

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

Company No : 13022-A

**UNAUDITED THIRD QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL QUARTER ENDED 30 APRIL 2019**

The Board of Directors is pleased to announce the following unaudited results of the Group for the financial quarter ended 30 April 2019.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 APRIL 2019**

|   | Individual period      |                          |             | Cumulative period      |                               |             |
|---|------------------------|--------------------------|-------------|------------------------|-------------------------------|-------------|
|   | Current year           | Preceding year           | %<br>Change | Current year           | Preceding year                | %<br>Change |
|   | quarter                | corresponding<br>quarter |             | to date                | corresponding<br>year to date |             |
|   | (30/04/2019)<br>RM'000 | (30/04/2018)<br>RM'000   |             | (30/04/2019)<br>RM'000 | (30/04/2018)<br>RM'000        |             |
| <b>Revenue</b>  | 73,803                 | 82,328                   | (10%)       | 236,466                | 264,512                       | (11%)       |
| <b>Other items of income</b>                                    |                        |                          |             |                        |                               |             |
| Interest income   | 1,365                  | 940                      | 45%         | 4,284                  | 2,433                         | 76%         |
| Dividend income   | 20                     | 45                       | (56%)       | 86                     | 91                            | (5%)        |
| Other income  | 1,823                  | 165                      | NM          | 1,776                  | 1,911                         | (7%)        |
| <b>Items of expenses</b>  |                        |                          |             |                        |                               |             |
| Raw materials and consumables used                              | (12,144)               | (6,933)                  | 75%         | (34,996)               | (24,117)                      | 45%         |
| Changes in inventories of finished goods and work-in-progress   | (29)                   | (234)                    | (88%)       | (293)                  | (35)                          | NM          |
| Employee benefits expense                                       | (24,818)               | (26,557)                 | (7%)        | (77,887)               | (84,977)                      | (8%)        |
| Depreciation of property, plant and equipment                   | (18,976)               | (19,713)                 | (4%)        | (58,001)               | (58,560)                      | (1%)        |
| Finance costs   | (1,013)                | (1,017)                  | (0%)        | (3,272)                | (2,845)                       | 15%         |
| Other expenses  | (18,437)               | (21,789)                 | (15%)       | (61,129)               | (64,702)                      | (6%)        |
| <b>Profit before tax</b>  | 1,594                  | 7,235                    | (78%)       | 7,034                  | 33,711                        | (79%)       |
| Income tax expense  | (724)                  | (1,765)                  | (59%)       | (3,049)                | (5,689)                       | (46%)       |
| <b>Profit, net of tax</b>                                       | 870                    | 5,470                    | (84%)       | 3,985                  | 28,022                        | (86%)       |
| <b>Other comprehensive income:</b>                              |                        |                          |             |                        |                               |             |
| <b>Item to be reclassified subsequently to profit or loss</b>   |                        |                          |             |                        |                               |             |
| Foreign currency translation (loss)/gain                        | (722)                  | 13                       | NM          | 997                    | (1,860)                       | NM          |
| <b>Total comprehensive income for the period, net of tax</b>    | 148                    | 5,483                    | (97%)       | 4,982                  | 26,162                        | (81%)       |
| Earnings per share attributable to owners of the Company (sen): |                        |                          |             |                        |                               |             |
| - Basic   | 2.0                    | 12.7                     | (84%)       | 9.3                    | 65.1                          | (86%)       |

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 2018 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 30 APRIL 2019**

|   | <u>As at end of<br/>current quarter<br/>30/04/2019</u> | <u>As at preceding<br/>financial year end<br/>31/07/2018</u> |
|---|--|--|
|   | <u>RM'000</u>  | <u>RM'000</u>  |
| <b>ASSETS</b>   |  |  |
| <b>Non-current assets</b>                                       |  |  |
| Property, plant and equipment                                   | 179,252  | 211,032  |
| Deferred tax assets   | 3,408  | 3,229  |
|   | <u>182,660</u>   | <u>214,261</u>   |
| <b>Current assets</b>   |  |  |
| Inventories   | 9,366  | 9,263  |
| Trade and other receivables                                     | 67,664   | 77,341   |
| Prepayments   | 6,589  | 5,627  |
| Investment securities   | 7,442  | 9,647  |
| Tax recoverables  | 816  | 1,163  |
| Cash and short-term deposits                                    | 185,786  | 177,573  |
|   | <u>277,663</u>   | <u>280,614</u>   |
| <b>Total assets</b>   | <u>460,323</u>   | <u>494,875</u>   |
| <b>EQUITY AND LIABILITIES</b>                                   |  |  |
| <b>Equity attributable to owners of the Company</b>             |  |  |
| Share capital   | 43,678   | 43,678   |
| Other reserves  | 16,932   | 15,935   |
| Retained earnings   | 298,298  | 296,894  |
| <b>Total equity</b>   | <u>358,908</u>   | <u>356,507</u>   |
| <b>Non-current liabilities</b>                                  |  |  |
| Obligations under finance leases                                | 416  | 2,057  |
| Bank loans  | 19,104   | 44,980   |
| Defined benefit liabilities                                     | 3,621  | 3,358  |
| Deferred tax liabilities  | 2,482  | 3,019  |
|   | <u>25,623</u>  | <u>53,414</u>  |
| <b>Current liabilities</b>                                      |  |  |
| Trade and other payables  | 26,586   | 37,015   |
| Obligations under finance leases                                | 3,641  | 4,494  |
| Bank loans  | 44,873   | 43,386   |
| Income tax payable  | 692  | 59   |
|   | <u>75,792</u>  | <u>84,954</u>  |
| <b>Total liabilities</b>  | <u>101,415</u>   | <u>138,368</u>   |
| <b>Total equity and liabilities</b>                             | <u>460,323</u>   | <u>494,875</u>   |
| Net assets per share attributable to owners of the Company (RM) | <u>8.34</u>  | <u>8.29</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 2018 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 30 APRIL 2019**

|   | < ----- Attributable to owners of the Company ----- > |                                      |                        |                 |                   | Total equity  |
|---|---|--------------------------------------|------------------------|-----------------|-------------------|---------------|
|   | < ----- Non-distributable ----- >                     |                                      |                        |                 | Distributable     |               |
|   | Share capital   | Foreign currency translation reserve | Statutory reserve fund | Capital reserve | Retained earnings |               |
| <b>FY2019</b>                             |   |                                      |                        |                 |                   |               |
|   | <b>RM'000</b>   | <b>RM'000</b>                        | <b>RM'000</b>          | <b>RM'000</b>   | <b>RM'000</b>     | <b>RM'000</b> |
| <b>As at 1 August 2018</b>                | 43,678  | 9,066                                | 4,629                  | 2,240           | 296,894           | 356,507       |
| Profit for the period                     | -   | -                                    | -                      | -               | 3,985             | 3,985         |
| Other comprehensive income for the period | -   | 997                                  | -                      | -               | -                 | 997           |
| <b>Transaction with owners</b>            |   |                                      |                        |                 |                   |               |
| Dividends on ordinary shares              | -   | -                                    | -                      | -               | (2,581)           | (2,581)       |
| <b>As at 30 April 2019</b>                | 43,678  | 10,063                               | 4,629                  | 2,240           | 298,298           | 358,908       |

|   | < ----- Attributable to owners of the Company ----- > |                                      |                        |                 |                   | Total equity  |
|---|---|--------------------------------------|------------------------|-----------------|-------------------|---------------|
|   | < ----- Non-distributable ----- >                     |                                      |                        |                 | Distributable     |               |
|   | Share capital   | Foreign currency translation reserve | Statutory reserve fund | Capital reserve | Retained earnings |               |
| <b>FY2018</b>                             |   |                                      |                        |                 |                   |               |
|   | <b>RM'000</b>   | <b>RM'000</b>                        | <b>RM'000</b>          | <b>RM'000</b>   | <b>RM'000</b>     | <b>RM'000</b> |
| <b>As at 1 August 2017</b>                | 43,678  | 13,088                               | 4,629                  | 2,240           | 265,504           | 329,139       |
| Profit for the period                     | -   | -                                    | -                      | -               | 28,022            | 28,022        |
| Other comprehensive income for the period | -   | (1,860)                              | -                      | -               | -                 | (1,860)       |
| <b>Transactions with owners</b>           |   |                                      |                        |                 |                   |               |
| Dividends on ordinary shares              | -   | -                                    | -                      | -               | (2,581)           | (2,581)       |
| <b>As at 30 April 2018</b>                | 43,678  | 11,228                               | 4,629                  | 2,240           | 290,945           | 352,720       |

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 2018 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 30 APRIL 2019**

|  | <b>Current<br/>year to date<br/>30/04/2019<br/>RM'000</b> | <b>Preceding year<br/>corresponding<br/>year to date<br/>30/04/2018<br/>RM'000</b> |
|--|---|--|
| <b>OPERATING ACTIVITIES</b>  |   |  |
| Profit before tax  | 7,034   | 33,711   |
| Adjustments for:   |   |  |
| Depreciation of property, plant and equipment                        | 58,001  | 58,560   |
| Plant and equipment written off                                      | 2   | -  |
| Gain on disposal of property, plant and equipment                    | (1,344)   | (77)   |
| Write-down of inventories  | 125   | 93   |
| Loss on disposal of investment securities                            | 98  | -  |
| Net fair value loss on investment securities                         | 675   | 441  |
| Unrealised exchange loss/(gain)                                      | 2   | (3)  |
| Dividend income  | (86)  | (91)   |
| Interest income  | (4,284)   | (2,433)  |
| Finance costs  | 3,272   | 2,845  |
| <b>Operating cash flows before changes in working capital</b>        | <b>63,495</b>   | <b>93,046</b>  |
| Increase in inventories  | (228)   | (1,565)  |
| Decrease in prepayments and receivables                              | 8,955   | 3,261  |
| Decrease in payables   | (4,889)   | (40,096)   |
| <b>Cash flows from operations</b>                                    | <b>67,333</b>   | <b>54,646</b>  |
| Income taxes paid  | (2,739)   | (3,587)  |
| Interest paid  | (3,325)   | (2,845)  |
| Interest received  | 4,274   | 2,433  |
| <b>Net cash flows from operating activities</b>                      | <b>65,543</b>   | <b>50,647</b>  |
| <b>INVESTING ACTIVITIES</b>  |   |  |
| Increase in short-term deposits with maturity more than three months | (13,429)  | (8,706)  |
| Purchase of investment securities                                    | (1,908)   | (522)  |
| Proceeds from disposal of investment securities                      | 3,340   | -  |
| Dividend income  | 86  | 91   |
| Purchase of property, plant and equipment                            | (23,473)  | (32,534)   |
| Proceeds from disposal of property, plant and equipment              | 1,344   | 77   |
| <b>Net cash flows used in investing activities</b>                   | <b>(34,040)</b>   | <b>(41,594)</b>  |
| <b>FINANCING ACTIVITIES</b>  |   |  |
| Repayment of obligations under finance leases                        | (4,381)   | (3,019)  |
| Repayment of bank loans  | (51,380)  | (32,234)   |
| Proceeds from bank loans   | 26,778  | 42,278   |
| Dividend paid on ordinary shares                                     | (7,958)   | (5,377)  |
| <b>Net cash flows (used in)/from financing activities</b>            | <b>(36,941)</b>   | <b>1,648</b>   |
| <b>Net (decrease)/increase in cash and cash equivalents</b>          | <b>(5,438)</b>  | <b>10,701</b>  |
| Effect of exchange rate changes on cash and cash equivalents         | 222   | (702)  |
| Cash and cash equivalents at beginning of the year                   | 74,716  | 81,441   |
| <b>Cash and cash equivalents at end of the period</b>                | <b>69,500</b>   | <b>91,440</b>  |

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Cash and cash equivalents comprised the following:

|  | <b>Current<br/>year to date<br/>30/04/2019<br/>RM'000</b> | <b>Preceding year<br/>corresponding<br/>year to date<br/>30/04/2018<br/>RM'000</b> |
|--|---|--|
| Cash at banks and on hand                                      | 33,673  | 31,157   |
| Deposits with licensed banks                                   | 152,113   | 115,124  |
| Cash and short-term deposits                                   | 185,786   | 146,281  |
| Less: Short-term deposits with maturity more than three months | (116,286)   | (54,841)   |
| Cash and cash equivalents                                      | 69,500  | 91,440   |

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 July 2018 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”, requirements of the Companies Act 2016 in Malaysia 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 2018. 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 2018.

### **2. Significant accounting policies**

The significant accounting policies and methods of computation in the interim financial statements are consistent with those of the audited financial statements for the year ended 31 July 2018 except that on 1 August 2018, the Group adopted the MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018 which are applicable to the Group including MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers. The initial adoption of these applicable MFRSs, amendments and interpretations do not have any material impact 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 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 interim periods of the current financial year or 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 reporting period.

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**8. Dividends**

|  | <u>Current year<br/>to date</u> | <u>Preceding year<br/>corresponding<br/>year to date</u> |
|--|---------------------------------|--|
|  | <u>30/04/2019</u>               | <u>30/04/2018</u>  |
|  | <u>RM'000</u>                   | <u>RM'000</u>  |
| <b>Recognised during the financial year to date</b>  |                                 |  |
| Final tax exempt dividend for 2018 at 6 sen (2017: 6 sen) per ordinary share, was paid on 13 February 2019 | 2,581                           | 2,581  |

No dividend was declared during the current reporting period or preceding year corresponding quarter.

**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 reporting period.

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

During the current reporting period, the Group acquired plant and equipment amounting to RM25,732,000, and disposed (including write-off) plant and equipment of net book value amounting to RM2,000.

**12. Significant related party transactions**

|   | <u>Current year<br/>to date</u> | <u>Preceding year<br/>corresponding<br/>year to date</u> |
|---|---------------------------------|--|
|   | <u>30/04/2019</u>               | <u>30/04/2018</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  | 7,474                           | 8,780  |
| Dividends paid to holding company   | 1,250                           | 1,250  |
| Sale of equipment to a related company  | 2,624                           | -  |
| Purchases of equipment and consumables from<br>related companies                                | 213                             | 4,676  |

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.

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**13. Significant commitments for purchase of property, plant and equipment**

Commitments for purchases of property, plant and equipment amounted to RM5,273,000 as at 30 April 2019.

**14. Profit before tax**

|   | Individual Period       |  | Cumulative Period       |   |
|---|-------------------------|--|-------------------------|---|
|   | Current year<br>quarter | Preceding year<br>corresponding<br>quarter | Current year<br>to date | Preceding year<br>corresponding<br>year to date |
|   | 30/04/2019              | 30/04/2018                                 | 30/04/2019              | 30/04/2018                                      |
|   | RM'000                  | RM'000                                     | RM'000                  | RM'000  |
| Profit before tax is arrived at:                      |                         |  |                         |   |
| After charging:                                       |                         |  |                         |   |
| Write-down of inventories                             | 12                      | 17   | 125                     | 93  |
| Plant and equipment written off                       | 1                       | -  | 2                       | -   |
| Loss on disposal of investment securities             | -                       | -  | 98                      | -   |
| Net fair value loss on investment securities          | -                       | 1,047                                      | 675                     | 441   |
| Net foreign exchange loss                             | -                       | 16   | -                       | -   |
| And crediting:  |                         |  |                         |   |
| Net gain on disposal of property, plant and equipment | 1,344                   | 9  | 1,344                   | 77  |
| Net fair value gain on investment securities          | 309                     | -  | -                       | -   |
| Net foreign exchange gain                             | 41                      | -  | 14                      | 226   |

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

**15. Derivative**

The Group does not have any derivative for the current quarter and reporting period.

**16. Fair value changes of financial liabilities**

There was no gain or loss arising from fair value changes of the financial liabilities for the current quarter and reporting period.

**17. Segment information**

No segment reporting has been prepared as the Group has only one operating segment, namely burn-in, testing and electronic manufacturing services.



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

### Analysis of the performance for the current quarter

The Group's revenue was lower by 10% or RM8.5 million, from RM82.3 million in the preceding year's third quarter, to RM73.8 million for the current quarter ended 30 April 2019 ("3QFY2019"). This was attributed to lower demand for burn-in and testing services, cushioned by higher revenue from the rendering of electronic manufacturing services ("EMS") to new customers.

Interest income was higher by 45% or RM0.4 million, following higher placements of short-term deposits during the current quarter.

Other income increased by RM1.7 million, mainly due to a gain on disposal of plant, machinery and test equipment of RM1.3 million and a fair value gain on investment securities of RM0.3 million.

Raw materials and consumables used and changes in inventories of finished goods and work-in-progress increased by 70% or RM5.0 million, from RM7.2 million to RM12.2 million, to support the increased EMS revenue from new customers.

Employee benefits expense decreased by 7% or RM1.7 million, following lower production loadings.

Other expenses were lower by 15% or RM3.4 million, mainly attributable to (i) an absence of a fair value loss on investment securities of RM1.0 million; (ii) lower repairs and maintenance by RM1.4 million; and (iii) lower professional fees by RM0.5 million for advisory services.

Consequently, the Group's profit before tax reduced by 78% or RM5.6 million, from RM7.2 million to RM1.6 million in 3QFY2019.

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

The Group's revenue was lower by 11% or RM28.0 million, from RM264.5 million in the preceding year's corresponding period to RM236.5 million for the current financial period ended 30 April 2019, largely as a result of lower demand for burn-in and testing services, partially offset by higher revenue from EMS.

Interest income was higher by 76% or RM1.9 million, following higher placements of short-term deposits during the current financial period.

Raw materials and consumables used and changes in inventories of finished goods and work-in-progress increased by 46% or RM11.1 million, from RM24.2 million to RM35.3 million, to support the increased EMS revenue from new customers.

Employee benefits expense decreased by 8% or RM7.1 million, following lower production loadings.

Other expenses were lower by 6% or RM3.6 million, mainly attributable to lower repairs and maintenance by RM2.6 million and lower management fees by RM1.3 million.

Consequently, the Group's profit before tax was lower by 79% or RM26.7 million, from RM33.7 million to RM7.0 million in the reporting period under review.

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Analysis of financial position

Property, plant and equipment (“PPE”) was lower by 15% or RM31.8 million, from RM211.0 million as at 31 July 2018 to RM179.3 million as at 30 April 2019. The decrease in PPE was primarily due to depreciation charge of RM58.0 million, offset by capital expenditure of RM25.7 million.

Trade and other receivables reduced by 13% or RM9.7 million, from RM77.3 million to RM67.7 million, mainly due to lower trade receivables as a result of lower revenue in 3QFY2019.

Investment securities decreased by 23% or RM2.2 million, from RM9.6 million to RM7.4 million, reflecting a net disposal of quoted equity shares of RM1.5 million.

Cash and short-term deposits improved by 5% or RM8.2 million, from RM177.6 million to RM185.8 million, which represented the net surplus cash generated from operations.

Trade and other payables decreased by 28% or RM10.4 million, from RM37.0 million to RM26.6 million, mainly due to absence of dividend payable by RM5.4 million and lower accrued operating expenses by RM4.3 million.

The Group’s loans and borrowings were lower by 28% or RM26.9 million, from RM94.9 million to RM68.0 million, primarily due to repayments of RM55.8 million, offset by additional borrowings of RM28.7 million to fund the capital expenditure.

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

The Group achieved profit before tax of RM1.6 million for 3QFY2019, comparable to the profit before tax in the preceding quarter ended 31 January 2019.

**20. Prospects**

World-wide semiconductor revenue is estimated to reach USD474.6 billion in 2018, representing an increase of 12.5% from USD421.7 billion in 2017. According to a research house, a slowdown in 2019 is expected, on the back of a downturn in the memory market, coupled with the negative effects of tariff increases enacted in the United States and China, and increasing uncertainty about the global economy.

According to the International Monetary Fund’s April 2019 report, the global growth forecast for 2019 has again been revised downwards, from 3.5% to 3.3%.

The recent increases on tariffs imposed on China goods by the United States and possible China retaliations may further heighten the trade tensions. This could escalate further if the United States decides to introduce new tariff hikes. Hence, the Group expects the demand for its services to remain inertial. The Group remains cautious in capital spendings and is focused on its cost management.

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**21. 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.

**22. Taxation**

|   | Individual Period    |                                      | Cumulative Period    |   |
|---|----------------------|--------------------------------------|----------------------|---|
|   | Current year quarter | Preceding year corresponding quarter | Current year to date | Preceding year corresponding year to date |
|   | 30/04/2019           | 30/04/2018                           | 30/04/2019           | 30/04/2018                                |
|   | RM'000               | RM'000                               | RM'000               | RM'000                                    |
| Current income tax  |                      |                                      |                      |   |
| - Malaysian income tax  | 899                  | 1,712                                | 3,709                | 5,587                                     |
| - Under provision in prior years                                | 10                   | 70                                   | 10                   | 70  |
|   | <u>909</u>           | <u>1,782</u>                         | <u>3,719</u>         | <u>5,657</u>                              |
| Deferred tax  |                      |                                      |                      |   |
| - Relating to origination and reversal of temporary differences | (185)                | (17)                                 | (670)                | 32  |
|   | <u>724</u>           | <u>1,765</u>                         | <u>3,049</u>         | <u>5,689</u>                              |

The effective tax rate for the current quarter and financial year to date were higher than the statutory tax rate, as certain deferred tax assets were not recognized on unutilised business losses and other deductible temporary differences.

**23. Status of uncompleted corporate proposals**

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

**24. Group borrowings and debt securities**

|  | As at         | As at         |
|--|---------------|---------------|
|  | 30/04/2019    | 31/07/2018    |
|  | RM'000        | RM'000        |
| (a) Obligations under finance leases - secured | 4,057         | 6,551         |
| Bank loans*                                    | <u>63,977</u> | <u>88,366</u> |
|  | <u>68,034</u> | <u>94,917</u> |
| (b) Repayable within 12 months                 | 48,514        | 47,880        |
| Repayable after 12 months                      | <u>19,520</u> | <u>47,037</u> |
|  | <u>68,034</u> | <u>94,917</u> |
| (c) Total loans and borrowings denominated in: |               |               |
| Renminbi                                       | 15,771        | 12,221        |
| Ringgit Malaysia                               | <u>52,263</u> | <u>82,696</u> |
|  | <u>68,034</u> | <u>94,917</u> |

\* Included in the bank loans were secured term loans of RM15,771,000 (31/07/2018: RM12,221,000).

**KESM INDUSTRIES BERHAD**  
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**25. Changes in material litigation**

Further to the announcement made on 12 March 2019, there were no changes in material litigation as at the date of this announcement.

**26. Earnings per share**

Basic earnings per ordinary share amounts are calculated by dividing profit net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the current reporting period.

|  | <u>Individual Period</u>        |   | <u>Cumulative Period</u>        |  |
|--|---------------------------------|---|---------------------------------|--|
|  | <u>Current year<br/>quarter</u> | <u>Preceding year<br/>corresponding<br/>quarter</u> | <u>Current year<br/>to date</u> | <u>Preceding year<br/>corresponding<br/>year to date</u> |
|  | <u>30/04/2019</u>               | <u>30/04/2018</u>                                   | <u>30/04/2019</u>               | <u>30/04/2018</u>  |
| Profit net of tax (RM'000)                           | 870                             | 5,470   | 3,985                           | 28,022   |
| Weighted average number of<br>ordinary shares ('000) | 43,014.5                        | 43,014.5  | 43,014.5                        | 43,014.5   |
| Basic earnings per share<br>(sen)                    | <u>2.0</u>                      | <u>12.7</u>   | <u>9.3</u>                      | <u>65.1</u>  |

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

BY ORDER OF THE BOARD

Leong Oi Wah  
Company Secretary

Petaling Jaya  
Date: 4 June 2019

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

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**SUMMARY OF KEY FINANCIAL INFORMATION**  
**FOR THE THIRD QUARTER ENDED 30 APRIL 2019**

|    |   | INDIVIDUAL QUARTER                             |  | CUMULATIVE QUARTER                             |   |
|----|---|--|--|--|---|
|    |   | CURRENT YEAR QUARTER<br>(30/04/2019)<br>RM'000 | PRECEDING YEAR CORRESPONDING QUARTER<br>(30/04/2018)<br>RM'000 | CURRENT YEAR TO DATE<br>(30/04/2019)<br>RM'000 | PRECEDING YEAR CORRESPONDING PERIOD<br>(30/04/2018)<br>RM'000 |
| 1. | Revenue   | 73,803   | 82,328   | 236,466  | 264,512   |
| 2. | Profit before tax   | 1,594  | 7,235  | 7,034  | 33,711  |
| 3. | Profit for the period   | 870  | 5,470  | 3,985  | 28,022  |
| 4. | Profit attributable to ordinary equity holders of the Company | 870  | 5,470  | 3,985  | 28,022  |
| 5. | Basic earnings per share (sen)                                | 2.0  | 12.7   | 9.3  | 65.1  |
| 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) | 8.3439                       | 8.2881                             |

**ADDITIONAL INFORMATION**

|    |                        | INDIVIDUAL QUARTER                             |  | CUMULATIVE QUARTER                             |   |
|----|------------------------|--|--|--|---|
|    |                        | CURRENT YEAR QUARTER<br>(30/04/2019)<br>RM'000 | PRECEDING YEAR CORRESPONDING QUARTER<br>(30/04/2018)<br>RM'000 | CURRENT YEAR TO DATE<br>(30/04/2019)<br>RM'000 | PRECEDING YEAR CORRESPONDING PERIOD<br>(30/04/2018)<br>RM'000 |
| 1. | Gross interest income  | 1,365  | 940  | 4,284  | 2,433   |
| 2. | Gross interest expense | 1,013  | 1,017  | 3,272  | 2,845   |