

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Part A of Appendix 9B of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements. The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 July 2014. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 July 2014.

2. Significant accounting policies

The significant accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those of the audited financial statements for the year ended 31 July 2014.

In the current financial period, the Group had adopted all the new/revised standards and interpretations that are effective for annual periods beginning on or after 1 August 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group.

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities provide clarification and application guidance on legally enforceable right to set-off the financial assets and financial liabilities. These amendments are not expected to have any impact to the Group's financial position or performance.

Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets remove the unintended consequences of *MFRS 13 Fair Value Measurement* on the disclosures required under *MFRS 136 Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units ("CGUs") for which an impairment loss has been recognised or reversed during the period. As this is a disclosure standard, it will not have any impact to the Group's financial position or performance.

3. Audit report of preceding annual financial statements

The audit report of the Group's most recent audited financial statements for the year ended 31 July 2014 was not qualified.

4. Seasonality or cyclicity of operations

There was no material seasonal or cyclical fluctuation in the operations of the Group.

5. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence

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

6. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years

There were no changes in estimates of amounts reported in prior financial years.

7. Issues, repurchases, and repayments of debt and equity securities

There were no issues, repurchases and repayments of debt and equity securities for the current financial year-to-date.

8. Dividends paid

A first and final tax exempt dividend of 3 sen per ordinary share, amounting to RM1,290,000, in respect of the previous financial year ended 31 July 2014, was paid on 17 February 2015.

A special interim tax exempt dividend of 3 sen per ordinary share, amounting to RM1,290,000, in respect of the current financial year ending 31 July 2015, was paid on 10 April 2015.

9. Events not reflected in the financial statements

Except as disclosed in Note 20, there were no material subsequent events to be disclosed as at the date of this report.

10. Changes in the composition of the Group

The acquisition of the remaining 34.62% equity interest in KESM Test (M) Sdn Bhd ("KESM Test") was completed on 13 May 2015 and KESM Test is now a wholly-owned subsidiary of the Company.

11. Acquisition or disposal of items of property, plant and equipment

During the reporting period, the Group acquired plant and equipment amounting to RM76,730,000, and disposed plant and equipment of net book value amounting to RM1,717,000.

12. Significant related party transactions

	<u>As at</u> <u>30/04/2015</u> RM'000	<u>As at</u> <u>30/04/2014</u> RM'000
Transactions with Sunright Limited, immediate holding company of the Group and its subsidiaries:		
Management fees charged by Sunright Limited	4,076	4,205
Interest on loan from Sunright Limited	59	88
Sales to:		
- KES Systems & Service (1993) Pte Ltd	20	326
- KES Systems, Inc.	-	136
Purchases from:		
- KES Systems & Service (1993) Pte Ltd	154	1,306
- Kestronics (M) Sdn Bhd	25	32
- KESU Systems & Service, Inc.	255	-
- KES Systems, Inc.	957	-
- KEST Systems & Service Ltd	51	540
- KES Systems & Service (Shanghai) Co., Ltd	250	-

The Directors are of the opinion that the above transactions were in the normal course of business and at terms mutually agreed between the companies.

13. Significant commitments for purchase of property, plant and equipment

Commitments for purchase of property, plant and equipment amounted to RM3,690,000 as at 30 April 2015.

14. Profit before tax

	Individual period		Cumulative period	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	30/04/2015	30/04/2014	30/04/2015	30/04/2014
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at:				
After charging:				
Fair value loss on investment securities held for trading	221	-	2,212	212
Plant and equipment written off	4	-	4	89
Loss on disposal of property, plant and equipment	-	6	95	6
Net foreign exchange loss	38	676	-	493
And crediting:				
Gain on disposal of property, plant and equipment	6	-	-	-
Fair value gain on investment securities held for trading	-	431	-	-
Reversal of inventories written down	16	-	16	-
Gain on disposal on investment securities held for trading	-	-	697	327
Reversal of impairment loss on trade receivables	-	21	21	48
Net foreign exchange gain	-	-	844	-

There were no gain or loss arising from derivatives, disposal of unquoted investments and exceptional items.

15. Detailed analysis of Group performance

Analysis of the performance for the current quarter

The Group's revenue increased by RM3.8 million or 6%, from RM59.1 million in the preceding year's third quarter to RM62.9 million for the current quarter ended 30 April 2015 ("3QFY2015") mainly because of higher demand from burn-in and testing services.

Raw materials and consumables used and changes in work-in-progress and finished goods were lower by RM1.9 million or 25%, from RM7.4 million to RM5.5 million, because of lower sales from electronic manufacturing services.

Employee benefits expense was higher by RM2.6 million or 12%, mainly due to higher wage rates and staff compensation.

Depreciation increased by RM1.9 million or 14%, as additional machinery and test equipment were purchased during the year.

Finance costs increased by RM0.6 million or 114%, mainly due to higher borrowings.

Consequently, the Group's profit before tax increased by RM0.4 million or 10%, from RM3.8 million to RM4.2 million in 3QFY2015.

Analysis of the performance for the current financial year-to-date

The Group's revenue increased by RM8.5 million or 5%, from RM185.7 million in the preceding year's corresponding period to RM194.2 million for the current financial period ended 30 April 2015 as a result of higher demand from burn-in and testing services.

Other income was higher by RM1.4 million or 63%, primarily due to an exchange gain of RM0.8 million arising from an appreciation of US Dollars against Malaysian Ringgit on US Dollars denominated receivables, as well as higher gain on disposal of investment securities by RM0.4 million.

Raw materials and consumables used and changes in work-in-progress and finished goods reduced by RM8.9 million or 30%, from RM30.1 million to RM21.2 million, because of reduced electronic manufacturing services sales.

Employee benefits expense was higher by RM6.8 million or 11% mainly because of higher wage rates and staff compensation.

Depreciation was higher by RM4.8 million or 12%, as additional machinery and test equipment were purchased during current financial period.

Other expenses increased by RM2.2 million or 5%, mainly due to higher fair value loss on investment securities by RM2.0 million.

Consequently, the Group's profit before tax increased by RM3.8 million or 37%, from RM10.5 million to RM14.3 million in the reporting period under review.

16. Material change in the profit before taxation compared to the results of the preceding quarter

The Group achieved profit before tax of RM4.2 million for the third quarter ended 30 April 2015. There was no material change in the profit before taxation compared to the results of the preceding quarter ended 31 January 2015.

17. Prospects

The latest world-wide semiconductor projection to reach USD354 billion in 2015, represents a growth of 4% from USD339.8 billion in 2014. This is a reduced growth from the previous quarter's forecast of 5.4%, as a result of strong US Dollar, excess inventories and the end of a personal computer upgrade cycle.

Despite temporary excess inventories in the semiconductor market, the Group remains focused on the testing services for microchips used in the automotives given the encouraging growth prospects of the global car market.

18. Profit forecast / profit guarantee

The Group was not subjected to any profit guarantee.

19. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/04/2015 RM'000	Preceding year corresponding quarter 30/04/2014 RM'000	Current year to date 30/04/2015 RM'000	Preceding year corresponding quarter 30/04/2014 RM'000
Current income tax				
- Malaysian income tax	1,012	804	2,729	1,542
- Foreign tax	122	482	1,030	1,580
- Under/(over) provision in prior years	-	-	-	(58)
	1,134	1,286	3,759	3,064
Deferred tax				
- Relating to origination and reversal of temporary differences	-	-	-	-
	1,134	1,286	3,759	3,064

The effective tax rate was higher than the statutory tax rate, mainly due to higher effective foreign tax, offset by lower effective Malaysian tax that arose from certain tax incentives.

20. Status of uncompleted corporate proposals

There were no corporate proposals announced but not completed as at the reporting date.

21. Group borrowings and debt securities

	<u>As At</u> <u>30/04/2015</u> RM'000	<u>As At</u> <u>31/07/2014</u> RM'000
(a) Obligations under finance leases - secured	1,115	2,413
Term loans – secured	79,771	70,126
Other loan – unsecured	-	1,374
	<u>80,886</u>	<u>73,913</u>
(b) Repayable within 12 months	45,155	37,141
Repayable after 12 months	35,731	36,772
	<u>80,886</u>	<u>73,913</u>
(c) Loans denominated in:		
United States Dollar ("USD")	6,257	15,857
Ringgit Malaysia ("RM")	74,629	58,056
	<u>80,886</u>	<u>73,913</u>

22. Changes in material litigation

Further to the announcement made on 11 March 2015, there were no changes in material litigation as at the date of this announcement.

23. Dividend

There is no dividend declared for the quarter ended 30 April 2015 other than the special interim dividend of 3 sen per share that was paid out on 10 April 2015.

24. Earnings per share

Basic earnings per ordinary share

The calculation of basic earnings per share for the period was based on the profit attributable to owners of the parent of RM6,580,000 and the weighted average number of 43,015,000 ordinary shares outstanding during the reporting period.

25. Realised and unrealised profits

	As at end of current quarter 30/04/2015	As at preceding financial year end 31/07/2014
	RM'000	RM'000
- Realised	225,810	225,669
- Unrealised	1,906	4,041
Total retained profits of the Company and its subsidiaries	227,716	229,710
Consolidation adjustments	(30,932)	(36,367)
Total group retained profits as per consolidated accounts	196,784	193,343

BY ORDER OF THE BOARD

Leong Oi Wah
Company Secretary

Petaling Jaya
Date : 2 June 2015