

KHEE SAN BERHAD

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



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	As at end of current year quarter ended 30.6.2016 (Unaudited) RM'000	As at preceding financial year ended 30.6.2015 (Audited) RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	165,138	168,381
Investment property	1,249	2,900
Intangible assets	1,600	1,600
	<u>167,987</u>	<u>172,881</u>
CURRENT ASSETS		
Inventories	10,627	11,017
Trade and other receivables	70,691	54,910
Cash and bank balances	5,885	1,053
	<u>87,203</u>	<u>66,980</u>
TOTAL ASSETS	<u>255,190</u>	<u>239,861</u>
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	100,000	89,070
Merger Reserve	(17,444)	(17,444)
Revaluation reserve	27,452	27,423
Retained Profit	43,271	38,250
TOTAL EQUITY	<u>153,279</u>	<u>137,299</u>
LIABILITIES		
NON-CURRENT AND DEFERRED LIABILITIES		
Long-term borrowings	17,614	13,719
Deferred tax liabilities	1,580	1,578
	<u>19,194</u>	<u>15,297</u>
CURRENT LIABILITIES		
Trade and other payables	23,290	19,520
Amount due to ultimate holding company	-	1,677
Short-term borrowings	59,427	66,068
	<u>82,717</u>	<u>87,265</u>
TOTAL LIABILITIES	<u>101,911</u>	<u>102,562</u>
TOTAL EQUITY AND LIABILITIES	<u>255,190</u>	<u>239,861</u>
Net Assets per share (sen)	153	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))



Financial Year End : 30 June 2016

Quarter : 4th quarter

Quarterly report on consolidated results for the 4th quarter ended 30 June 2016.

These figures have not been audited.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 4TH QUARTER ENDED 30 JUNE 2016

	Individual Period		Cumulative Period	
	Current Period Quarter Ended 30.6.2016 (Unaudited) RM'000	Preceding Period Corresponding Quarter Ended 30.6.2015 (Unaudited) RM'000	Current Period-to- Date 30.6.2016 (Unaudited) RM'000	Preceding Period Corresponding Quarter Ended 30.6.2015 (Audited) RM'000
REVENUE	59,854	45,697	156,957	142,663
COST OF SALES	(55,848)	(44,671)	(136,353)	(126,935)
GROSS PROFIT	4,006	1,026	20,604	15,728
OTHER OPERATING INCOME	1,922	1,958	3,386	2,514
OPERATING EXPENSES	(3,072)	(256)	(14,617)	(7,677)
FINANCE COSTS	(1,488)	(1,083)	(4,194)	(5,470)
PROFIT BEFORE INCOME TAX	1,368	1,645	5,179	5,095
INCOME TAX EXPENSE	478	(456)	(158)	(1,024)
PROFIT AFTER INCOME TAX	1,846	1,189	5,021	4,071
OTHER COMPREHENSIVE INCOME	-	-	277	-
TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD	1,846	1,189	5,298	4,071
ATTRIBUTABLE TO:				
Equity holders of the parent	1,846	1,189	5,021	4,071
Non-controlling interest	-	-	-	-
PROFIT AFTER INCOME TAX	1,846	1,189	5,021	4,071
Attributable to equity holders of the Parent				
EARNINGS PER SHARE (SEN)				
- Basic	1.98	1.56	5.38	5.36
- 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 CHANGES IN EQUITY
FOR THE 4TH QUARTER ENDED 30 JUNE 2016**

	← Attributable to equity holders of the parent →				Total RM'000
	← Non - Distributable →		Distributable		
Year ended 30 June 2016	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	10,930	-	-	-	10,930
Other comprehensive income					
- Revaluation surplus on properties	-	-	277	-	277
Disposal of properties	-	-	(248)	-	(248)
Profit after income tax	-	-	-	5,021	5,021
Total comprehensive income	-	-	29	5,021	5,050
Balance at 30 June 2016	100,000	(17,444)	27,452	43,271	153,279
Year ended 30 June 2015					
Balance at 1 July 2014	65,450	(17,444)	27,423	34,179	109,608
Employees share option scheme	23,620	-	-	-	23,620
Profit after income tax	-	-	-	4,071	4,071
Total comprehensive income	-	-	-	4,071	4,071
Balance at 30 June 2015	89,070	(17,444)	27,423	38,250	137,299

(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 4TH QUARTER ENDED 30 JUNE 2016**

	Current year to date 30.6.2016 (Unaudited) RM'000	Corresponding period ended 30.6.2015 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	5,179	5,095
Adjustments for:-		
Impairment of inventory	-	82
Depreciation	5,737	5,990
Fair value adjustment on investment properties	247	-
Interest expense	4,096	5,385
Gain on disposal of property, plant and equipment	(23)	(19)
Unrealised gain on foreign exchange	(2,991)	(1,521)
Interest income	-	(3)
Operating profits before working capital changes	12,245	15,009
Net change in inventories	390	662
Net change in receivables	(13,043)	(38,962)
Net change in payables	2,092	3,623
Cash generated from/(absorbed by) operations	1,684	(19,668)
Tax paid	(150)	(208)
Tax refunded	-	125
Interest received	-	3
Interest paid	(4,096)	(5,385)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	(2,562)	(25,133)
CASH FLOWS FROM INVESTING ACTIVITIES		
+Purchase of property, plant and equipment	(9,911)	(7,500)
Investment properties	1,391	-
Proceed from disposal of property, plant and equipment	9,000	23
NET CASH USED IN INVESTING ACTIVITIES	480	(7,477)
CASH FLOWS FROM FINANCING ACTIVITIES		
Employees share option scheme	10,930	23,620
Net changes in bankers acceptance	4,592	18,784
Repayment of term loan	(790)	(790)
Hire-purchase instalment paid	(1,613)	(7,164)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	13,119	34,450
NET CHANGES IN CASH AND CASH EQUIVALENTS	11,037	1,840
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	5,885	(5,151)
<i>+Property, plant and equipment at aggregate cost of RM11,179,000 (2015-RM7,500,000) was acquired during the financial period of which RM1,268,000 (2015-RMNil) was acquired by means of hire-purchase.</i>		
Cash and cash equivalents comprise:-		
Cash and bank balances	5,885	1,053
Bank overdrafts	-	(6,204)
	5,885	(5,151)

(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 JUNE 2016

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 96,550,500 to 100,000,000 by way of allotment of 3,449,500 new ordinary shares of RM1.00 each for cash at RM1.00 per share under the Employees Shares Option Scheme which was allotted on 21 April 2016 and listed on 25 April 2016.

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 year-to-date:-

Quarter Ended 30 June 2016	Investment Holding RM'000	Manufacturing And Trading RM'000	Elimination RM'000	Group RM'000
REVENUE:				
- Export	-	73,488	-	73,488
- Local	-	83,469	-	83,469
TOTAL	-	156,957	-	156,957
RESULTS:				
Profit Before Income Tax	466	5,613	(900)	5,179
Income Tax Expense	(8)	(150)	-	(158)
Profit After Income Tax				5,021

Segmental Analysis for the financial year ended 30 June 2016 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
⊕	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) ⊕	(v) ⊖
1	Confectionery	49,978	Market Conditions Poor () Average () Good (√) Demand Poor () Average () Strong (√)	Level >50% () 50.1% > 75% () 75.1% > 100% (√)	Factors / Circumstances Raw Material Prices (√) Market Conditions (√) Product Competition () Market Competition (√) Prices Increases () New Product Variety () New Product Segment () Capacity Expenditure () Others:- ()	Unusual or One off Gains -NA-	Other Information -NA-
2	Sweets and Candies	106,979	Market Conditions Poor () Average () Good (√) Demand Poor () Average () Strong (√)	Level >50% () 50.1% > 75% () 75.1% > 100% (√)	Factors / Circumstances Raw Material Prices (√) Market Conditions (√) Product Competition () Market Competition () Prices Increases () New Product Variety () New Product Segment () Capacity Expenditure () Others:- ()	Unusual or One off Gains -NA-	Other Information -NA-

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

10. Valuations of Property, Plant and Equipment

The Group carried out a revaluation on its land and buildings and investment properties during the current quarter under review. Revaluation surplus and fair value adjustment were taken up as follows:-

Properties	Net book value RM'000	Revaluation value RM'000	Revaluation surplus/fair value adjustment RM'000
Land and buildings	43,608	43,900	292
Investment properties	2,900	2,640	(260)
			32
Less: Deferred income tax			(2)
			30

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 RM58 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 RM59.854 million for the current quarter represents 30.98% increase over that of RM45.697 million achieved in the preceding year corresponding quarter. The current quarter result reported a profit before income tax of RM1.368 million as compared to the result of the same period last year of profit before income tax of RM1.645 million. This performance is within the Group's expectation.

15. Comparison with Immediate Preceding Quarter's result

	Current Year Quarter 30.6.2016 RM'000	Immediate Preceding Quarter 31.3.2016 RM'000	% +/-
Turnover	59,854	37,251	+60.68
Profit before income tax	<u>1,368</u>	<u>1,032</u>	+32.56

The Group achieved a higher turnover of RM59.854 million in the current quarter under review representing a 60.68% increase over that of the preceding quarter.

16. Current Year Prospects

The financial year ended 30 June 2016 was a challenging year and it is expected that the year ahead will remain so. The Management will continue with its plans to mitigate the impact of currently known challenges and will implement initiatives to strengthen the overall position the Company in the medium to long term such as adopting a conservative foreign exchange rate policy for its export business as well as continual upgrades to production facilities to reduce wastage levels and manpower requirements.

Despite the challenges, the prospects of the Group remain positive with continual efforts to broaden the reach of its domestic distribution network supported with selective marketing campaigns while the priority on the export market is to focus on key destinations whilst exploring new potential markets via participation in trade fairs. As such, we anticipate that these business segments will remain good and stable for the upcoming financial year ending 30 June 2017. In particular, the continued strength of the chewy candy products has been most encouraging while the other candy and wafer segments have been shown to be resilient. The Group will continue to leverage on the chewy candy and wafer segments for future growth.

There are no changes in business direction which may have an impact on any of 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 30.6.2016 RM'000	Current Year To Date 30.6.2016 RM'000
Income tax:		
Estimate for the period	-	156
Deferred income tax:		
Transferred to deferred income tax	<u>(478)</u>	<u>2</u>
	<u>(478)</u>	<u>158</u>

19. Corporate Proposals

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

20. Group Borrowings

	30.6.2016
	The Group
	RM'000
Short term borrowings:	
Bankers' acceptance	52,145
Hire-purchase payables	6,557
Term loan	725
	<u>59,427</u>
Long term borrowing:	
Bankers' acceptance	5,000
Hire-purchase payables	12,347
Term loan	267
	<u>17,614</u>
	<u>77,041</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
	30.6.2016	30.6.2015
	RM'000	RM'000
Total retained profit of Company and its subsidiaries:		
- Realised	47,793	42,413
- Unrealised	1,441	1,578
Consolidation adjustments	(5,963)	(5,741)
Total Group retained profit	<u>43,271</u>	<u>38,250</u>

24. Profit before income tax

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

	Current period quarter 30.6.2016 RM'000	Current year -to-date 30.6.2016 RM'000
Interest income	-	-
Other income including investment income	247	(395)
Interest expense	1,469	4,096
Depreciation of property, plant and equipment	1,179	5,736
Provision for and write off of receivables	46	46
Provision for and write off of inventories	27	27
Gain or loss on disposal of quoted or unquoted investments or property, plant and equipment	(23)	(23)
Impairment of assets	-	-
Foreign exchange (gain) or loss	(2,169)	(2,991)
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 tax for the financial period over the weighted number of ordinary shares in issue during the financial period as follows:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.6.2016	PRECEDING YEAR CORRESPONDING QUARTER 30.6.2015	CURRENT YEAR TO DATE 30.6.2016	PRECEDING YEAR TO DATE 30.6.2015
Basic	Weighted average no of ordinary shares of 93,305,970	Weighted average no of ordinary shares of 75,990,767	Weighted average no of ordinary shares of 93,305,970	Weighted average no of ordinary shares of 75,990,767
Diluted	Not presented as there was 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 August 2016