

KESM INDUSTRIES BERHAD

(Incorporated in Malaysia)

Company No : 13022-A

**UNAUDITED FIRST QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 OCTOBER 2015**

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 OCTOBER 2015**

| | INDIVIDUAL PERIOD | | CUMULATIVE PERIOD | |
|---|---|--|---|---|
| | CURRENT YEAR QUARTER (31/10/2015) RM'000 | PRECEDING YEAR CORRESPONDING QUARTER (31/10/2014) RM'000 | CURRENT YEAR-TO-DATE (31/10/2015) RM'000 | PRECEDING YEAR CORRESPONDING YEAR-TO-DATE (31/10/2014) RM'000 |
| Revenue | 70,179 | 69,163 | 70,179 | 69,163 |
| Other items of income | | | | |
| Interest income | 443 | 758 | 443 | 758 |
| Dividend income | 18 | 64 | 18 | 64 |
| Other income | 2,255 | 1,472 | 2,255 | 1,472 |
| Items of expense | | | | |
| Raw materials and consumables used | (8,073) | (8,100) | (8,073) | (8,100) |
| Changes in work-in-progress and finished goods | (116) | (294) | (116) | (294) |
| Employee benefits expense | (23,074) | (24,347) | (23,074) | (24,347) |
| Depreciation of property, plant and equipment | (14,265) | (14,158) | (14,265) | (14,158) |
| Finance costs | (899) | (826) | (899) | (826) |
| Other expenses | (16,629) | (17,833) | (16,629) | (17,833) |
| Profit before tax | 9,839 | 5,899 | 9,839 | 5,899 |
| Income tax expense | (1,773) | (1,541) | (1,773) | (1,541) |
| Profit net of tax | 8,066 | 4,358 | 8,066 | 4,358 |
| Other comprehensive income: | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | |
| Foreign currency translation | 4,449 | 575 | 4,449 | 575 |
| Other comprehensive income for the period, net of tax | 4,449 | 575 | 4,449 | 575 |
| Total comprehensive income for the period | 12,515 | 4,933 | 12,515 | 4,933 |
| Profit attributable to: | | | | |
| Owners of the Company | 8,066 | 2,759 | 8,066 | 2,759 |
| Non-controlling interests | - | 1,599 | - | 1,599 |
| | 8,066 | 4,358 | 8,066 | 4,358 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 12,515 | 3,334 | 12,515 | 3,334 |
| Non-controlling interests | - | 1,599 | - | 1,599 |
| | 12,515 | 4,933 | 12,515 | 4,933 |
| Earnings per share attributable to owners of the Company (sen per share): | | | | |
| - Basic | 18.8 | 6.4 | 18.8 | 6.4 |

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 July 2015 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 OCTOBER 2015

| | <u>AS AT END OF CURRENT QUARTER 31/10/2015</u> RM'000 | <u>AS AT PRECEDING FINANCIAL YEAR END 31/07/2015</u> RM'000 |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 173,928 | 183,031 |
| Deferred tax assets | 4,539 | 4,539 |
| | <u>178,467</u> | <u>187,570</u> |
| Current assets | | |
| Inventories | 10,697 | 10,089 |
| Trade and other receivables | 66,525 | 67,025 |
| Prepayments | 4,652 | 3,910 |
| Investment securities | 3,957 | 4,059 |
| Cash and bank balances | 106,251 | 93,924 |
| | <u>192,082</u> | <u>179,007</u> |
| Total assets | <u>370,549</u> | <u>366,577</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the Company | | |
| Share capital | 43,015 | 43,015 |
| Other reserves | 22,967 | 18,518 |
| Retained earnings | 206,999 | 198,933 |
| Total equity | <u>272,981</u> | <u>260,466</u> |
| Non-current liabilities | | |
| Obligations under finance leases | 24 | 38 |
| Long term loans | 29,001 | 32,945 |
| Deferred tax liabilities | 2,002 | 2,002 |
| | <u>31,027</u> | <u>34,985</u> |
| Current liabilities | | |
| Trade and other payables | 29,853 | 30,367 |
| Obligations under finance leases | 384 | 619 |
| Term loans | 34,604 | 39,756 |
| Income tax payable | 1,700 | 384 |
| | <u>66,541</u> | <u>71,126</u> |
| Total liabilities | <u>97,568</u> | <u>106,111</u> |
| Total equity and liabilities | <u>370,549</u> | <u>366,577</u> |
| | | |
| Net assets per share attributable to owners of the Company (RM) | <u>6.35</u> | <u>6.06</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 2015 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 OCTOBER 2015**

| FY2016 | < ----- Attributable to owners of the Company ----- > | | | | | | Total equity |
|----------------------------|---|-----------------------------------|--------------------------------------|------------------------|-----------------|-------------------|--------------|
| | Share capital | < ----- Non-distributable ----- > | | | | Distributable | |
| | | Share premium | Foreign currency translation reserve | Statutory reserve fund | Capital reserve | Retained earnings | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 August 2015 | 43,015 | 663 | 11,736 | 3,879 | 2,240 | 198,933 | 260,466 |
| Total comprehensive income | - | - | 4,449 | - | - | 8,066 | 12,515 |
| At 31 October 2015 | 43,015 | 663 | 16,185 | 3,879 | 2,240 | 206,999 | 272,981 |

| FY2015 | < ----- Attributable to owners of the Company ----- > | | | | | | 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 | - | - | 575 | - | 2,759 | 3,334 | 1,599 | 4,933 |
| At 31 October 2014 | 43,015 | 663 | 5,692 | 3,321 | 196,102 | 248,793 | 37,692 | 286,485 |

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 2015 and the accompanying explanatory notes attached to the interim financial statements.

KESM INDUSTRIES BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 OCTOBER 2015

| | Current year-to-date 31/10/2015 | Preceding year corresponding year-to-date 31/10/2014 |
|--|--|---|
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 9,839 | 5,899 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 14,265 | 14,158 |
| Plant and equipment written off | 14 | - |
| (Gain)/loss on disposal of property, plant and equipment | (65) | 158 |
| Gain on disposal of investment securities held for trading | - | (697) |
| Net fair value loss on investment securities held for trading | 102 | 1,447 |
| Unrealised exchange (gain)/loss | (1,068) | 71 |
| Reversal of impairment loss on trade receivables | - | (21) |
| Dividend income | (18) | (64) |
| Interest income | (443) | (758) |
| Finance costs | 899 | 826 |
| Operating cash flows before working capital changes | 23,525 | 21,019 |
| (Increase)/decrease in inventories | (608) | 813 |
| Decrease/(increase) in prepayment, trade and other receivables | 937 | (4,306) |
| Decrease in trade and other payables | (867) | (1,893) |
| Cash generated from operations | 22,987 | 15,633 |
| Income taxes paid | (457) | (1,012) |
| Interest paid | (899) | (826) |
| Interest received | 443 | 758 |
| Net cash generated from operating activities | 22,074 | 14,553 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of investment securities | - | 1,277 |
| Dividend income | 18 | 64 |
| Purchase of property, plant and equipment | (2,209) | (37,796) |
| Proceeds from disposal of property, plant and equipment | 65 | 1,331 |
| Net cash used in investing activities | (2,126) | (35,124) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of obligations under finance leases | (249) | (485) |
| Repayment of term loans | (12,274) | (8,794) |
| Proceeds from term loans | 3,067 | - |
| Net cash flows used in financing activities | (9,456) | (9,279) |
| Net increase/(decrease) in cash and cash equivalents | 10,492 | (29,850) |
| Effects of exchange rate changes | 1,835 | 213 |
| Cash and cash equivalents at beginning of year | 93,924 | 139,368 |
| Cash and cash equivalents at end of the period | 106,251 | 109,731 |

Note:

Included in cash and cash equivalents was an amount of RM Nil (2015: RM1,069,000) bank overdrafts.

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 July 2015 and the accompanying explanatory notes attached to the interim financial statements.