

**KESM INDUSTRIES BERHAD**  
(Incorporated in Malaysia)

Company No : 13022-A

**UNAUDITED FOURTH QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL QUARTER ENDED 31 JULY 2017**

The Board of Directors is pleased to announce the following unaudited results of the Group for the financial quarter ended 31 July 2017.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 JULY 2017**

|   | Individual period                                 |  |             | Cumulative period                                 |   |             |
|---|---|--|-------------|---|---|-------------|
|   | Current year<br>quarter<br>(31/07/2017)<br>RM'000 | Preceding year<br>corresponding<br>quarter<br>(31/07/2016)<br>RM'000 | %<br>Change | Current year<br>to date<br>(31/07/2017)<br>RM'000 | Preceding year<br>corresponding<br>year to date<br>(31/07/2016)<br>RM'000 | %<br>Change |
| <b>Revenue</b>  | 89,766  | 74,528   | 20%         | 337,988   | 285,734   | 18%         |
| <b>Other items of income</b>                                      |   |  |             |   |   |             |
| Interest income   | 629   | 719  | (13%)       | 2,505   | 2,541   | (1%)        |
| Dividend income   | 65  | 58   | 12%         | 141   | 134   | 5%          |
| Other income  | 521   | 600  | (13%)       | 1,580   | 1,280   | 23%         |
| <b>Items of expense</b>   |   |  |             |   |   |             |
| Raw materials and consumables used                                | (8,488)   | (6,174)  | 37%         | (33,644)  | (31,623)  | 6%          |
| Changes in work-in-progress and finished goods                    | (497)   | (1,069)  | (54%)       | 119   | 628   | (81%)       |
| Employee benefits expense   | (28,530)  | (26,580)   | 7%          | (112,927)   | (98,814)  | 14%         |
| Depreciation of property, plant and equipment                     | (18,439)  | (14,047)   | 31%         | (66,704)  | (55,214)  | 21%         |
| Finance costs   | (895)   | (671)  | 33%         | (2,440)   | (3,039)   | (20%)       |
| Other expenses  | (21,314)  | (17,993)   | 18%         | (78,775)  | (65,388)  | 20%         |
| <b>Profit before tax</b>  | 12,818  | 9,371  | 37%         | 47,843  | 36,239  | 32%         |
| Income tax expense  | 585   | (1,326)  | NM          | (3,849)   | (5,556)   | (31%)       |
| <b>Profit net of tax</b>  | 13,403  | 8,045  | 67%         | 43,994  | 30,683  | 43%         |
| <b>Other comprehensive income:</b>                                |   |  |             |   |   |             |
| <b>Item that will not be reclassified to profit or loss</b>       |   |  |             |   |   |             |
| Remeasurement loss arising from defined benefit plans, net of tax | (44)  | -  | NM          | (44)  | -   | NM          |
| <b>Item to be reclassified subsequently to profit or loss</b>     |   |  |             |   |   |             |
| Foreign currency translation gain/(loss)                          | 749   | 107  | NM          | 2,557   | (1,205)   | NM          |
| <b>Other comprehensive income for the period, net of tax</b>      | 705   | 107  | NM          | 2,513   | (1,205)   | NM          |
| <b>Total comprehensive income for the period</b>                  | 14,108  | 8,152  | 73%         | 46,507  | 29,478  | 58%         |
| Earnings per share attributable to owners of the Company (sen):   |   |  |             |   |   |             |
| - Basic   | 31.2  | 18.7   | 67%         | 102.3   | 71.3  | 43%         |

NM – percentage change not meaningful

The condensed consolidated statement of profit or loss and other 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.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2017**

|  | <u>As at end of<br/>current quarter<br/>31/07/2017</u> | <u>As at preceding<br/>financial year end<br/>31/07/2016</u> |
|--|--|--|
|  | <u>RM'000</u>  | <u>RM'000</u>  |
| <b>ASSETS</b>  |  |  |
| <b>Non-current assets</b>  |  |  |
| Property, plant and equipment                                      | 242,873  | 169,770  |
| Deferred tax assets  | 786  | 602  |
|  | <u>243,659</u>   | <u>170,372</u>   |
| <b>Current assets</b>  |  |  |
| Inventories  | 7,151  | 8,527  |
| Trade and other receivables  | 82,680   | 70,421   |
| Prepayments  | 6,718  | 5,452  |
| Tax recoverable  | 437  | -  |
| Investment securities held for trading                             | 8,046  | 4,184  |
| Cash and short-term deposits                                       | 127,576  | 112,748  |
|  | <u>232,608</u>   | <u>201,332</u>   |
| <b>Total assets</b>  | <u>476,267</u>   | <u>371,704</u>   |
| <b>EQUITY AND LIABILITIES</b>                                      |  |  |
| <b>Equity attributable to owners of the Company</b>                |  |  |
| Share capital  | 43,678   | 43,015   |
| Other reserves   | 19,957   | 18,063   |
| Retained earnings  | 265,504  | 225,640  |
| <b>Total equity</b>  | <u>329,139</u>   | <u>286,718</u>   |
| <b>Non-current liabilities</b>                                     |  |  |
| Obligations under finance leases                                   | 2,102  | 1,874  |
| Bank loans   | 35,502   | 8,000  |
| Defined benefit obligations*                                       | 3,038  | 2,687  |
|  | <u>40,642</u>  | <u>12,561</u>  |
| <b>Current liabilities</b>   |  |  |
| Trade and other payables*  | 74,586   | 42,543   |
| Obligations under finance leases                                   | 3,983  | 1,483  |
| Bank loans   | 27,892   | 28,012   |
| Income tax payable   | 25   | 387  |
|  | <u>106,486</u>   | <u>72,425</u>  |
| <b>Total liabilities</b>   | <u>147,128</u>   | <u>84,986</u>  |
| <b>Total equity and liabilities</b>                                | <u>476,267</u>   | <u>371,704</u>   |
| Net assets per share attributable to<br>owners of the Company (RM) | <u>7.65</u>  | <u>6.67</u>  |

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

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 JULY 2017**

| FY2017                                  | < ----- Attributable to owners of the Company ----- > |               |                                      |                        |                 |                   | Total equity |
|---|---|---------------|--------------------------------------|------------------------|-----------------|-------------------|--------------|
|   | < ----- Non-distributable ----- >                     |               |                                      |                        |                 | Distributable     |              |
|   | Share capital   | 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       |
| <b>At 1 August 2016</b>                 | 43,015  | 663           | 10,531                               | 4,629                  | 2,240           | 225,640           | 286,718      |
| Profit for the year                     | -   | -             | -                                    | -                      | -               | 43,994            | 43,994       |
| Other comprehensive income for the year | -   | -             | 2,557                                | -                      | -               | (44)              | 2,513        |
| <b>Transaction with owners</b>          |   |               |                                      |                        |                 |                   |              |
| Upon abolition of par value*            | 663   | (663)         | -                                    | -                      | -               | -                 | -            |
| Dividends                               | -   | -             | -                                    | -                      | -               | (4,086)           | (4,086)      |
| <b>At 31 July 2017</b>                  | 43,678  | -             | 13,088                               | 4,629                  | 2,240           | 265,504           | 329,139      |

| FY2016                                  | < ----- Attributable to owners of the Company ----- > |               |                                      |                        |                 |                   | Total equity |
|---|---|---------------|--------------------------------------|------------------------|-----------------|-------------------|--------------|
|   | < ----- Non-distributable ----- >                     |               |                                      |                        |                 | Distributable     |              |
|   | Share capital   | 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       |
| <b>At 1 August 2015</b>                 | 43,015  | 663           | 11,736                               | 3,879                  | 2,240           | 198,933           | 260,466      |
| Profit for the year                     | -   | -             | -                                    | -                      | -               | 30,683            | 30,683       |
| Other comprehensive income for the year | -   | -             | (1,205)                              | -                      | -               | -                 | (1,205)      |
| <b>Transaction with owners</b>          |   |               |                                      |                        |                 |                   |              |
| Transfer to statutory reserve fund      | -   | -             | -                                    | 750                    | -               | (750)             | -            |
| Dividends                               | -   | -             | -                                    | -                      | -               | (3,226)           | (3,226)      |
| <b>At 31 July 2016</b>                  | 43,015  | 663           | 10,531                               | 4,629                  | 2,240           | 225,640           | 286,718      |

\* On 31 January 2017, in accordance with the Companies Act 2016 in Malaysia, the concepts of "par value" and "authorised share capital" were abolished and on that date, the shares of the Company ceased to have a par value. Consequently, the amounts standing in the share premium had become part of the Company's share capital.

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 JULY 2017**

|  | <b>Current<br/>year to date<br/>31/07/2017<br/>RM'000</b> | <b>Preceding year<br/>corresponding<br/>year to date<br/>31/07/2016<br/>RM'000</b> |
|--|---|--|
| <b>OPERATING ACTIVITIES</b>  |   |  |
| Profit before tax  | 47,843  | 36,239   |
| Adjustments for:   |   |  |
| Depreciation of property, plant and equipment                        | 66,704  | 55,214   |
| Plant and equipment written off                                      | 7   | 15   |
| Gain on disposal of property, plant and equipment                    | (236)   | (506)  |
| (Write-back)/write-down of inventories                               | (104)   | 30   |
| Gain on disposal of investment securities held for trading           | (47)  | -  |
| Net fair value gain on investment securities held for trading        | (914)   | (125)  |
| Unrealised exchange loss   | 128   | 1,031  |
| Dividend income  | (141)   | (134)  |
| Interest income  | (2,505)   | (2,541)  |
| Finance costs  | 2,440   | 3,039  |
| <b>Operating cash flows before working capital changes</b>           | <b>113,175</b>  | <b>92,262</b>  |
| Decrease in inventories  | 1,480   | 1,532  |
| Increase in prepayments and receivables                              | (12,251)  | (4,938)  |
| Increase in payables   | 3,495   | 3,424  |
| <b>Cash flows generated from operations</b>                          | <b>105,899</b>  | <b>92,280</b>  |
| Income taxes paid  | (4,832)   | (3,618)  |
| Interest paid  | (2,398)   | (3,019)  |
| Interest received  | 2,505   | 2,541  |
| <b>Net cash flows generated from operating activities</b>            | <b>101,174</b>  | <b>88,184</b>  |
| <b>INVESTING ACTIVITIES</b>  |   |  |
| Increase in short-term deposits with maturity more than three months | (45,135)  | (1,000)  |
| Purchase of investment securities held for trading                   | (3,787)   | -  |
| Proceeds from disposal of investment securities held for trading     | 886   | -  |
| Dividend income  | 141   | 134  |
| Purchase of property, plant and equipment                            | (107,140)   | (29,622)   |
| Proceeds from disposal of property, plant and equipment              | 1,923   | 523  |
| <b>Net cash flows used in investing activities</b>                   | <b>(153,112)</b>  | <b>(29,965)</b>  |
| <b>FINANCING ACTIVITIES</b>  |   |  |
| Repayment of obligations under finance leases                        | (2,475)   | (1,350)  |
| Repayment of bank loans  | (35,988)  | (39,756)   |
| Proceeds from bank loans   | 63,370  | 3,067  |
| Dividend paid on ordinary shares                                     | (3,226)   | (1,290)  |
| <b>Net cash flows generated from/(used in) financing activities</b>  | <b>21,681</b>   | <b>(39,329)</b>  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>          | <b>(30,257)</b>   | <b>18,890</b>  |
| Effects of exchange rate changes                                     | (50)  | (1,066)  |
| Cash and cash equivalents at beginning of the year                   | 111,748   | 93,924   |
| <b>Cash and cash equivalents at end of the year</b>                  | <b>81,441</b>   | <b>111,748</b>   |

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Cash and cash equivalents comprised the following:

|  | <b>Current<br/>year to date<br/>31/07/2017<br/>RM'000</b> | <b>Preceding year<br/>corresponding<br/>year to date<br/>31/07/2016<br/>RM'000</b> |
|--|---|--|
| Cash at banks  | 42,670  | 26,034   |
| Deposits with licensed banks                                   | 84,906  | 86,714   |
| Cash and short-term deposits                                   | 127,576   | 112,748  |
| Less: Short-term deposits with maturity more than three months | (46,135)  | (1,000)  |
| Cash and cash equivalents                                      | 81,441  | 111,748  |

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.

## **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, International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” 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 financial 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 year, 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 material 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 preceding annual financial statements 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 current financial year.

### **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.

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**8. Dividends**

|  | <u>Current<br/>year to date</u><br><u>31/7/2017</u><br><u>RM'000</u> | <u>Preceding year<br/>corresponding<br/>year to date</u><br><u>31/7/2016</u><br><u>RM'000</u> |
|--|--|---|
| <b>Recognised during the financial year</b>  |  |   |
| Final tax exempt dividend for 2016 at 3 sen (2015: 3 sen) per ordinary share, was paid on 26 January 2017                                  | 1,290  | 1,290   |
| Interim tax exempt dividend for 2017 at 6.5 sen (2016: 4.5 sen) per ordinary share, was paid on 24 August 2017                             | 2,796  | 1,936   |
|  | <u>4,086</u>   | <u>3,226</u>  |
| <b>Proposed but not recognized as a liability as at 31 July</b>  |  |   |
| Final tax exempt dividend for 2017 at 6 sen (2016: 3 sen) per ordinary share, to be approved by shareholders at the Annual General Meeting | <u>2,581</u>   | <u>1,290</u>  |

**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 current financial year.

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

During the current financial year, the Group acquired plant and equipment amounting to RM140,225,000, and disposed (including write-off) plant and equipment of net book value amounting to RM1,694,000.

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**12. Significant related party transactions**

|   | <u>Current year<br/>to date</u> | <u>Preceding year<br/>corresponding<br/>year to date</u> |
|---|---------------------------------|--|
|   | <u>31/07/2017</u>               | <u>31/07/2016</u>  |
|   | <u>RM'000</u>                   | <u>RM'000</u>  |
| Transactions with Sunright Limited,<br>holding company of the Company,<br>and its subsidiaries: |                                 |  |
| Management fees charged by holding company  | 9,552                           | 7,069  |
| Dividends paid to holding company   | 1,978                           | 1,562  |
| Rendering of services to related companies  | 25                              | 1,045  |
| Purchases of equipment and consumables from<br>related companies                                | 2,722                           | 837  |
| Receiving of services from related companies  | <u>18</u>                       | <u>56</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 purchases of property, plant and equipment amounted to RM13,287,000 as at 31 July 2017.



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**14. Profit before tax**

|   | Individual period                            |  | Cumulative period                            |   |
|---|--|--|--|---|
|   | Current year quarter<br>31/07/2017<br>RM'000 | Preceding year corresponding quarter<br>31/07/2016<br>RM'000 | Current year to date<br>31/07/2017<br>RM'000 | Preceding year corresponding year to date<br>31/07/2016<br>RM'000 |
| Profit before tax is arrived at:                              |  |  |  |   |
| After charging:   |  |  |  |   |
| Write-down of inventories                                     | -  | -  | -  | 30  |
| Plant and equipment written off                               | 2  | -  | 7  | 15  |
| Net fair value loss on investment securities held for trading | -  | 11   | -  | -   |
| Net foreign exchange loss                                     | 228  | 162  | 260  | -   |
| And crediting:  |  |  |  |   |
| Write-back of inventories                                     | -  | 217  | 104  | -   |
| Gain on disposal of property, plant and equipment             | -  | 410  | 236  | 506   |
| Gain on disposal of investment securities held for trading    | -  | -  | 47   | -   |
| Net fair value gain on investment securities held for trading | 477  | -  | 914  | 125   |
| Net foreign exchange gain                                     | -  | -  | -  | 4   |

There was no gain or loss arising from derivatives, 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 RM15.2 million or 20%, from RM74.5 million in the preceding year's fourth quarter to RM89.8 million for the current quarter ended 31 July 2017 ("4QFY2017"), mainly due to higher demand for burn-in and test services.

Raw materials and consumables used and changes in work-in-progress and finished goods increased by RM1.7 million or 24%, from RM7.2 million to RM9.0 million as a result of higher sales and absence of inventories write-back.

Employee benefits expense increased by RM2.0 million or 7%, mainly due to adjustments of wage rates and higher staff compensation to support the increased revenue.

Depreciation was higher by RM4.4 million or 31%, as additional machinery and test equipment were installed during the current financial year.

Other expenses were higher by RM3.3 million or 18%, mainly due to higher expenses on repairs and maintenance by RM2.1 million and management fees of RM0.8 million.

Consequently, the Group's profit before tax improved by RM3.4 million or 37%, from RM9.4 million to RM12.8 million in 4QFY2017.

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

The Group's revenue increased by RM52.3 million or 18%, from RM285.7 million in the preceding year to RM338.0 million for the current financial year as a result of higher demand for burn-in and test services.

Employee benefits expense increased by RM14.1 million or 14%, mainly due to adjustments of wage rates and higher staff compensation to support the increased revenue, improved staff welfare, training and skills upgrading to raise productivity and production efficiency.

Depreciation was higher by RM11.5 million or 21%, as additional machinery and test equipment were installed during the current financial year.

Other expenses were higher by RM13.4 million or 20%, mainly due to higher expenses on repairs and maintenance by RM7.7 million and utilities by RM1.9 million to support the increased revenue.

Therefore, the Group's profit before tax improved by RM11.6 million or 32%, from RM36.2 million to RM47.8 million in the current financial year.

### Analysis of financial position

Property, plant and equipment ("PPE") increased from RM169.8 million as at 31 July 2016 ("FY2016") to RM242.9 million as at 31 July 2017 ("FY2017"). The increase in PPE by RM73.1 million was primarily the result of high capital investments, totalling RM140.2 million, offset by the yearly depreciation of RM66.7 million in FY2017. The high capital expenditure is largely driven by the strong demand for the services, primarily to increase the burn-in and test capability and capacity.

Trade and other receivables were higher by 17% from RM70.4 million as at FY2016 to RM82.7 million as at FY2017. This was attributable to the increase in trade receivables of RM12.2 million as a result of higher sales.

The Group's cash and short-term deposits amounted to RM127.6 million as at FY2017. This was an increase of RM14.8 million from RM112.7 million as at FY2016, which represented the net surplus cash generated from operations.

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Trade and other payables were higher by 75% from RM42.5 million as at FY2016 to RM74.6 million as at FY2017. The increase was primarily the result of higher payables due for purchases of machinery and test equipment by RM19.4 million, as well as higher accrued operating expenses and payables by RM10.4 million to support the increased operational scale.

The Group's loans and borrowings increased from RM39.4 million as at FY2016 to RM69.5 million as at FY2017, to fund the capital expenditure.

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

The Group achieved profit before tax of RM12.8 million for 4QFY2017, comparable to RM12.3 million in the preceding quarter ended 30 April 2017.

**17. Prospects**

The world-wide semiconductor revenue is estimated to reach USD401.4 billion in 2017, representing an increase of 16.8% from 2016, and a record year to surpass USD400 billion mark, driven by improvements in the memory segment.

The global economy is projected to grow by 3.5% in 2017, from 3.2% in 2016, according to the July 2017 outlook report from International Monetary Fund. However, this momentum may be disrupted by geopolitical and nuclear threats.

The Group anticipates its performance to be satisfactory given the positive market environment.

**18. Financial estimate, forecast or projection, or profit guarantee**

The Group did not issue financial estimate, forecast or projection, or profit guarantee previously in any public document.

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**19. Taxation**

|   | Individual Period    |                                      | Cumulative Period    |   |
|---|----------------------|--------------------------------------|----------------------|---|
|   | Current year quarter | Preceding year corresponding quarter | Current year to date | Preceding year corresponding year to date |
|   | 31/07/2017           | 31/07/2016                           | 31/07/2017           | 31/07/2016                                |
|   | RM'000               | RM'000                               | RM'000               | RM'000                                    |
| Current income tax  |                      |                                      |                      |   |
| - Malaysian income tax  | (394)                | (638)                                | 3,924                | 3,592                                     |
| - Under provision in prior years                                | (7)                  | 29                                   | 109                  | 29  |
|   | (401)                | (609)                                | 4,033                | 3,621                                     |
| Deferred tax  |                      |                                      |                      |   |
| - Relating to origination and reversal of temporary differences | (203)                | 1,968                                | (203)                | 1,968                                     |
| - Under/(over) provision in prior years                         | 19                   | (33)                                 | 19                   | (33)                                      |
|   | (184)                | 1,935                                | (184)                | 1,935                                     |
|   | (585)                | 1,326                                | 3,849                | 5,556                                     |

The effective tax rates for the current quarter and financial year were 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.

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**(Incorporated in Malaysia)**

Company No : 13022-A

**21. Group borrowings and debt securities**

|  | <u>As at</u><br><u>31/07/2017</u><br><u>RM'000</u> | <u>As at</u><br><u>31/07/2016</u><br><u>RM'000</u> |
|--|--|--|
| (a) Obligations under finance leases - secured | 6,085  | 3,357  |
| Bank loans *                                   | 63,394   | 36,012   |
|  | <u>69,479</u>                                      | <u>39,369</u>                                      |
| (b) Repayable within 12 months                 | 31,875   | 29,495   |
| Repayable after 12 months                      | 37,604   | 9,874  |
|  | <u>69,479</u>                                      | <u>39,369</u>                                      |
| (c) Total loans and borrowings denominated in: |  |  |
| Renminbi                                       | 5,026  | -  |
| Ringgit Malaysia                               | 64,453   | 39,369   |
|  | <u>69,479</u>                                      | <u>39,369</u>                                      |

\* Included in the bank loans were secured term loans of RM5,026,000 (31/07/2016: Nil).

**22. Material litigation**

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

**23. Earnings per share**

**Basic earnings per ordinary share**

Basic earnings per ordinary share amounts are calculated by dividing profit net of tax, attributable to owners of the Company of RM43,994,000 by the weighted average number of 43,014,500 ordinary shares outstanding during the current financial year.

**Diluted earnings per ordinary share**

The Group has no potential ordinary shares in issue as at reporting date and therefore diluted earnings per share has not been presented.

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**24. Realised and unrealised profits**

|   | <b>As at end of<br/>current quarter<br/>31/07/2017</b> | <b>As at preceding<br/>financial year<br/>end<br/>31/07/2016</b> |
|---|--|--|
|   | <b>RM'000</b>  | <b>RM'000</b>  |
| - Realised  | 298,202  | 260,337  |
| - Unrealised  | 3,107  | (195)  |
| Total retained profits of the Company and its<br>subsidiaries | 301,309  | 260,142  |
| Consolidation adjustments                                     | (35,805)   | (34,502)   |
| Total group retained profits as per consolidated<br>accounts  | 265,504  | 225,640  |

BY ORDER OF THE BOARD

Leong Oi Wah  
Company Secretary

Petaling Jaya  
Date : 19 September 2017

**KESM INDUSTRIES BERHAD**  
**(Incorporated in Malaysia)**

Company No : 13022-A

**SUMMARY OF KEY FINANCIAL INFORMATION**  
**FOR THE FOURTH QUARTER ENDED 31 JULY 2017**

|    |   | INDIVIDUAL QUARTER                             |  | CUMULATIVE QUARTER                             |   |
|----|---|--|--|--|---|
|    |   | CURRENT YEAR QUARTER<br>(31/07/2017)<br>RM'000 | PRECEDING YEAR CORRESPONDING QUARTER<br>(31/07/2016)<br>RM'000 | CURRENT YEAR TO DATE<br>(31/07/2017)<br>RM'000 | PRECEDING YEAR CORRESPONDING PERIOD<br>(31/07/2016)<br>RM'000 |
| 1. | Revenue   | 89,766   | 74,528   | 337,988  | 285,734   |
| 2. | Profit before tax   | 12,818   | 9,371  | 47,843   | 36,239  |
| 3. | Profit for the period   | 13,403   | 8,045  | 43,994   | 30,683  |
| 4. | Profit attributable to ordinary equity holders of the Company | 13,403   | 8,045  | 43,994   | 30,683  |
| 5. | Basic earnings per share (sen)                                | 31.2   | 18.7   | 102.3  | 71.3  |
| 6. | Proposed/Declared dividend per share (sen)                    | 6.00   | 3.00   | 12.50  | 7.50  |

|    |  | 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) | 7.6517                       | 6.6655                             |

**ADDITIONAL INFORMATION**

|    |                        | INDIVIDUAL QUARTER                             |  | CUMULATIVE QUARTER                             |   |
|----|------------------------|--|--|--|---|
|    |                        | CURRENT YEAR QUARTER<br>(31/07/2017)<br>RM'000 | PRECEDING YEAR CORRESPONDING QUARTER<br>(31/07/2016)<br>RM'000 | CURRENT YEAR TO DATE<br>(31/07/2017)<br>RM'000 | PRECEDING YEAR CORRESPONDING PERIOD<br>(31/07/2016)<br>RM'000 |
| 1. | Gross interest income  | 629  | 719  | 2,505  | 2,541   |
| 2. | Gross interest expense | 895  | 671  | 2,440  | 3,039   |