

## **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 2016. 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 2016.

### **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 2016.

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 2016. 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 2016 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 period-to-date.

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**8. Dividends paid**

A special interim tax exempt dividend of 4.5 sen per ordinary share, amounting to RM1,936,000, in respect of the previous 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 to date.

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

During the reporting period, the Group acquired plant and equipment amounting to RM19,359,000, and disposed (including write-off) plant and equipment of net book value amounting to RM516,000.

**12. Significant related party transactions**

	<u>Current year to date</u>	<u>Preceding year corresponding year to date</u>
	<u>31/10/2016</u>	<u>31/10/2015</u>
	RM'000	RM'000
Transactions with Sunright Limited, holding company of the Company, and its subsidiaries:		
Management fees charged by holding company	1,906	1,918
Rendering of services to related companies	25	-
Purchases of goods from related companies	775	70
Receiving of services from related companies	18	22
	<u>          </u>	<u>          </u>

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 RM15,641,000 as at 31 October 2016.

### 14. Profit before tax

	Individual period		Cumulative period	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	31/10/2016	31/10/2015	31/10/2016	31/10/2015
	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	-	102	-	102
Plant and equipment written off	3	14	3	14
And crediting:				
Net fair value gain on investment securities held for trading	224	-	224	-
Gain on disposal of investment securities held for trading	47	-	47	-
Gain on disposal of property, plant and equipment	118	65	118	65
Net foreign exchange gain	177	2,136	177	2,136

There was no gain or loss arising from derivatives, disposal of unquoted investments and exceptional items.

## **15. Detailed analysis of Group performance**

The Group's revenue increased by RM9.9 million or 14%, from RM70.1 million in the preceding year's first quarter to RM80.1 million for the quarter ended 31 October 2016 ("1QFY2017"), mainly due to higher demand for burn-in and test services.

Other income was lower by RM1.7 million, primarily due to lower exchange gain arising from a comparatively smaller appreciation of United States Dollar ("USD") against Malaysian Ringgit and reduced USD denominated receivables, as compared to preceding year's corresponding quarter.

Raw materials and consumables used and changes in work-in-progress and finished goods decreased by RM0.9 million or 11%, because of lower sales from electronic manufacturing services.

Employee benefits expense increased by RM5.9 million or 25%, mainly due to adjustments to wage rates, improve staff welfare, training and skills upgrading to raise productivity and production efficiency.

Other expenses were higher by RM2.2 million or 13%, mainly due to higher expenses on repair and maintenance by RM1.1 million and utilities by RM0.6 million to support the increased revenue as well as higher professional fees by RM0.5 million.

Consequently, the Group's profit before tax improved by RM1.3 million or 14%, from RM9.8 million to RM11.2 million in the quarter under review.

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

The Group achieved profit before tax of RM11.2 million for 1QFY2017, compared to RM9.4 million in the preceding quarter ended 31 July 2016. The increase in profit by RM1.8 million was mainly due to higher net revenue<sup>1</sup> by RM5.5 million, offset by higher (i) employee benefits expense by RM2.8 million largely due to improve staff welfare, training and skills upgrading to raise productivity and production efficiency, (ii) depreciation by RM0.6 million, and (iii) utilities by RM0.6 million.

## **17. Prospects**

The world-wide semiconductor revenue is projected to reach USD332 billion in 2016, representing a decrease of 0.9% from 2015. Nonetheless, the semiconductor industry is expected to rebound in 2017.

The world-wide automotive integrated circuit market remains strong. Revenue is forecasted to grow at 7%, from USD21.5 billion in 2016 to USD23.0 billion in 2017.

Amid uncertainty over the impact of United States' new presidency on the global economy, the Group's strategic focus in the automotive market will continue to bring in good opportunities for burn-in and test activities.

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<sup>1</sup> Net revenue is defined as Revenue less Raw materials and consumables used and changes in work-in-progress and finished goods.

## 18. Profit forecast / profit guarantee

The Group was not subjected to any profit guarantee.

## 19. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2016 RM'000	Preceding year corresponding quarter 31/10/2015 RM'000	Current year to date 31/10/2016 RM'000	Preceding year corresponding quarter 31/10/2015 RM'000
Current income tax				
- Malaysian income tax	1,392	1,773	1,392	1,773
- Over provision in prior years	(232)	-	(232)	-
	<u>1,160</u>	<u>1,773</u>	<u>1,160</u>	<u>1,773</u>

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

The Company has proposed to seek the approval of the shareholders for the Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature and Proposed New Shareholders' Mandate for additional Recurrent Related Party Transactions of a revenue or trading nature ("Proposed Shareholders' Mandate") at the Extraordinary General Meeting to be convened immediately following the conclusion of the Company's Annual General Meeting to be held on 4 January 2017. A circular which set out the details of the Proposed Shareholders' Mandate had been issued to shareholders of the Company on 26 October 2016.

## 21. Group borrowings and debt securities

	As at 31/10/2016 RM'000	As at 31/07/2016 RM'000
(a) Obligations under finance leases - secured	4,202	3,357
Term loans - unsecured	29,001	36,012
	<u>33,203</u>	<u>39,369</u>
(b) Repayable within 12 months	27,182	29,495
Repayable after 12 months	6,021	9,874
	<u>33,203</u>	<u>39,369</u>
(c) Loans denominated in: Ringgit Malaysia	<u>33,203</u>	<u>39,369</u>

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**22. Material litigation**

There was no material litigation as at the date of this announcement.

**23. Dividend**

No interim dividend has been declared for the financial quarter ended 31 October 2016.

**24. Earnings per share**

**Basic earnings per ordinary share**

The calculation of basic earnings per share for the period was based on the profit attributable to owners of the Company of RM10,012,000 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 31/10/2016	As at preceding financial year end 31/07/2016
	RM'000	RM'000
- Realised	267,957	260,337
- Unrealised	2,579	(195)
Total retained profits of the Company and its subsidiaries	270,536	260,142
Consolidation adjustments	(34,884)	(34,502)
Total group retained profits as per consolidated accounts	235,652	225,640

BY ORDER OF THE BOARD

Leong Oi Wah  
Company Secretary

Petaling Jaya  
Date : 24 November 2016