

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Company No : 13022-A

**UNAUDITED FIRST QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 OCTOBER 2016**

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 OCTOBER 2016**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	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 YEAR-TO-DATE (31/10/2015) RM'000
Revenue	80,112	70,179	80,112	70,179
Other items of income				
Interest income	637	443	637	443
Dividend income	18	18	18	18
Other income	573	2,255	573	2,255
Items of expense				
Raw materials and consumables used	(7,116)	(8,073)	(7,116)	(8,073)
Changes in work-in-progress and finished goods	(176)	(116)	(176)	(116)
Employee benefits expense *	(29,360)	(23,451)	(29,360)	(23,451)
Depreciation of property, plant and equipment	(14,656)	(14,265)	(14,656)	(14,265)
Finance costs	(454)	(899)	(454)	(899)
Other expenses *	(18,406)	(16,252)	(18,406)	(16,252)
Profit before tax	11,172	9,839	11,172	9,839
Income tax expense	(1,160)	(1,773)	(1,160)	(1,773)
Profit net of tax	10,012	8,066	10,012	8,066
Other comprehensive income:				
Foreign currency translation	1,288	4,449	1,288	4,449
Other comprehensive income for the period, net of tax	1,288	4,449	1,288	4,449
Total comprehensive income for the period	11,300	12,515	11,300	12,515
Profit attributable to:				
Owners of the Company	10,012	8,066	10,012	8,066
Total comprehensive income attributable to:				
Owners of the Company	11,300	12,515	11,300	12,515
Earnings per share attributable to owners of the Company (sen per share):				
- Basic	23.3	18.8	23.3	18.8

* 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 2016 and the accompanying explanatory notes attached to the interim financial statements.

KESM INDUSTRIES BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2016

	<u>AS AT END OF CURRENT QUARTER 31/10/2016</u> RM'000	<u>AS AT PRECEDING FINANCIAL YEAR END 31/07/2016</u> RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	174,618	169,770
Deferred tax assets	<u>602</u>	<u>602</u>
	<u>175,220</u>	<u>170,372</u>
Current assets		
Inventories	9,575	8,527
Trade and other receivables	77,114	70,421
Prepayments	5,698	5,452
Investment securities	4,064	4,184
Cash and short-term deposits	<u>103,779</u>	<u>112,748</u>
	<u>200,230</u>	<u>201,332</u>
Total assets	<u>375,450</u>	<u>371,704</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	43,015	43,015
Other reserves	19,351	18,063
Retained earnings	<u>235,652</u>	<u>225,640</u>
Total equity	<u>298,018</u>	<u>286,718</u>
Non-current liabilities		
Obligations under finance leases	2,071	1,874
Term loans	<u>3,950</u>	<u>8,000</u>
	<u>6,021</u>	<u>9,874</u>
Current liabilities		
Trade and other payables	43,699	45,230
Obligations under finance leases	2,131	1,483
Term loans	25,051	28,012
Income tax payable	<u>530</u>	<u>387</u>
	<u>71,411</u>	<u>75,112</u>
Total liabilities	<u>77,432</u>	<u>84,986</u>
Total equity and liabilities	<u>375,450</u>	<u>371,704</u>
Net assets per share attributable to owners of the Company (RM)	<u>6.93</u>	<u>6.67</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 2016 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 OCTOBER 2016**

FY2017	< ----- 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 2016	43,015	663	10,531	4,629	2,240	225,640	286,718
Total comprehensive income	-	-	1,288	-	-	10,012	11,300
At 31 October 2016	43,015	663	11,819	4,629	2,240	235,652	298,018

FY2016	< ----- Attributable to owners of the Company ----- >						Total
	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	-	-	4,449	-	-	8,066	12,515
At 31 October 2015	43,015	663	16,185	3,879	2,240	206,999	272,981

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 2016 and the accompanying explanatory notes attached to the interim financial statements.

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

	Current year-to-date 31/10/2016	Preceding year corresponding year-to-date 31/10/2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	11,172	9,839
Adjustments for:		
Depreciation of property, plant and equipment	14,656	14,265
Plant and equipment written off	3	14
Gain on disposal of property, plant and equipment	(118)	(65)
Gain on disposal of investment securities held for trading	(47)	-
Net fair value (gain)/loss on investment securities held for trading	(224)	102
Unrealised exchange gain	(173)	(1,068)
Dividend income	(18)	(18)
Interest income	(637)	(443)
Finance costs	454	899
Operating cash flows before working capital changes	25,068	23,525
Increase in inventories	(1,048)	(608)
(Increase)/decrease in prepayments, trade and other receivables	(6,766)	937
Decrease in trade and other payables	(986)	(867)
Cash generated from operations	16,268	22,987
Income taxes paid	(1,014)	(457)
Interest paid	(454)	(899)
Interest received	637	443
Net cash generated from operating activities	15,437	22,074
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(495)	-
Proceeds from disposal of investment securities	886	-
Dividend income	18	18
Purchase of property, plant and equipment	(16,641)	(2,209)
Proceeds from disposal of property, plant and equipment	631	65
Net cash used in investing activities	(15,601)	(2,126)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of obligations under finance leases	(482)	(249)
Repayment of term loans	(7,011)	(12,274)
Proceeds from term loans	-	3,067
Dividend paid on ordinary shares	(1,936)	-
Net cash flows used in financing activities	(9,429)	(9,456)
Net (decrease)/increase in cash and cash equivalents	(9,593)	10,492
Effects of exchange rate changes	624	1,835
Cash and cash equivalents at beginning of year	112,748	93,924
Cash and cash equivalents at end of period	103,779	106,251

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 July 2016 and the accompanying explanatory notes attached to the interim financial statements.

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SUMMARY OF KEY FINANCIAL INFORMATION
FOR THE FIRST QUARTER ENDED 31 OCTOBER 2016

	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 PERIOD (31/10/2015) RM'000
1. Revenue	80,112	70,179	80,112	70,179
2. Profit before tax	11,172	9,839	11,172	9,839
3. Profit for the period	10,012	8,066	10,012	8,066
4. Profit attributable to ordinary equity holders of the Company	10,012	8,066	10,012	8,066
5. Basic earnings per share (sen)	23.3	18.8	23.3	18.8
6. Proposed/Declared dividend per share (sen)	-	-	-	-

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
7. Net assets per share attributable to ordinary equity holders of the Company (RM)	6.9282	6.6655

ADDITIONAL INFORMATION

	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 PERIOD (31/10/2015) RM'000
1. Gross interest income	637	443	637	443
2. Gross interest expense	454	899	454	899