

## **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 2015. 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 2015.

### **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 2015.

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 2015. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group.

### **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 2015 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.

## 8. Dividends paid

A 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 2015, was paid on 5 February 2016.

A special interim tax exempt dividend of 4.5 sen per ordinary share, amounting to RM1,936,000, in respect of the current financial year ended 31 July 2016, was paid on 18 August 2016.

## 9. Events not reflected in the financial statements

There were no material subsequent events to be disclosed as at the date of this report.

## 10. Changes in the composition of the Group

There were no changes in the composition of the Group for the financial year.

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

During the reporting period, the Group acquired plant and equipment amounting to RM42,124,000, and disposed (including write-off) plant and equipment of net book value amounting to RM32,000.

## 12. Significant related party transactions

	Current year to date  31/07/2016 <hr/> RM'000	Preceding year Corresponding year to date 31/07/2015 <hr/> RM'000
Transactions with Sunright Limited, holding company of the Company, and its subsidiaries:		
Management fees charged by holding company	7,069	5,697
Dividend paid to holding company	1,562	1,249
Acquisition of non-controlling interests	-	35,000
Dividend paid to non-controlling interests	-	10,386
Interest on loan from holding company	-	59
Rendering of services to related companies	1,045	221
Purchases of goods from related companies	837	1,594
Receiving of services from related companies	56	437

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 RM10,115,000 as at 31 July 2016.

### 14. Profit before tax

	Individual period		Cumulative period	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	31/07/2016	31/07/2015	31/07/2016	31/07/2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at:				
After charging:				
Net fair value loss on investment securities held for trading	11	809	-	3,021
Plant and equipment written off	-	-	15	4
Inventories written down	-	227	30	227
Net foreign exchange loss	162	-	-	-
And crediting:				
Gain on disposal of property, plant and equipment	410	267	506	172
Net fair value gain on investment securities held for trading	-	-	125	-
Gain on disposal on investment securities held for trading	-	-	-	697
Reversal of inventories written down	217	-	-	-
Reversal of impairment loss on trade receivables	-	-	-	21
Net foreign exchange gain	-	1,066	4	1,910

There was no gain or loss arising from 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 RM5.6 million or 8% from RM68.9 million in the preceding year's fourth quarter to RM74.5 million for the current quarter ended 31 July 2016 ("4QFY2016"), mainly because of higher demand for burn-in and test services.

Other income was lower by RM1.7 million or 73%, mainly due to absence of an exchange gain of RM1.1 million and absence of reversal of sundry payables of RM0.7 million.

Raw materials and consumables used and changes in work-in-progress decreased by RM2.0 million or 22%, from RM9.2 million to RM7.2 million, because of lower sales from electronic manufacturing services.

Employee benefits expense was higher by RM4.2 million or 19%, mainly due to higher wage rates and staff compensation to support increased revenue.

Finance costs were lower by RM0.2 million or 27%, mainly due to repayment of borrowings.

Other expenses were higher by RM2.6 million or 17%, primarily due to higher expenses on repair and maintenance by RM1.4 million, utilities by RM1.0 million to support the increased revenue and an exchange loss of RM0.2 million.

Consequently, the Group's profit before tax decreased by RM0.4 million or 4%, from RM9.8 million to RM9.4 million in 4QFY2016.

### Analysis of the performance for the current financial year

The Group's revenue increased by RM22.6 million or 9%, from RM263.1 million in the preceding year to RM285.7 million for the current financial year as a result of higher demand for all services.

Other income was lower by RM4.6 million or 78%, mainly due to lower exchange gain by RM1.9 million and absence of reversal of sundry payables of RM2.6 million.

Employee benefits expense was higher by RM5.4 million or 6%, due to higher staff compensation and employee costs which resulted from the translation of a stronger Renminbi to Ringgit Malaysia.

Consequently, the Group's profit before tax increased by RM12.2 million or 51%, from RM24.0 million to RM36.2 million in the current financial year.

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

The Group achieved profit before tax of RM9.4 million for the fourth quarter ended 31 July 2016, comparable to RM9.2 million in the preceding quarter ended 30 April 2016.

## 17. Prospects

World-wide semiconductor revenue is forecasted to total USD333 billion in 2016, representing a decrease of 0.6% from 2015, and two consecutive years of revenue decline. This is mainly attributable to weakened demand for key electronic equipment, high inventory levels and the continuing impact of the strong USD in certain markets.

However, the world-wide automotive integrated circuit market is forecasted to grow at 7.2%, from a revenue of USD22.2 billion in 2016 to USD23.8 billion in 2017.

The Group remains focused in enlarging its targeted segment to drive growth, enhance its core competencies and manage resources efficiently to offer value add to its existing and new customers.

## 18. Profit forecast / profit guarantee

The Group was not subjected to any profit guarantee.

## 19. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/07/2016 RM'000	Preceding year corresponding quarter 31/07/2015 RM'000	Current year to date 31/07/2016 RM'000	Preceding year corresponding quarter 31/07/2015 RM'000
Current income tax				
- Malaysian income tax	(638)	(802)	3,592	1,927
- Foreign tax	-	302	-	1,332
- (Over)/under provision in prior years	29	(13)	29	(13)
	(609)	(513)	3,621	3,246
Deferred tax				
- Relating to origination and reversal of temporary differences	1,968	(345)	1,968	(345)
- Under provision in prior years	(33)	160	(33)	160
	1,935	(185)	1,935	(185)
	1,326	(698)	5,556	3,061

The effective tax rate was lower than the statutory tax rate, mainly due to the availability of certain tax benefits.

## 20. Status of uncompleted corporate proposals

There was no corporate proposal announced and not completed as at the date of this report.

## 21. Group borrowings and debt securities

	<u>As At</u> <u>31/07/2016</u> RM'000	<u>As At</u> <u>31/07/2015</u> RM'000
(a) Obligations under finance leases - secured	3,357	657
Term loans – unsecured	36,012	72,701
	<u>39,369</u>	<u>73,358</u>
(b) Repayable within 12 months	29,495	40,375
Repayable after 12 months	9,874	32,983
	<u>39,369</u>	<u>73,358</u>
(c) Loans denominated in:		
USD	-	2,693
MYR	39,369	70,665
	<u>39,369</u>	<u>73,358</u>

## 22. Changes in material litigation

Further to the update made on 2 June 2016, the Company wishes to inform that Datamatic Ltd's bankruptcy case was closed and the bankruptcy court trustee had determined not to pursue the arbitration.

## 23. Dividend

The Board recommends for shareholders' approval at the forthcoming Annual General Meeting a final tax exempt dividend of 3.0 sen per share in respect of the financial year ended 31 July 2016.

## 24. Earnings per share

### Basic earnings per ordinary share

The calculation of basic earnings per share for the year was based on the profit attributable to owners of the Company of RM30,683,000 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 31/07/2016	As at preceding financial year end 31/07/2015
	RM'000	RM'000
- Realised	260,337	234,984
- Unrealised	(195)	692
Total retained profits of the Company and its subsidiaries	260,142	235,676
Consolidation adjustments	(34,502)	(36,743)
Total group retained profits as per consolidated accounts	225,640	198,933

BY ORDER OF THE BOARD

Leong Oi Wah  
Company Secretary

Petaling Jaya  
Date : 20 September 2016