

KESM INDUSTRIES BERHAD

(Incorporated in Malaysia)

Company No : 13022-A

UNAUDITED THIRD QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 APRIL 2016

The Board of Directors is pleased to announce the following unaudited results of the Group for the financial quarter ended 30 April 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 APRIL 2016

| | INDIVIDUAL PERIOD | | CUMULATIVE PERIOD | |
|---|---|--|---|---|
| | CURRENT YEAR QUARTER (30/04/2016) RM'000 | PRECEDING YEAR CORRESPONDING QUARTER (30/04/2015) RM'000 | CURRENT YEAR TO DATE (30/04/2016) RM'000 | PRECEDING YEAR CORRESPONDING YEAR TO DATE (30/04/2015) RM'000 |
| Revenue | 70,768 | 62,925 | 211,206 | 194,184 |
| Other items of income | | | | |
| Interest income | 830 | 686 | 1,822 | 2,092 |
| Dividend income | 18 | 18 | 76 | 122 |
| Other income | 203 | 738 | 865 | 3,668 |
| Items of expense | | | | |
| Raw materials and consumables used | (8,374) | (5,382) | (25,449) | (22,068) |
| Changes in work-in-progress and finished goods | 1,344 | (138) | 1,697 | 879 |
| Employee benefits expense | (24,277) | (23,484) | (70,539) | (69,413) |
| Depreciation of property, plant and equipment | (13,456) | (15,123) | (41,167) | (43,684) |
| Finance costs | (676) | (1,061) | (2,368) | (2,659) |
| Other expenses | (17,160) | (15,027) | (49,275) | (48,835) |
| Profit before tax | 9,220 | 4,152 | 26,868 | 14,286 |
| Income tax expense | (1,647) | (1,134) | (4,230) | (3,759) |
| Profit net of tax | 7,573 | 3,018 | 22,638 | 10,527 |
| Other comprehensive income: | | | | |
| Foreign currency translation | (2,254) | 159 | (1,312) | 3,507 |
| Other comprehensive income for the period, net of tax | (2,254) | 159 | (1,312) | 3,507 |
| Total comprehensive income for the period | 5,319 | 3,177 | 21,326 | 14,034 |
| Profit attributable to: | | | | |
| Owners of the Company | 7,573 | 1,732 | 22,638 | 6,580 |
| Non-controlling interests | - | 1,286 | - | 3,947 |
| | 7,573 | 3,018 | 22,638 | 10,527 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 5,319 | 1,891 | 21,326 | 10,087 |
| Non-controlling interests | - | 1,286 | - | 3,947 |
| | 5,319 | 3,177 | 21,326 | 14,034 |
| Earnings per share attributable to owners of the Company (sen per share): | | | | |
| - Basic | 17.6 | 4.0 | 52.6 | 15.3 |

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 30 APRIL 2016**

| | <u>AS AT END OF CURRENT QUARTER 30/04/2016</u> | <u>AS AT PRECEDING FINANCIAL YEAR END 31/07/2015</u> |
|--|--|--|
| | RM'000 | RM'000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 160,877 | 183,031 |
| Deferred tax assets | 4,539 | 4,539 |
| | <u>165,416</u> | <u>187,570</u> |
| Current assets | | |
| Inventories | 9,810 | 10,089 |
| Trade and other receivables | 70,270 | 67,025 |
| Prepayments | 5,141 | 3,910 |
| Investment securities | 4,195 | 4,059 |
| Cash and bank balances | 108,305 | 93,924 |
| | <u>197,721</u> | <u>179,007</u> |
| Total assets | <u>363,137</u> | <u>366,577</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the Company | | |
| Share capital | 43,015 | 43,015 |
| Other reserves | 17,956 | 18,518 |
| Retained earnings | 219,531 | 198,933 |
| Total equity | <u>280,502</u> | <u>260,466</u> |
| Non-current liabilities | | |
| Obligations under finance leases | 2,080 | 38 |
| Long term loans | 14,979 | 32,945 |
| Deferred tax liabilities | 2,002 | 2,002 |
| | <u>19,061</u> | <u>34,985</u> |
| Current liabilities | | |
| Trade and other payables | 29,519 | 30,367 |
| Obligations under finance leases | 1,408 | 619 |
| Term loans | 29,685 | 39,756 |
| Income tax payable | 2,962 | 384 |
| | <u>63,574</u> | <u>71,126</u> |
| Total liabilities | <u>82,635</u> | <u>106,111</u> |
| Total equity and liabilities | <u>363,137</u> | <u>366,577</u> |
| Net assets per share attributable to owners of the Company (RM) | <u>6.52</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.

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(Incorporated in Malaysia)

Company No : 13022-A

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 APRIL 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 | - | - | (1,312) | - | - | 22,638 | 21,326 |
| Transaction with owners | | | | | | | |
| Transfer to statutory reserve fund | - | - | - | 750 | - | (750) | - |
| Dividend | - | - | - | - | - | (1,290) | (1,290) |
| At 30 April 2016 | 43,015 | 663 | 10,424 | 4,629 | 2,240 | 219,531 | 280,502 |

| FY2015 | < ----- Attributable to owners of the Company ----- > | | | | | | Non-controlling interests | Total equity | |
|--------------------------------|---|-----------------------------------|--------------------------------------|------------------------|-------------------|---------------|---------------------------|--------------|-------|
| | Share capital | < ----- Non-distributable ----- > | | | | Distributable | | | Total |
| | | Share premium | Foreign currency translation reserve | Statutory reserve fund | Retained earnings | | | | |
| | 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 | - | - | 3,507 | - | 6,580 | 10,087 | 3,947 | 14,034 | |
| Transaction with owners | | | | | | | | | |
| Transfer to statutory reserve | - | - | - | 558 | (558) | - | - | - | |
| Dividend | - | - | - | - | (2,581) | (2,581) | (10,386) | (12,967) | |
| At 30 April 2015 | 43,015 | 663 | 8,624 | 3,879 | 196,784 | 252,965 | 29,654 | 282,619 | |

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 30 APRIL 2016

| | Current year to date 30/04/2016 | Preceding year corresponding year to date 30/04/2015 |
|--|--|---|
| | RM'000 | RM'000 |
| OPERATING ACTIVITIES | | |
| Profit before tax | 26,868 | 14,286 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 41,167 | 43,684 |
| Property, plant and equipment written off | 27 | 4 |
| (Gain)/loss on disposal of property, plant and equipment | (96) | 95 |
| Gain on disposal of investment securities held for trading | - | (697) |
| Net fair value (gain)/loss on investment securities held for trading | (136) | 2,212 |
| Unrealised exchange loss | 758 | 1,344 |
| Inventories written down/(reversal of inventories written down) | 247 | (16) |
| Reversal of impairment loss on trade receivables | - | (21) |
| Dividend income | (76) | (122) |
| Interest income | (1,822) | (2,092) |
| Finance costs | 2,368 | 2,659 |
| Operating cash flows before working capital changes | 69,305 | 61,336 |
| Decrease in inventories | 32 | 1,032 |
| (Increase)/decrease in prepayment, trade and other receivables | (5,123) | 343 |
| Decrease in trade and other payables | (2,348) | (1,152) |
| Cash flows generated from operations | 61,866 | 61,559 |
| Income taxes paid | (1,652) | (2,027) |
| Interest paid | (2,368) | (2,659) |
| Interest received | 1,822 | 2,092 |
| Net cash flows generated from operating activities | 59,668 | 58,965 |
| INVESTING ACTIVITIES | | |
| Proceeds from disposal of investment securities | - | 1,277 |
| Dividend income | 76 | 122 |
| Purchase of property, plant and equipment | (13,961) | (69,353) |
| Proceeds from disposal of property, plant and equipment | 96 | 1,618 |
| Net cash flows used in investing activities | (13,789) | (66,336) |
| FINANCING ACTIVITIES | | |
| Repayment of obligations under finance leases | (962) | (1,418) |
| Repayment of term loans | (31,215) | (31,052) |
| Proceeds from term loans | 3,067 | 39,556 |
| Dividend paid on ordinary shares | (1,290) | (12,967) |
| Net cash flows used in financing activities | (30,400) | (5,881) |
| Net increase/(decrease) in cash and cash equivalents | 15,479 | (13,252) |
| Effects of exchange rate changes | (1,098) | 1,233 |
| Cash and cash equivalents at beginning of year | 93,924 | 139,368 |
| Cash and cash equivalents at end of the period | 108,305 | 127,349 |

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.