628</u></u>	<u><u>29,759</u></u>

**22. Material Litigation**

There was no pending material litigation against the Group as at the date of this quarterly report.

**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):-

	<b>Current period quarter 31.3.2014 RM'000</b>	<b>Current year -to-date 31.3.2014 RM'000</b>
Interest income	-	-
Other income including investment income	(63)	(203)
Interest expense	622	3,198
Depreciation of property, plant and equipment	2,478	3,721
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 property, plant and equipment	(8)	(12)
Impairment of assets	-	-
Foreign exchange (gain) or loss	(114)	(438)
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 31.3.2014	PRECEDING YEAR CORRESPONDING QUARTER 31.3.2013	CURRENT YEAR TO DATE 31.3.2014	PRECEDING YEAR TO DATE 31.3.2013
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**

**MR LESLIE LOOI MENG  
AUDIT COMMITTEE CHAIRMAN**

Dated : 30 May 2014