

KHEE SAN BERHAD

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



Financial Year End : 30 June 2016
Quarter : 2nd quarter

Quarterly report on consolidated results for the 2nd quarter ended 31 December 2015.
These figures have not been audited.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 2ND QUARTER ENDED 31 DECEMBER 2015

	Individual Period		Cumulative Period	
	Current Period Quarter Ended 31.12.2015 (Unaudited) RM'000	Preceding Period Corresponding Quarter Ended 31.12.2014 (Unaudited) RM'000	Current Period-to- Date 31.12.2015 (Unaudited) RM'000	Preceding Period Corresponding Quarter Ended 31.12.2014 (Unaudited) RM'000
REVENUE	32,165	32,701	59,852	62,919
COST OF SALES	(26,495)	(28,228)	(49,348)	(53,839)
GROSS PROFIT	5,670	4,473	10,504	9,080
OTHER OPERATING INCOME	139	129	261	183
OPERATING EXPENSES	(2,035)	(1,652)	(5,326)	(3,573)
FINANCE COSTS	(2,293)	(1,685)	(2,660)	(3,155)
PROFIT BEFORE INCOME TAX	1,481	1,265	2,779	2,535
INCOME TAX EXPENSE	(90)	(103)	(172)	(340)
PROFIT AFTER INCOME TAX	1,391	1,162	2,607	2,195
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD	1,391	1,162	2,607	2,195
ATTRIBUTABLE TO:				
Equity holders of the parent	1,391	1,162	2,607	2,195
Non-controlling interest	-	-	-	-
PROFIT AFTER INCOME TAX	1,391	1,162	2,607	2,195
Attributable to equity holders of the Parent				
EARNINGS PER SHARE (SEN)				
- Basic	1.51	1.69	2.83	3.14
- 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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	As at end of current year quarter ended 31.12.2015 (Unaudited) RM'000	As at preceding financial year ended 30.6.2015 (Audited) RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	165,500	168,381
Investment property	2,900	2,900
Intangible assets	1,600	1,600
	<hr/>	<hr/>
	170,000	172,881
CURRENT ASSETS		
Inventories	10,121	11,017
Trade and other receivables	46,491	54,910
Cash and bank balances	1,610	1,053
	<hr/>	<hr/>
	58,222	66,980
	<hr/>	<hr/>
TOTAL ASSETS	228,222	239,861
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	94,850	89,070
Merger Reserve	(17,444)	(17,444)
Revaluation reserve	27,423	27,423
Retained Profit	40,857	38,250
TOTAL EQUITY	<hr/>	<hr/>
	145,686	137,299
LIABILITIES		
NON-CURRENT AND DEFERRED LIABILITIES		
Long-term borrowings	13,454	13,719
Deferred tax liabilities	1,638	1,578
	<hr/>	<hr/>
	15,092	15,297
CURRENT LIABILITIES		
Trade and other payables	17,761	19,520
Amount due to ultimate holding company	381	1,677
Short-term borrowings	49,302	66,068
	<hr/>	<hr/>
	67,444	87,265
	<hr/>	<hr/>
TOTAL LIABILITIES	82,536	102,562
	<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES	228,222	239,861
	<hr/>	<hr/>
Net Assets per share (sen)	154	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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 2ND QUARTER ENDED 31 DECEMBER 2015

	← Attributable to equity holders of the parent →				Total RM'000
	← Non - Distributable →		Distributable		
Period ended 31 December 2015	Share Capital RM'000	Merger Reserve RM'000	Revaluation Reserve RM'000	Retained Profit RM'000	
Balance at 1 July 2015	89,070	(17,444)	27,423	38,250	137,299
Employees share option scheme	5,780	-	-	-	5,780
Profit after income tax	-	-	-	2,607	2,607
Total comprehensive income	-	-	-	2,607	2,607
Balance at 31 December 2015	94,850	(17,444)	27,423	40,857	145,686
Period ended 31 December 2014	Share Capital RM'000	Merger Reserve RM'000	Revaluation Reserve RM'000	Retained Profit RM'000	Total RM'000
Balance at 1 July 2014	65,450	(17,444)	27,423	34,179	109,608
Employees share option scheme	3,550	-	-	-	3,550
Private placement	2,000	-	-	-	2,000
Profit after income tax	-	-	-	2,195	2,195
Total comprehensive income	-	-	-	2,195	2,195
Balance at 31 December 2014	71,000	(17,444)	27,423	36,374	117,353

(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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE 2ND QUARTER ENDED 31 DECEMBER 2015

	Current year to date 31.12.2015 (Unaudited) RM'000	Corresponding period ended 31.12.2014 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	2,779	2,535
Adjustments for:-		
Depreciation	3,052	2,860
Interest expense	2,597	3,098
Operating profits before working capital changes	8,428	8,493
Net change in inventories	896	59
Net change in receivables	8,398	(860)
Net change in payables	(3,056)	(6,318)
Cash generated from/(absorbed by) operations	14,666	1,374
Tax paid	(91)	(103)
Interest paid	(2,597)	(3,098)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	11,978	(1,827)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(171)	(1,344)
NET CASH USED IN INVESTING ACTIVITIES	(171)	(1,344)
CASH FLOWS FROM FINANCING ACTIVITIES		
Employees share option scheme	5,780	3,550
Private placement	-	2,000
Net changes in bankers acceptance	(7,751)	2,994
Repayment of term loan	(438)	(395)
Hire-purchase instalment paid	(3,474)	(2,913)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(5,883)	5,236
NET CHANGES IN CASH AND CASH EQUIVALENTS	5,924	2,065
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	(5,152)	(6,991)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD UNDER REVIEW	772	(4,926)
Cash and cash equivalents comprise:-		
Cash and bank balances	1,610	1,998
Bank overdrafts	(838)	(6,924)
	772	(4,926)

(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 31
DECEMBER 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 share capital of the Company was increased from 89,260,500 to 94,850,500 by way of allotment of 5,590,000 new ordinary shares of RM1.00 each for cash at RM1.00 per share under the Employees Shares Option Scheme which was listed on 29 December 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 31 Dec 2015	Investment Holding RM'000	Manufacturing And Trading RM'000	Elimination RM'000	Group RM'000
REVENUE:				
- Export	-	28,626	-	28,626
- Local	-	31,226	-	31,226
TOTAL	-	59,852	-	59,852
RESULTS:				
Profit Before Income Tax	(74)	2,853	-	2,779
Income Tax Expense	(4)	(168)	-	(172)
Profit After Income Tax				2,607

Segmental Analysis for the financial year ended 31 December 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	11,260	<u>Market Conditions</u>		<u>Level</u>		<u>Factors / Circumstances</u>		<u>Unusual or One off Gains</u>	<u>Other Information</u>
			Poor ()	>50% ()	Raw Material Prices (v)	-NA-	-NA-			
			Average ()	50.1% > 75% ()	Market Conditions (v)					
			Good (v)	75.1% > 100% (v)	Product Competition ()					
					Market Competition (v)					
					Prices Increases ()					
					New Product Variety ()					
					New Product Segment ()					
					Capacity Expenditure ()					
					Others:- ()					
2	Sweets and Candies	48,592	<u>Market Conditions</u>		<u>Level</u>		<u>Factors / Circumstances</u>		<u>Unusual or One off Gains</u>	<u>Other Information</u>
			Poor ()	>50% ()	Raw Material Prices (v)	-NA-	-NA-			
			Average ()	50.1% > 75% ()	Market Conditions (v)					
			Good (v)	75.1% > 100% (v)	Product Competition ()					
					Market Competition ()					
					Prices Increases ()					
					New Product Variety ()					
					New Product Segment ()					
					Capacity Expenditure ()					
					Others:- ()					

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

Subsequent to the quarter under review, the fully paid up shares capital of the Company was increased from 94,850,500 to 96,550,500 by way of allotment of 1,700,000 new ordinary shares of RM1.00 each for cash at RM1.00 per share under the Employees Shares Option Scheme listed on 24 February 2016.

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 RM47 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 RM32.165 million for the current quarter represents 1.64% decrease over that of RM32.701 million achieved in the preceding year corresponding quarter. The current quarter result reported a profit before income tax of RM1.481 million as compared to the result of the same period last year of profit before income tax of RM1.265 million. This performance is within the Group's expectation.

15. Comparison with Immediate Preceding Quarter's result

	Current Year Quarter 31.12.2015 RM'000	Immediate Preceding Quarter 30.9.2015 RM'000	% +/-
Turnover	32,165	27,687	+16.17
Profit before income tax	<u>1,481</u>	<u>1,298</u>	+14.10

The Group achieved a higher turnover of RM32.165 million in the current quarter under review representing a 16.17% increase over that of the preceding quarter.

16. Current Year Prospects

The financial 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 and sweets and candies business segments of the Group are expected to remain good and stable for the financial year ending 30 June 2016.

There are no changes in business direction which may have impact on the business segments of the Group.

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 31.12.2015 RM'000	Current Year To Date 31.12.2015 RM'000
Income tax:		
Estimate for the period	60	122
Deferred income tax:		
Transferred to deferred income tax	<u>30</u>	<u>60</u>
	<u>90</u>	<u>172</u>

19. Corporate Proposals

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

20. Group Borrowings

	31.12.2015 The Group RM'000
Short term borrowings:	
Bank overdrafts	838
Bankers' acceptance	44,801
Hire-purchase payables	2,795
Term loan	868
	<hr/> 49,302 <hr/>
Long term borrowing	
Hire-purchase payables	12,980
Term loan	474
	<hr/> 13,454 <hr/>
	<hr/> 62,756 <hr/>

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 31.12.2015 RM'000	As at 30.6.2015 RM'000
Total retained profit of Company and its subsidiaries:		
- Realised	46,766	42,413
- Unrealised	(1,638)	1,578
Consolidation adjustments	(4,271)	(5,741)
Total Group retained profit	<hr/> 40,857 <hr/>	<hr/> 38,250 <hr/>

24. Profit before income tax

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

	Current period quarter 31.12.2015 RM'000	Current year -to-date 31.12.2015 RM'000
Interest income	-	-
Other income including investment income	(139)	(261)
Interest expense	2,262	2,597
Depreciation of property, plant and equipment	1,633	3,052
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	(442)	1,135
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 31.12.2015	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2014	CURRENT YEAR TO DATE 31.12.2015	PRECEDING YEAR TO DATE 31.12.2014
Basic	Weighted average no of ordinary shares of 92,038,807	Weighted average no of ordinary shares of 69,929,315	Weighted average no of ordinary shares of 92,038,807	Weighted average no of ordinary shares of 69,929,315
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 : 29 February 2016