

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Company No : 13022-A

**UNAUDITED SECOND QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 JANUARY 2015**

The Board of Directors is pleased to announce the following unaudited results of the Group for the financial quarter ended 31 January 2015.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JANUARY 2015**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER (31/01/2015) RM'000	PRECEDING YEAR CORRESPONDING QUARTER (31/01/2014) RM'000	CURRENT YEAR TO DATE (31/01/2015) RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE (31/01/2014) RM'000
Revenue	62,096	61,824	131,259	126,610
Other items of income				
Interest income	648	802	1,406	1,663
Dividend income	40	50	104	107
Other income	1,536	633	3,008	1,794
Items of expense				
Raw materials and consumables used	(8,586)	(10,361)	(16,686)	(23,204)
Changes in work-in-progress and finished goods	1,311	(432)	1,017	511
Employee benefits expense	(21,582)	(20,606)	(45,929)	(41,764)
Depreciation of property, plant and equipment	(14,403)	(12,842)	(28,561)	(25,640)
Finance costs	(772)	(599)	(1,598)	(1,290)
Other expenses	(16,053)	(17,021)	(33,886)	(32,108)
Profit before tax	4,235	1,448	10,134	6,679
Income tax expense	(1,084)	(106)	(2,625)	(1,778)
Profit net of tax	3,151	1,342	7,509	4,901
Other comprehensive income:				
Foreign currency translation	2,773	676	3,348	1,575
Other comprehensive income for the period, net of tax	2,773	676	3,348	1,575
Total comprehensive income for the period	5,924	2,018	10,857	6,476
Profit attributable to:				
Owners of the parent	2,089	90	4,848	2,844
Non-controlling interests	1,062	1,252	2,661	2,057
	3,151	1,342	7,509	4,901
Total comprehensive income attributable to:				
Owners of the parent	4,862	766	8,196	4,419
Non-controlling interests	1,062	1,252	2,661	2,057
	5,924	2,018	10,857	6,476
Earnings per share attributable to owners of the parent (sen per share):				
- Basic	4.9	0.2	11.3	6.6

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 July 2014 and the accompanying explanatory notes attached to the interim financial statements.

KESM INDUSTRIES BERHAD

(Incorporated in Malaysia)

Company No : 13022-A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 31 JANUARY 2015**

	<u>AS AT END OF CURRENT QUARTER 31/01/2015</u> RM'000	<u>AS AT PRECEDING FINANCIAL YEAR END 31/07/2014</u> RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	187,980	156,495
Deferred tax assets	4,747	4,747
	<u>192,727</u>	<u>161,242</u>
Current assets		
Inventories	11,316	11,589
Trade and other receivables	61,785	65,432
Prepayments	1,264	1,278
Tax recoverable	54	332
Investment securities	5,089	7,660
Cash and bank balances	136,323	139,368
	<u>215,831</u>	<u>225,659</u>
Total assets	<u>408,558</u>	<u>386,901</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	43,015	43,015
Other reserves	13,007	9,101
Retained earnings	196,343	193,343
	<u>252,365</u>	<u>245,459</u>
Non-controlling interests	38,754	36,093
Total equity	<u>291,119</u>	<u>281,552</u>
Non-current liabilities		
Obligations under finance leases	178	557
Long term loans	39,592	36,215
Deferred tax liabilities	2,395	2,395
	<u>42,165</u>	<u>39,167</u>
Current liabilities		
Trade and other payables	25,162	28,732
Obligations under finance leases	1,279	1,856
Term loans	47,924	35,285
Income tax payable	909	309
	<u>75,274</u>	<u>66,182</u>
Total liabilities	<u>117,439</u>	<u>105,349</u>
Total equity and liabilities	<u>408,558</u>	<u>386,901</u>
Net assets per share attributable to owners of the parent (RM)	<u>5.87</u>	<u>5.71</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 July 2014 and the accompanying explanatory notes attached to the interim financial statements.

KESM INDUSTRIES BERHAD

(Incorporated in Malaysia)

Company No : 13022-A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 JANUARY 2015

FY2015	< ----- Attributable to owners of the parent ----- >						Non-controlling interests	Total equity
	Share capital	< ----- Non-distributable ----- >			Distributable			
		Share premium	Foreign currency translation reserve	Statutory reserve fund	Retained earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 August 2014	43,015	663	5,117	3,321	193,343	245,459	36,093	281,552
Total comprehensive income	-	-	3,348	-	4,848	8,196	2,661	10,857
Transaction with owners								
Transfer to statutory reserve fund	-	-	-	558	(558)	-	-	-
Dividend	-	-	-	-	(1,290)	(1,290)	-	(1,290)
At 31 January 2015	43,015	663	8,465	3,879	196,343	252,365	38,754	291,119

FY2014	< ----- Attributable to owners of the parent ----- >						Non-controlling interests	Total equity
	Share capital	< ----- Non-distributable ----- >			Distributable			
		Share premium	Foreign currency translation reserve	Statutory reserve fund	Retained earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 August 2013	43,015	663	4,679	2,434	184,637	235,428	30,636	266,064
Total comprehensive income	-	-	1,575	-	2,844	4,419	2,057	6,476
Transaction with owners								
Transfer to statutory reserve fund	-	-	-	887	(887)	-	-	-
Dividend	-	-	-	-	(1,290)	(1,290)	-	(1,290)
At 31 January 2014	43,015	663	6,254	3,321	185,304	238,557	32,693	271,250

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 July 2014 and the accompanying explanatory notes attached to the interim financial statements.

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Company No : 13022-A

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 JANUARY 2015

	Current year to date 31/01/2015	Preceding year corresponding year to date 31/01/2014
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	10,134	6,679
Adjustments for:		
Depreciation of property, plant and equipment	28,561	25,640
Plant and equipment written off	-	89
Loss on disposal of property, plant and equipment	101	-
Gain on disposal of investment securities held for trading	(697)	(327)
Net fair value loss on investment securities held for trading	1,991	643
Unrealised exchange loss	476	508
Reversal of impairment loss on trade receivables	(21)	(27)
Dividend income	(104)	(107)
Interest income	(1,406)	(1,663)
Finance costs	1,598	1,290
Operating cash flows before working capital changes	40,633	32,725
Decrease in inventories	273	1,465
Decrease/(increase) in prepayment, trade and other receivables	3,682	(985)
(Decrease)/increase in trade and other payables	(5,464)	990
Cash generated from operations	39,124	34,195
Income taxes paid	(1,816)	(1,528)
Interest paid	(1,598)	(1,290)
Interest received	1,406	1,663
Net cash generated from operating activities	37,116	33,040
INVESTING ACTIVITIES		
Proceeds from disposal of investment securities	1,277	861
Dividend income	104	107
Purchase of property, plant and equipment	(58,369)	(17,809)
Proceeds from disposal of property, plant and equipment	1,614	-
Net cash used in investing activities	(55,374)	(16,841)
FINANCING ACTIVITIES		
Repayment of obligations under finance leases	(956)	(988)
Repayment of term loans	(17,765)	(16,259)
Proceeds from term loans	32,672	-
Dividend paid on ordinary shares	-	(1,290)
Net cash flows generated from/(used in) financing activities	13,951	(18,537)
Net decrease in cash and cash equivalents	(4,307)	(2,338)
Effects of exchange rate changes	1,262	(46)
Cash and cash equivalents at beginning of year	139,368	139,227
Cash and cash equivalents at end of the period	136,323	136,843

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 July 2014 and the accompanying explanatory notes attached to the interim financial statements.