

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Company No : 13022-A

**UNAUDITED FOURTH QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 JULY 2016**

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

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING YEAR TO DATE
	(31/07/2016) RM'000	(31/07/2015) RM'000	(31/07/2016) RM'000	(31/07/2015) RM'000
Revenue	74,528	68,938	285,734	263,122
Other items of income				
Interest income	719	428	2,541	2,520
Dividend income	58	47	134	169
Other income	600	2,256	1,280	5,830
Items of expense				
Raw materials and consumables used	(6,174)	(9,123)	(31,623)	(31,191)
Changes in work-in-progress and finished goods	(1,069)	(125)	628	754
Employee benefits expense *	(26,580)	(22,369)	(98,814)	(93,413)
Depreciation of property, plant and equipment	(14,047)	(13,957)	(55,214)	(57,641)
Finance costs	(671)	(919)	(3,039)	(3,578)
Other expenses *	(17,993)	(15,423)	(65,388)	(62,533)
Profit before tax	9,371	9,753	36,239	24,039
Income tax expense	(1,326)	698	(5,556)	(3,061)
Profit net of tax	8,045	10,451	30,683	20,978
Other comprehensive income:				
Foreign currency translation	107	3,112	(1,205)	6,619
Other comprehensive income for the period, net of tax	107	3,112	(1,205)	6,619
Total comprehensive income for the period	<u>8,152</u>	<u>13,563</u>	<u>29,478</u>	<u>27,597</u>
Profit attributable to:				
Owners of the Company	8,045	10,451	30,683	17,031
Non-controlling interests	-	-	-	3,947
	<u>8,045</u>	<u>10,451</u>	<u>30,683</u>	<u>20,978</u>
Total comprehensive income attributable to:				
Owners of the Company	8,152	13,563	29,478	23,650
Non-controlling interests	-	-	-	3,947
	<u>8,152</u>	<u>13,563</u>	<u>29,478</u>	<u>27,597</u>
Earnings per share attributable to owners of the Company (sen per share):				
- Basic	<u>18.7</u>	<u>24.3</u>	<u>71.3</u>	<u>39.6</u>

* Comparative figures have been restated to conform with current year's presentation.

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 JULY 2016

	<u>AS AT END OF CURRENT QUARTER 31/07/2016</u> RM'000	<u>AS AT PRECEDING FINANCIAL YEAR END 31/07/2015</u> RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	169,770	183,031
Deferred tax assets	602	2,537
	<u>170,372</u>	<u>185,568</u>
Current assets		
Inventories	8,527	10,089
Trade and other receivables	70,421	67,025
Prepayments	5,452	3,910
Investment securities	4,184	4,059
Cash and short-term deposits	112,748	93,924
	<u>201,332</u>	<u>179,007</u>
Total assets	<u>371,704</u>	<u>364,575</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	43,015	43,015
Other reserves	18,063	18,518
Retained earnings	225,640	198,933
Total equity	<u>286,718</u>	<u>260,466</u>
Non-current liabilities		
Obligations under finance leases	1,874	38
Term loans	8,000	32,945
	<u>9,874</u>	<u>32,983</u>
Current liabilities		
Trade and other payables	45,230	30,367
Obligations under finance leases	1,483	619
Term loans	28,012	39,756
Income tax payable	387	384
	<u>75,112</u>	<u>71,126</u>
Total liabilities	<u>84,986</u>	<u>104,109</u>
Total equity and liabilities	<u>371,704</u>	<u>364,575</u>
Net assets per share attributable to owners of the Company (RM)	<u>6.67</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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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 JULY 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	-	-	(1,205)	-	-	30,683	29,478
Transaction with owners							
Transfer to statutory reserve fund	-	-	-	750	-	(750)	-
Dividends	-	-	-	-	-	(3,226)	(3,226)
At 31 July 2016	43,015	663	10,531	4,629	2,240	225,640	286,718

FY2015	< ----- Attributable to owners of the Company ----- >						Total	Non-controlling interests	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	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	-	-	6,619	-	-	17,031	23,650	3,947	27,597
Transaction with owners									
Transfer to statutory reserve fund	-	-	-	558	-	(558)	-	-	-
Issuance of bonus shares by subsidiaries	-	-	-	-	2,240	(2,240)	-	-	-
Dividends	-	-	-	-	-	(2,580)	(2,580)	(10,386)	(12,966)
Acquisition of non-controlling interests, without a change in control	-	-	-	-	-	(6,063)	(6,063)	(29,654)	(35,717)
At 31 July 2015	43,015	663	11,736	3,879	2,240	198,933	260,466	-	260,466

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 JULY 2016

	Current year to date 31/07/2016	Preceding year corresponding year to date 31/07/2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	36,239	24,039
Adjustments for:		
Depreciation of property, plant and equipment	55,214	57,641
Gain on disposal of property, plant and equipment	(506)	(172)
Gain on disposal of investment securities held for trading	-	(697)
Property, plant and equipment written off	15	4
Net fair value (gain)/loss on investment securities held for trading	(125)	3,021
Unrealised exchange loss	1,031	1,917
Reversal of impairment loss on trade receivables	-	(21)
Inventories written down	30	227
Dividend income	(134)	(169)
Interest income	(2,541)	(2,520)
Finance costs	3,039	3,578
Operating cash flows before working capital changes	92,262	86,848
Decrease in inventories	1,532	1,273
Increase in prepayment, trade and other receivables	(4,938)	(4,643)
Increase/(decrease) in trade and other payables	3,444	(1,969)
Cash generated from operations	92,300	81,509
Income taxes paid	(3,618)	(2,996)
Interest paid	(3,039)	(3,578)
Interest received	2,541	2,520
Net cash generated from operating activities	88,184	77,455
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term deposits with maturity more than three months	(1,000)	-
Proceeds from disposal of investment securities	-	1,277
Dividend income	134	169
Purchase of property, plant and equipment	(29,622)	(78,503)
Proceeds from disposal of property, plant and equipment	523	1,993
Net cash used in investing activities	(29,965)	(75,064)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of obligations under finance leases	(1,350)	(1,873)
Repayment of term loans	(39,756)	(44,423)
Proceeds from term loans	3,067	45,520
Repayment of other loan	-	(1,374)
Dividend paid on ordinary shares	(1,290)	(2,580)
Dividend paid to non-controlling interests	-	(10,386)
Acquisition of non-controlling interests	-	(35,717)
Net cash flows used in financing activities	(39,329)	(50,833)
Net increase/(decrease) in cash and cash equivalents	18,890	(48,442)
Effects of exchange rate changes	(1,066)	2,998
Cash and cash equivalents at beginning of year	93,924	139,368
Cash and cash equivalents at end of the year	111,748	93,924
Cash and cash equivalents comprised of the following:		
Cash and short-term deposits	112,748	93,924
Short-term deposits with maturity more than three months	(1,000)	-
Cash and cash equivalents at end of the year	111,748	93,924

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.

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SUMMARY OF KEY FINANCIAL INFORMATION
FOR THE FOURTH QUARTER ENDED 31 JULY 2016

	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 PERIOD (31/07/2015) RM'000
1. Revenue	74,528	68,938	285,734	263,122
2. Profit before tax	9,371	9,753	36,239	24,039
3. Profit for the period	8,045	10,451	30,683	20,978
4. Profit attributable to ordinary equity holders of the parent	8,045	10,451	30,683	17,031
5. Basic earnings per share (sen)	18.7	24.3	71.3	39.6
6. Proposed/Declared dividend per share (sen)	3.00	3.00	7.50	6.00

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
7. Net assets per share attributable to ordinary equity holders of the parent (RM)	6.6655	6.0552

ADDITIONAL INFORMATION

	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 PERIOD (31/07/2015) RM'000
1. Gross interest income	719	428	2,541	2,520
2. Gross interest expense	671	919	3,039	3,578