

KHEE SAN BERHAD

(Incorporated in Malaysia) (Co No : (304376-A))



Financial Year End : 30 June 2016
Quarter : 1st quarter

Quarterly report on consolidated results for the 1st quarter ended 30 June 2016.
These figures have not been audited.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2015

	Individual Period		Cumulative Period	
	Current Period Quarter Ended 30.9.2015 (Unaudited) RM'000	Preceding Period Corresponding Quarter Ended 30.9.2014 (Unaudited) RM'000	Current Period-to- Date 30.9.2015 (Unaudited) RM'000	Preceding Period Corresponding Quarter Ended 30.9.2014 (Unaudited) RM'000
REVENUE	27,687	30,218	27,687	30,218
COST OF SALES	(22,853)	(25,611)	(22,853)	(25,611)
GROSS PROFIT	4,834	4,607	4,834	4,607
OTHER OPERATING INCOME	122	54	122	54
OPERATING EXPENSES	(3,291)	(1,921)	(3,291)	(1,921)
FINANCE COSTS	(367)	(1,470)	(367)	(1,470)
PROFIT BEFORE INCOME TAX	1,298	1,270	1,298	1,270
INCOME TAX EXPENSE	(82)	(237)	(82)	(237)
PROFIT AFTER INCOME TAX	1,216	1,033	1,216	1,033
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD	1,216	1,033	1,216	1,033
ATTRIBUTABLE TO:				
Equity holders of the parent	1,216	1,033	1,216	1,033
Minority interests	-	-	-	-
PROFIT AFTER INCOME TAX	1,216	1,033	1,216	1,033
Attributable to equity holders of the Company				
EARNINGS PER SHARE (SEN)				
- Basic	1.36	1.50	1.36	1.50
- 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 2015 and the accompanying explanatory attached to the interim financial statements)

KHEE SAN BERHAD*(Incorporated in Malaysia) (Co No : (304376-A)***UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015**

	As at end of current year quarter ended 30.9.2015 (Unaudited) RM'000	As at preceding financial year ended 30.6.2015 (Audited) RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	167,029	168,381
Investment property	2,900	2,900
Intangible assets	1,600	1,600
	<hr/> 171,529	<hr/> 172,881
CURRENT ASSETS		
Inventories	9,409	11,017
Trade and other receivables	46,386	54,910
Cash and bank balances	1,170	1,053
	<hr/> 56,965	<hr/> 66,980
TOTAL ASSETS	<hr/> 228,494	<hr/> 239,861
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	89,260	89,070
Merger Reserve	(17,444)	(17,444)
Revaluation reserve	27,423	27,423
Retained Profit	39,466	38,250
TOTAL EQUITY	<hr/> 138,705	<hr/> 137,299
LIABILITIES		
NON-CURRENT AND DEFERRED LIABILITIES		
Long-term borrowings	12,079	13,719
Deferred tax liabilities	1,608	1,578
	<hr/> 13,687	<hr/> 15,297
CURRENT LIABILITIES		
Trade and other payables	15,711	19,520
Amount due to ultimate holding company	-	1,677
Short-term borrowings	60,391	66,068
	<hr/> 76,102	<hr/> 87,265
TOTAL LIABILITIES	<hr/> 89,789	<hr/> 102,562
TOTAL EQUITY AND LIABILITIES	<hr/> 228,494	<hr/> 239,861
Net Assets per share (sen)	155	154

(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 2015 and the accompanying explanatory notes attached to the interim financial statements)

KHEE SAN BERHAD

(Incorporated in Malaysia) (Co No : (304376-A))



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2015

	← 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	
Period ended 30 September 2015					
Balance at 1 July 2015	89,070	(17,444)	27,423	38,250	137,299
Employees share option scheme	190	-	-	-	190
Private placement	-	-	-	-	-
Profit after income tax	-	-	-	1,216	1,216
Total comprehensive income	-	-	-	1,216	1,216
Balance at 30 September 2015	89,260	(17,444)	27,423	39,466	138,705
Period ended 30 September 2014					
Balance at 1 July 2014	65,450	(17,444)	27,423	34,179	109,608
Employees share option scheme	3,550	-	-	-	3,550
Profit after income tax	-	-	-	1,033	1,033
Total comprehensive income	-	-	-	1,033	1,033
Balance at 30 September 2014	69,000	(17,444)	27,423	35,212	114,191

(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 2015 and the accompanying explanatory notes attached to the interim financial statements)

KHEE SAN BERHAD

(Incorporated in Malaysia) (Co No : (304376-A))



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2015

	Current year to date 30.9.2015 (Unaudited) RM'000	Corresponding period ended 30.9.2014 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	1,298	1,270
Adjustments for:-		
Depreciation	1,419	1,195
Interest expense	335	1,420
Operating profits before working capital changes	<u>3,052</u>	<u>3,885</u>
Net change in inventories	1,608	(214)
Net change in receivables	8,524	83
Net change in payables	(5,486)	(4,809)
Cash generated from/(absorbed by) operations	<u>7,698</u>	<u>(1,055)</u>
Tax paid	(52)	(52)
Interest paid	(335)	(1,420)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	<u>7,311</u>	<u>(2,527)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(66)	(544)
NET CASH USED IN INVESTING ACTIVITIES	<u>(66)</u>	<u>(544)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Employees share option scheme	190	3,550
Net changes in bankers acceptance	(2,819)	1,278
Repayment of term loan	(221)	(197)
Hire-purchase instalment paid	(1,807)	(1,508)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	<u>(4,657)</u>	<u>3,123</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	<u>2,588</u>	<u>52</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	(5,152)	(6,991)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>(2,564)</u>	<u>(6,939)</u>
Cash and cash equivalents comprise:-		
Cash and bank balances	1,170	1,841
Bank overdrafts	(3,734)	(8,780)
	<u>(2,564)</u>	<u>(6,939)</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 2015 and the accompanying explanatory notes attached to the interim financial statements)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30
SEPTEMBER 2015**

**PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN 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 Securities”).

The interim financial statements should be read in conjunction with the Group’s audited financial statements for year ended 30 June 2015. The consolidated financial statement of the Group as at and for the year ended 30 June 2015 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 2015.

3. Qualification of Financial Statements

The audited financial statements for the year ended 30 June 2015 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 period under review.

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 quarter under review, the fully paid up shares capital of the Company was increased from 89,070,000 to 89,260,500 by way of allotment of 190,500 new ordinary shares of RM1.00 each for cash at RM1.00 per share under the Employees Shares Option Scheme listed on 15 September 2015.

Other than the abovementioned, there were no issuances and repayment of debts securities during the quarter under review.

8. Dividend paid

There was no dividend paid for the current quarter.

9. Segment Reporting

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

Quarter Ended 30 Sep 2015	Investment Holding RM'000	Manufacturing And Trading RM'000	Elimination RM'000	Group RM'000
REVENUE:				
- Export	-	16,964	-	16,964
- Local	-	10,723	-	10,723
TOTAL	-	27,687	-	27,687
RESULTS:				
Profit Before Income Tax	(74)	1,372	-	1,298
Income Tax Expense	(2)	(80)	-	(82)
Profit After Income Tax				1,216

Segmental Analysis for the financial year ended 30 September 2015 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) ◊		
1	Confectionery	2,762	Market Conditions		Level		Factors / Circumstances		Unusual or One off Gains	Other Information		
			Poor ()	>50%	()	Raw Material Prices (√)	-NA-	-NA-				
			Average ()	50.1% > 75%	()	Market Conditions (√)						
			Good (√)	75.1% > 100%	(√)	Product Competition ()						
			Demand		Market Competition (√)		Prices Increases ()					
			Poor ()	New Product Variety ()		New Product Segment ()						
			Average ()	Capacity Expenditure ()		Others:- ()						
			Strong (√)									
			2	Sweets and Candies	24,925	Market Conditions		Level		Factors / Circumstances		Unusual or One off Gains
Poor ()	>50%	()				Raw Material Prices (√)	-NA-	-NA-				
Average ()	50.1% > 75%	()				Market Conditions (√)						
Good (√)	75.1% > 100%	(√)				Product Competition ()						
Demand		Market Competition ()				Prices Increases ()						
Poor ()	New Product Variety ()					New Product Segment ()						
Average ()	Capacity Expenditure ()					Others:- ()						
Strong (√)												

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

10. Valuations 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

As announced on Bursa Securities on 21 September 2015, the Board has resolved to terminate the Existing Employees Share Option Scheme ("ESOS") with immediate effect in view that all the ESOS options have been granted and exercised under the Existing ESOS of the Company and no further offers shall be made by the ESOS Committee.

The Company further announced on 22 September 2015 that the Company proposed to establish and implement a new ESOS of up to fifteen percent (15%) of the issued and paid-up share capital of Khee San (excluding treasury shares, if any) to the eligible employees and Executive Director of Khee San and its subsidiaries. Bursa Securities had, vide its letter dated 30 September 2015, approved the listing of such number of additional new ordinary shares of RM1.00 each. The shareholders had approved the establishment of this new ESOS at the Annual General Meeting held on 11 November 2015.

The authorised share capital of the Company has been increased from RM100,000,000.00 to RM200,000,000.00 on 11 November 2015.

Other than as mentioned above 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 RM55 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 RM27.687 million for the current quarter represents 8.38% decrease over that of RM30.218 million achieved in the preceding year corresponding quarter. The current quarter result reported a profit before income tax of RM1.298 million as compared to the result of the same period last year of profit before income tax of RM1.270 million. This performance is within the Group's expectation.

15. Comparison with Immediate Preceding Quarter's result

	Current Year Quarter 30.6.2015 RM'000	Immediate Preceding Quarter 30.6.2015 RM'000	% +/-
Turnover	27,687	45,697	-39.41
Profit before income tax	1,298	1,723	-24.67

The Group achieved a lower turnover of RM27.687 million in the current quarter under review representing a 39.41% decrease over that of the preceding quarter.

16. Current Year Prospects

The year ending 30 June 2016 will be 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 2016.

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

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

18. Income tax expense

	Current Year Quarter 30.9.2015 RM'000	Current Year To Date 30.9.2015 RM'000
Income tax:		
Estimate for the period	52	52
Deferred income tax:		
Transferred to deferred income tax	30	30
	<u>82</u>	<u>82</u>

19. Corporate Proposals

There were no corporate proposals that have been announced during the current quarter under review.

20. Group Borrowings And Debt Securities

	30.9.2015
	The Group
	RM'000
Short term borrowings:	
Bank overdrafts	3,734
Bankers' acceptance	49,733
Hire-purchase payables	6,134
Term loan	790
	<u>60,391</u>
Long term borrowing	
Hire-purchase payables	11,309
Term loan	770
	<u>12,079</u>
	<u>72,470</u>

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

21. Material Litigation

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

22. Proposed Dividend

No dividend is proposed for this quarter under review.

23. Realised and Unrealised Retained Profit

	As at	As at
	30.9.2015	30.6.2015
	RM'000	RM'000
Total retained profit of Company and its subsidiaries:		
- Realised	45,345	42,413
- Unrealised	(1,608)	1,578
Consolidation adjustments	(4,271)	(5,741)
Total Group retained profit	<u>39,466</u>	<u>38,250</u>

24. Profit before income tax

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

	Current period quarter 30.9.2015 RM'000	Current year -to-date 30.9.2015 RM'000
Interest income	-	-
Other income including investment income	(122)	(122)
Interest expense	335	335
Depreciation of property, plant and equipment	1,419	1,419
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	-	-
Impairment of assets	-	-
Foreign exchange (gain) or loss	1,577	1,577
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 30.9.2015	PRECEDING YEAR CORRESPONDING QUARTER 30.9.2014	CURRENT YEAR TO DATE 30.9.2015	PRECEDING YEAR TO DATE 30.9.2014
Basic	Weighted average no of ordinary shares of 89,220,834	Weighted average no of ordinary shares of 68,844,384	Weighted average no of ordinary shares of 89,220,834	Weighted average no of ordinary shares of 68,844,384
Diluted	Not presented as there were no unexercised 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 November 2015