

Financial Results (v12)

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COMPANY INFORMATION SECTION			
Announcement Type	<input checked="" type="radio"/> New Announcement <input type="radio"/> Amended Announcement		
Company Name	KESM INDUSTRIES BERHAD		
Stock Name	KESM		
Stock Code	9334		
Board	Main Market		
Submitting Secretarial Firm	EPSILON ADVISORY SERVICES SDN BHD		

CONTACT DETAIL			
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MAIN			
General Information			
Financial Year End	31 Jul 2016		
Quarter	3 Qtr		
Quarterly report for the financial period ended	30 Apr 2016		
The figures	have not been audited		
Remarks			
Please attach the full Quarterly Report here	No	File Name	Size
	1	KESM_3Q FY2016 Financial Results.pdf	36.0KB
	2	KESM_3Q FY2016 Financial Notes.pdf	44.7KB

DEFAULT CURRENCY

Currency	Malaysian Ringgit (MYR)
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Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION

Summary of the Key Financial Information for the financial period ended	30 Apr 2016			
	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 Apr 2016	30 Apr 2015	30 Apr 2016	30 Apr 2015
	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000
1. Revenue	70,768	62,925	211,206	194,184
2. Profit/(loss) before Tax	9,220	4,152	26,868	14,286
3. Profit/(loss) for the period	7,573	3,018	22,638	10,527
4. Profit/(loss) attributable to ordinary equity holders of the parent	7,573	1,732	22,638	6,580
5. Basic earnings/(loss) per share (Subunit)	17.60	4.00	52.60	15.30
6. Proposed/Declared dividend per share (Subunit)	0.00	3.00	0.00	3.00
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
7. Net assets per share attributable to ordinary equity holders of the parent (\$\$)	6.5210		6.0552	

Remarks		
<p>In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit. Example for the subunit as follows:</p>		
Country	Base unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

Part A3 : ADDITIONAL INFORMATION (This Information is for Exchange's Internal Use only)

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 Apr 2016 [dd/mm/yyyy] \$\$'000	30 Apr 2015 [dd/mm/yyyy] \$\$'000	30 Apr 2016 [dd/mm/yyyy] \$\$'000	30 Apr 2015 [dd/mm/yyyy] \$\$'000
1. Gross interest income	830	686	1,822	2,092
2. Gross interest expense	676	1,061	2,368	2,659
Remarks				

OTHER CURRENCY

Other Currency	
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Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION

Summary of the Key Financial Information for the financial period ended	30 Apr 2016			
	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000
1. Revenue				
2. Profit/(loss) before Tax				
3. Profit/(loss) for the period				
4. Profit/(loss) attributable to ordinary equity holders of the parent				
5. Basic earnings/(loss) per share (Subunit)				
6. Proposed/Declared dividend per share (Subunit)				
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
7. Net assets per share attributable to ordinary equity holders of the parent (\$\$)				
Remarks				

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit.
Example for the subunit as follows:

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	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000
1. Gross interest income				
2. Gross interest expense				

KESM INDUSTRIES BERHAD

(Incorporated in Malaysia)

Company No : 13022-A

UNAUDITED THIRD QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 APRIL 2016

The Board of Directors is pleased to announce the following unaudited results of the Group for the financial quarter ended 30 April 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 APRIL 2016

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER (30/04/2016) RM'000	PRECEDING YEAR CORRESPONDING QUARTER (30/04/2015) RM'000	CURRENT YEAR TO DATE (30/04/2016) RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE (30/04/2015) RM'000
Revenue	70,768	62,925	211,206	194,184
Other items of income				
Interest income	830	686	1,822	2,092
Dividend income	18	18	76	122
Other income	203	738	865	3,668
Items of expense				
Raw materials and consumables used	(8,374)	(5,382)	(25,449)	(22,068)
Changes in work-in-progress and finished goods	1,344	(138)	1,697	879
Employee benefits expense	(24,277)	(23,484)	(70,539)	(69,413)
Depreciation of property, plant and equipment	(13,456)	(15,123)	(41,167)	(43,684)
Finance costs	(676)	(1,061)	(2,368)	(2,659)
Other expenses	(17,160)	(15,027)	(49,275)	(48,835)
Profit before tax	9,220	4,152	26,868	14,286
Income tax expense	(1,647)	(1,134)	(4,230)	(3,759)
Profit net of tax	7,573	3,018	22,638	10,527
Other comprehensive income:				
Foreign currency translation	(2,254)	159	(1,312)	3,507
Other comprehensive income for the period, net of tax	(2,254)	159	(1,312)	3,507
Total comprehensive income for the period	5,319	3,177	21,326	14,034
Profit attributable to:				
Owners of the Company	7,573	1,732	22,638	6,580
Non-controlling interests	-	1,286	-	3,947
	7,573	3,018	22,638	10,527
Total comprehensive income attributable to:				
Owners of the Company	5,319	1,891	21,326	10,087
Non-controlling interests	-	1,286	-	3,947
	5,319	3,177	21,326	14,034
Earnings per share attributable to owners of the Company (sen per share):				
- Basic	17.6	4.0	52.6	15.3

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 July 2015 and the accompanying explanatory notes attached to the interim financial statements.

KESM INDUSTRIES BERHAD

(Incorporated in Malaysia)

Company No : 13022-A

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2016**

	<u>AS AT END OF CURRENT QUARTER 30/04/2016</u>	<u>AS AT PRECEDING FINANCIAL YEAR END 31/07/2015</u>
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	160,877	183,031
Deferred tax assets	4,539	4,539
	<u>165,416</u>	<u>187,570</u>
Current assets		
Inventories	9,810	10,089
Trade and other receivables	70,270	67,025
Prepayments	5,141	3,910
Investment securities	4,195	4,059
Cash and bank balances	108,305	93,924
	<u>197,721</u>	<u>179,007</u>
Total assets	<u>363,137</u>	<u>366,577</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	43,015	43,015
Other reserves	17,956	18,518
Retained earnings	219,531	198,933
Total equity	<u>280,502</u>	<u>260,466</u>
Non-current liabilities		
Obligations under finance leases	2,080	38
Long term loans	14,979	32,945
Deferred tax liabilities	2,002	2,002
	<u>19,061</u>	<u>34,985</u>
Current liabilities		
Trade and other payables	29,519	30,367
Obligations under finance leases	1,408	619
Term loans	29,685	39,756
Income tax payable	2,962	384
	<u>63,574</u>	<u>71,126</u>
Total liabilities	<u>82,635</u>	<u>106,111</u>
Total equity and liabilities	<u>363,137</u>	<u>366,577</u>
Net assets per share attributable to owners of the Company (RM)	<u>6.52</u>	<u>6.06</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 2015 and the accompanying explanatory notes attached to the interim financial statements.

KESM INDUSTRIES BERHAD

(Incorporated in Malaysia)

Company No : 13022-A

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 APRIL 2016**

FY2016	< ----- 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 2015	43,015	663	11,736	3,879	2,240	198,933	260,466
Total comprehensive income	-	-	(1,312)	-	-	22,638	21,326
Transaction with owners							
Transfer to statutory reserve fund	-	-	-	750	-	(750)	-
Dividend	-	-	-	-	-	(1,290)	(1,290)
At 30 April 2016	43,015	663	10,424	4,629	2,240	219,531	280,502

FY2015	< ----- Attributable to owners of the Company ----- >						Non-controlling interests	Total equity	
	Share capital	< ----- Non-distributable ----- >				Distributable			Total
		Share premium	Foreign currency translation reserve	Statutory reserve fund	Retained earnings				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At 1 August 2014	43,015	663	5,117	3,321	193,343	245,459	36,093	281,552	
Total comprehensive income	-	-	3,507	-	6,580	10,087	3,947	14,034	
Transaction with owners									
Transfer to statutory reserve	-	-	-	558	(558)	-	-	-	
Dividend	-	-	-	-	(2,581)	(2,581)	(10,386)	(12,967)	
At 30 April 2015	43,015	663	8,624	3,879	196,784	252,965	29,654	282,619	

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 2015 and the accompanying explanatory notes attached to the interim financial statements.

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Company No : 13022-A

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 APRIL 2016

	Current year to date 30/04/2016	Preceding year corresponding year to date 30/04/2015
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	26,868	14,286
Adjustments for:		
Depreciation of property, plant and equipment	41,167	43,684
Property, plant and equipment written off	27	4
(Gain)/loss on disposal of property, plant and equipment	(96)	95
Gain on disposal of investment securities held for trading	-	(697)
Net fair value (gain)/loss on investment securities held for trading	(136)	2,212
Unrealised exchange loss	758	1,344
Inventories written down/(reversal of inventories written down)	247	(16)
Reversal of impairment loss on trade receivables	-	(21)
Dividend income	(76)	(122)
Interest income	(1,822)	(2,092)
Finance costs	2,368	2,659
Operating cash flows before working capital changes	69,305	61,336
Decrease in inventories	32	1,032
(Increase)/decrease in prepayment, trade and other receivables	(5,123)	343
Decrease in trade and other payables	(2,348)	(1,152)
Cash flows generated from operations	61,866	61,559
Income taxes paid	(1,652)	(2,027)
Interest paid	(2,368)	(2,659)
Interest received	1,822	2,092
Net cash flows generated from operating activities	59,668	58,965
INVESTING ACTIVITIES		
Proceeds from disposal of investment securities	-	1,277
Dividend income	76	122
Purchase of property, plant and equipment	(13,961)	(69,353)
Proceeds from disposal of property, plant and equipment	96	1,618
Net cash flows used in investing activities	(13,789)	(66,336)
FINANCING ACTIVITIES		
Repayment of obligations under finance leases	(962)	(1,418)
Repayment of term loans	(31,215)	(31,052)
Proceeds from term loans	3,067	39,556
Dividend paid on ordinary shares	(1,290)	(12,967)
Net cash flows used in financing activities	(30,400)	(5,881)
Net increase/(decrease) in cash and cash equivalents	15,479	(13,252)
Effects of exchange rate changes	(1,098)	1,233
Cash and cash equivalents at beginning of year	93,924	139,368
Cash and cash equivalents at end of the period	108,305	127,349

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 July 2015 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 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

A first and final tax exempt dividend of 3 sen per ordinary share, amounting to RM1,290,000, in respect of the previous financial year ended 31 July 2015, was paid on 5 February 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 RM19,254,000, and disposed plant and equipment of net book value amounting to RM27,000.

12. Significant related party transactions

	Current year to date <u>30/04/2016</u> RM'000	Preceding year Corresponding year to date <u>30/04/2015</u> RM'000
Transactions with Sunright Limited, holding company of the Company, and its subsidiaries:		
Management fees charged by Sunright Limited	4,872	4,076
Dividend paid to Sunright Limited	625	-
Interest on loan from Sunright Limited	-	59
Sales to:		
- KES Systems & Service (1993) Pte Ltd	-	20
Purchases from:		
- KES Systems & Service (1993) Pte Ltd	578	154
- Kestronics (M) Sdn Bhd	58	25
- KESU Systems & Service, Inc.	-	255
- KES Systems, Inc.	-	957
- KEST Systems & Service Ltd	19	51
- KES Systems & Service (Shanghai) Co., Ltd	21	250

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 RM11,245,000 as at 30 April 2016.

14. Profit before tax

	Individual period		Cumulative period	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	30/04/2016	30/04/2015	30/04/2016	30/04/2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at:				
After charging:				
Fair value loss on investment securities held for trading	-	221	-	2,212
Plant and equipment written off	-	4	27	4
Loss on disposal of property, plant and equipment	-	-	-	95
Inventories written down	-	-	247	-
Net foreign exchange loss	794	38	-	-
And crediting:				
Gain on disposal of property, plant and equipment	31	6	96	-
Fair value gain on investment securities held for trading	75	-	136	-
Reversal of inventories written down	36	16	-	16
Gain on disposal on investment securities held for trading	-	-	-	697
Reversal of impairment loss on trade receivables	-	-	-	21
Net foreign exchange gain	-	-	166	844

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 RM7.8 million or 12%, from RM62.9 million in the preceding year's third quarter to RM70.8 million for the current quarter ended 30 April 2016 ("3QFY2016"), mainly because of higher demand for all services.

Raw materials and consumables used and changes in work-in-progress and finished goods increased by RM1.5 million or 27%, from RM5.5 million to RM7.0 million, due to higher sales from electronic manufacturing services.

Depreciation decreased by RM1.7 million or 11%, as certain machinery and test equipment were fully depreciated during the period under review.

Other expenses increased by RM2.1 million or 14%, from RM15.0 million to RM17.2 million, mainly due to higher exchange loss by RM0.8 million resulting from depreciation of United States Dollars ("USD") against Malaysian Ringgit ("MYR") on USD denominated receivables, and higher expenses on repair and maintenance by RM0.9 million and utilities by RM0.7 million to support the increased revenue.

Consequently, the Group's profit before tax increased by RM5.1 million, from RM4.2 million to RM9.2 million in 3QFY2016.

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

The Group's revenue increased by RM17.0 million or 9%, from RM194.2 million in the preceding year's corresponding period to RM211.2 million for the current financial period ended 30 April 2016 as a result of higher demand for all services.

Other income was lower by RM2.8 million or 76%, mainly due to absence of reversal of sundry payables of RM2.0 million as well as, lower exchange gain by RM0.7 million arising from relatively smaller appreciation of USD against MYR on USD denominated receivables.

Raw materials and consumables used and changes in work-in-progress and finished goods increased by RM2.6 million or 12%, from RM21.2 million to RM23.8 million, because of higher sales from electronic manufacturing services.

Consequently, the Group's profit before tax increased by RM12.6 million or 88%, from RM14.3 million to RM26.9 million in the reporting 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 RM9.2 million for the third quarter ended 30 April 2016, compared to RM7.8 million in the preceding quarter ended 31 January 2016. The increase in profit by RM1.4 million was mainly due to higher net revenue¹ by RM2.0 million and lower exchange loss by RM0.4 million offset by increased employee benefits expense by RM1.1 million.

¹ Revenue less raw materials and consumables used and changes in work-in-progress and finished goods.

17. Prospects

World-wide semiconductor revenue is forecasted at USD333 billion in 2016, representing a decrease of 0.6% from 2015, and two consecutive years of revenue decline. This is mainly attributable to weakened demand for key electronic equipment such as personal computers, smartphones and tablets, high inventory levels and the continuing impact of the strong USD in key markets outside of the United States.

According to International Monetary Fund report in April 2016, the global growth forecast for 2016 was further reduced by another 0.2% to 3.2%. Key economic risks include depreciation of exchange rates in emerging market economics, protracted period of low oil prices, the slowdown of China economy and non-economic concerns such as political discord, terrorism and refugee inflows, could significantly weigh down growth.

Given the lackluster economic growth, the Group will be cautious in its capital spending, focused on improving costs and managing resources efficiently, whilst continuing to drive growth in serving growing markets.

18. Profit forecast / profit guarantee

The Group was not subjected to any profit guarantee.

19. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/04/2016 RM'000	Preceding year corresponding quarter 30/04/2015 RM'000	Current year to date 30/04/2016 RM'000	Preceding year corresponding quarter 30/04/2015 RM'000
Current income tax				
- Malaysian income tax	1,647	1,012	4,230	2,729
- Foreign tax	-	122	-	1,030
	<u>1,647</u>	<u>1,134</u>	<u>4,230</u>	<u>3,759</u>

The effective tax rate was lower than the statutory tax rate, mainly due to the availability of certain tax incentives.

20. Status of uncompleted corporate proposals

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

21. Group borrowings and debt securities

	<u>As At</u> <u>30/04/2016</u> RM'000	<u>As At</u> <u>31/07/2015</u> RM'000
(a) Obligations under finance leases - secured	3,488	657
Term loans – unsecured	44,664	72,701
	<u>48,152</u>	<u>73,358</u>
(b) Repayable within 12 months	31,093	40,375
Repayable after 12 months	17,059	32,983
	<u>48,152</u>	<u>73,358</u>
(c) Loans denominated in:		
USD	-	2,693
MYR	48,152	70,665
	<u>48,152</u>	<u>73,358</u>

22. Changes in material litigation

Further to the announcement made on 10 March 2016, there were no changes in material litigation as at the date of this announcement.

23. Dividend

There was no dividend declared for the quarter under review.

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 RM22,638,000 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 30/04/2016	As at preceding financial year end 31/07/2015
	RM'000	RM'000
- Realised	251,927	234,984
- Unrealised	2,023	692
Total retained profits of the Company and its subsidiaries	253,950	235,676
Consolidation adjustments	(34,419)	(36,743)
Total group retained profits as per consolidated accounts	219,531	198,933

BY ORDER OF THE BOARD

Leong Oi Wah
Company Secretary

Petaling Jaya
Date : 2 June 2016