

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Company No : 13022-A

**UNAUDITED SECOND QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 JANUARY 2016**

The Board of Directors is pleased to announce the following unaudited results of the Group for the financial quarter ended 31 January 2016.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JANUARY 2016**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER (31/01/2016) RM'000	PRECEDING YEAR CORRESPONDING QUARTER (31/01/2015) RM'000	CURRENT YEAR TO DATE (31/01/2016) RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE (31/01/2015) RM'000
Revenue	70,259	62,096	140,438	131,259
Other items of income				
Interest income	549	648	992	1,406
Dividend income	40	40	58	104
Other income	479	1,536	1,456	3,008
Items of expense				
Raw materials and consumables used	(9,002)	(8,586)	(17,075)	(16,686)
Changes in work-in-progress and finished goods	469	1,311	353	1,017
Employee benefits expense	(23,188)	(21,582)	(46,262)	(45,929)
Depreciation of property, plant and equipment	(13,446)	(14,403)	(27,711)	(28,561)
Finance costs	(793)	(772)	(1,692)	(1,598)
Other expenses	(17,558)	(16,053)	(32,909)	(33,886)
Profit before tax	7,809	4,235	17,648	10,134
Income tax expense	(810)	(1,084)	(2,583)	(2,625)
Profit net of tax	6,999	3,151	15,065	7,509
Other comprehensive income:				
Foreign currency translation	(3,507)	2,773	942	3,348
Other comprehensive income for the period, net of tax	(3,507)	2,773	942	3,348
Total comprehensive income for the period	3,492	5,924	16,007	10,857
Profit attributable to:				
Owners of the Company	6,999	2,089	15,065	4,848
Non-controlling interests	-	1,062	-	2,661
	6,999	3,151	15,065	7,509
Total comprehensive income attributable to:				
Owners of the Company	3,492	4,862	16,007	8,196
Non-controlling interests	-	1,062	-	2,661
	3,492	5,924	16,007	10,857
Earnings per share attributable to owners of the Company (sen per share):				
- Basic	16.3	4.9	35.0	11.3

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 JANUARY 2016**

	<u>AS AT END OF CURRENT QUARTER 31/01/2016</u>	<u>AS AT PRECEDING FINANCIAL YEAR END 31/07/2015</u>
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	165,285	183,031
Deferred tax assets	4,539	4,539
	<u>169,824</u>	<u>187,570</u>
Current assets		
Inventories	10,605	10,089
Trade and other receivables	68,631	67,025
Prepayments	5,260	3,910
Investment securities	4,120	4,059
Cash and bank balances	105,832	93,924
	<u>194,448</u>	<u>179,007</u>
Total assets	<u><u>364,272</u></u>	<u><u>366,577</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	43,015	43,015
Other reserves	20,210	18,518
Retained earnings	211,958	198,933
Total equity	<u>275,183</u>	<u>260,466</u>
Non-current liabilities		
Obligations under finance leases	2,273	38
Long term loans	21,990	32,945
Deferred tax liabilities	2,002	2,002
	<u>26,265</u>	<u>34,985</u>
Current liabilities		
Trade and other payables	27,177	30,367
Obligations under finance leases	1,419	619
Term loans	32,144	39,756
Income tax payable	2,084	384
	<u>62,824</u>	<u>71,126</u>
Total liabilities	<u>89,089</u>	<u>106,111</u>
Total equity and liabilities	<u><u>364,272</u></u>	<u><u>366,577</u></u>
Net assets per share attributable to owners of the Company (RM)	<u><u>6.40</u></u>	<u><u>6.06</u></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 JANUARY 2016**

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	-	-	942	-	-	15,065	16,007
Transaction with owners							
Transfer to statutory reserve fund	-	-	-	750	-	(750)	-
Dividend	-	-	-	-	-	(1,290)	(1,290)
At 31 January 2016	43,015	663	12,678	4,629	2,240	211,958	275,183

FY2015	< ----- Attributable to owners of the Company ----- >						Total	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 2014	43,015	663	5,117	3,321	-	193,343	245,459	245,459
Total comprehensive income	-	-	3,348	-	-	4,848	8,196	8,196
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	252,365

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
(Incorporated in Malaysia)

Company No : 13022-A

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 JANUARY 2016

	Current year to date 31/01/2016	Preceding year corresponding year to date 31/01/2015
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	17,648	10,134
Adjustments for:		
Depreciation of property, plant and equipment	27,711	28,561
(Gain)/loss on disposal of property, plant and equipment	(65)	101
Plant and equipment written off	27	-
Gain on disposal of investment securities held for trading	-	(697)
Inventory written down	283	-
Net fair value (gain)/loss on investment securities held for trading	(61)	1,991
Unrealised exchange loss	1,453	476
Reversal of impairment loss on trade receivables	-	(21)
Dividend income	(58)	(104)
Interest income	(992)	(1,406)
Finance costs	1,692	1,598
Operating cash flows before working capital changes	47,638	40,633
(Increase)/decrease in inventories	(799)	273
(Increase)/decrease in prepayment, trade and other receivables	(4,298)	3,682
Decrease in trade and other payables	(4,092)	(5,464)
Cash generated from operations	38,449	39,124
Income taxes paid	(883)	(1,816)
Interest paid	(1,692)	(1,598)
Interest received	992	1,406
Net cash generated from operating activities	36,866	37,116
INVESTING ACTIVITIES		
Proceeds from disposal of investment securities	-	1,277
Dividend income	58	104
Purchase of property, plant and equipment	(4,730)	(58,369)
Proceeds from disposal of property, plant and equipment	65	1,614
Net cash used in investing activities	(4,607)	(55,374)
FINANCING ACTIVITIES		
Repayment of obligations under finance leases	(507)	(956)
Repayment of term loans	(21,745)	(17,765)
Proceeds from term loans	3,067	32,672
Dividend paid on ordinary shares	(1,290)	-
Net cash flows (used in)/generated from financing activities	(20,475)	13,951
Net increase/(decrease) in cash and cash equivalents	11,784	(4,307)
Effects of exchange rate changes	124	1,262
Cash and cash equivalents at beginning of year	93,924	139,368
Cash and cash equivalents at end of the period	105,832	136,323

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.