

## **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 2015. 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 2015.

### **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 2015.

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 2015. 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 2015 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 year-to-date.

**8. Dividends paid**

There were no dividends paid during the current financial year-to-date.

**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 property, plant and equipment amounted to RM2,562,000.

**12. Significant related party transactions**

	<u>As at</u> <u>31/10/2015</u> RM'000	<u>As at</u> <u>31/10/2014</u> RM'000
Transactions with Sunright Limited, a corporate shareholder in which certain Directors have financial interests, and its subsidiaries:		
Management fees charged by Sunright Limited	1,918	1,283
Interest on loan from Sunright Limited	-	29
Sales to:		
- KES Systems & Service (1993) Pte Ltd	-	20
Purchases from:		
- KES Systems & Service (1993) Pte Ltd	26	74
- KEST Systems & Service Ltd	4	-
- Kestronics (M) Sdn Bhd	40	6
- KES Systems & Service (Shanghai) Co., Ltd	22	75
- KESU Systems & Service, Inc.	-	240

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 RM4,409,000 as at 31 October 2015.

### 14. Profit before tax

	Individual period		Cumulative period	
	Current year quarter 31/10/2015 RM'000	Preceding year corresponding quarter 31/10/2014 RM'000	Current year to date 31/10/2015 RM'000	Preceding year corresponding period 31/10/2014 RM'000
Profit before tax is arrived at:				
After charging:				
Net fair value loss on investment securities held for trading	102	1,447	102	1,447
Loss on disposal of property, plant and equipment	-	158	-	158
Plant and equipment written off	14	-	14	-
And crediting:				
Reversal of impairment loss on trade receivables	-	21	-	21
Gain on disposal of investment securities held for trading	-	697	-	697
Gain on disposal of property, plant and equipment	65	-	65	-
Net foreign exchange gain	2,136	68	2,136	68

There were 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 RM1.0 million or 1%, from RM69.2 million in the preceding year's first quarter to RM70.2 million for the quarter ended 31 October 2015.

Employee benefits expense was reduced by RM1.3 million or 5%, mainly due to lower headcounts and lower bonus accrued.

Other expenses were lower by RM1.2 million or 7%, mainly due to lower fair value loss on investment securities by RM1.3 million.

Consequently, the Group's profit before tax improved by RM3.9 million or 67%, from RM5.9 million to RM9.8 million in the period 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 RM9.8 million for the first quarter ended 31 October 2015, comparable to RM9.8 million in the preceding quarter ended 31 July 2015.

## **17. Prospects**

World-wide semiconductor revenue is projected to reach USD338 billion in 2015, representing a decline of 0.8% from USD340 billion in 2014. This is a first decline in revenue since 2012, and a negative growth from the previous quarter's forecast of 2.2% growth. The reduced revenue is primarily due to weakness in key electronic equipment segments, including smartphones and personal computers, along with the continued impact of the strong US dollar on demand in key markets outside of the United States. Nonetheless, a more positive outlook is projected in 2016, with revenue of US\$344.1 billion, or 1.9% growth expected.

Despite the lacklustre global economy, the demand for automotive semiconductor devices remains positive which reaffirms our focus in testing services.

## 18. Profit forecast / profit guarantee

The Group was not subjected to any profit guarantee.

## 19. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2015 RM'000	Preceding year corresponding quarter 31/10/2014 RM'000	Current year to date 31/10/2015 RM'000	Preceding year corresponding quarter 31/10/2014 RM'000
Current income tax				
- Malaysian income tax	1,773	989	1,773	989
- Foreign tax	-	552	-	552
	<u>1,773</u>	<u>1,541</u>	<u>1,773</u>	<u>1,541</u>

The effective tax rate was lower than the statutory tax rate, mainly due to lower effective Malaysian tax, arising from certain tax incentives.

## 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 ("Proposed Renewal") at the Extraordinary General Meeting to be convened immediately following the conclusion of the Company's Annual General Meeting to be held on 14 January 2016. A circular which set out the details of the Proposed Renewal had been issued to shareholders of the Company on 29 October 2015.

## 21. Group borrowings and debt securities

	<u>As at</u> <u>31/10/2015</u> RM'000	<u>As at</u> <u>31/07/2015</u> RM'000
(a) Obligations under finance leases - secured	408	657
Term loans - secured	63,605	72,701
	<u>64,013</u>	<u>73,358</u>
(b) Repayable within 12 months	34,988	40,375
Repayable after 12 months	29,025	32,983
	<u>64,013</u>	<u>73,358</u>
(c) Loans denominated in:		
United States Dollar ("USD")	-	2,693
Ringgit Malaysia ("RM")	64,013	70,665
	<u>64,013</u>	<u>73,358</u>

## 22. Changes in material litigation

Further to the announcement made on 22 September 2015, there were no changes in material litigation as at the date of this announcement.

## 23. Dividend

No interim dividend has been declared for the financial quarter ended 31 October 2015.

## 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 RM8,066,000 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 31/10/2015	As at preceding financial year end 31/07/2015
	RM'000	RM'000
- Realised	237,201	234,984
- Unrealised	3,611	692
Total retained profits of the Company and its subsidiaries	240,812	235,676
Consolidation adjustments	(33,813)	(36,743)
Total group retained profits as per consolidated accounts	206,999	198,933

BY ORDER OF THE BOARD

Leong Oi Wah  
Company Secretary

Petaling Jaya  
Date : 24 November 2015