

Financial Results (v13)

RELEASED

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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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| Leong Oi Wah | Secretary | 012-2353586 | oiwah@epsilonas.com |

| MAIN | | | |
|---|-----------------------|--|--------|
| General Information | | | |
| Financial Year End | 31 Jul 2018 | | |
| Quarter | 3 Qtr | | |
| Quarterly report for the financial period ended | 30 Apr 2018 | | |
| The figures | have not been audited | | |
| Remarks | | | |
| Please attach the full Quarterly Report here | No | File Name | Size |
| | 1 | KESMI Grp - Q3FY2018 - Announcement-Audited FR.pdf | 81.7KB |

DEFAULT CURRENCY

| | |
|----------|-------------------------|
| Currency | Malaysian Ringgit (MYR) |
|----------|-------------------------|

| Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION | | | | |
|---|--------------------------|--------------------------------------|--------------------------|-------------------------------------|
| Summary of the Key Financial Information for the financial period ended | 30 Apr 2018 | | | |
| | INDIVIDUAL PERIOD | | CUMULATIVE PERIOD | |
| | CURRENT YEAR QUARTER | PRECEDING YEAR CORRESPONDING QUARTER | CURRENT YEAR TO DATE | PRECEDING YEAR CORRESPONDING PERIOD |
| | 30 Apr 2018 | 30 Apr 2017 | 30 Apr 2018 | 30 Apr 2017 |
| | [dd/mm/yyyy] \$\$'000 | [dd/mm/yyyy] \$\$'000 | [dd/mm/yyyy] \$\$'000 | [dd/mm/yyyy] \$\$'000 |
| 1. Revenue | 82,328 | 84,995 | 264,512 | 248,222 |
| 2. Profit/(loss) before Tax | 7,235 | 12,251 | 33,711 | 35,025 |
| 3. Profit/(loss) for the period | 5,470 | 10,604 | 28,022 | 30,591 |
| 4. Profit/(loss) attributable to ordinary equity holders of the parent | 5,470 | 10,604 | 28,022 | 30,591 |
| 5. Basic earnings/(loss) per share (Subunit) | 12.70 | 24.70 | 65.10 | 71.10 |

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Company No : 13022-A

**UNAUDITED THIRD QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 APRIL 2018**

The Board of Directors is pleased to announce the following unaudited results of the Group for the financial quarter ended 30 April 2018.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 APRIL 2018**

| | Individual period | | | Cumulative period | | |
|---|---|--|-------------|---|---|-------------|
| | Current year quarter (30/04/2018) RM'000 | Preceding year corresponding quarter (30/04/2017) RM'000 | % Change | Current year to date (30/04/2018) RM'000 | Preceding year corresponding year to date (30/04/2017) RM'000 | % Change |
| Revenue | 82,328 | 84,995 | (3%) | 264,512 | 248,222 | 7% |
| Other items of income | | | | | | |
| Interest income | 940 | 574 | 64% | 2,433 | 1,876 | 30% |
| Dividend income | 45 | 40 | 13% | 91 | 76 | 20% |
| Other income | 165 | 764 | (78%) | 1,911 | 1,059 | 80% |
| Items of expenses | | | | | | |
| Raw materials and consumables used | (6,933) | (7,935) | (13%) | (24,117) | (25,052) | (4%) |
| Changes in work-in-progress and finished goods | (234) | (25) | NM | (35) | 616 | NM |
| Employee benefits expense | (26,557) | (27,480) | (3%) | (84,977) | (84,397) | 1% |
| Depreciation of property, plant and equipment | (19,713) | (17,597) | 12% | (58,560) | (48,265) | 21% |
| Finance costs | (1,017) | (551) | 85% | (2,845) | (1,545) | 84% |
| Other expenses | (21,789) | (20,534) | 6% | (64,702) | (57,565) | 12% |
| Profit before tax | 7,235 | 12,251 | (41%) | 33,711 | 35,025 | (4%) |
| Income tax expense | (1,765) | (1,647) | 7% | (5,689) | (4,434) | 28% |
| Profit net of tax | 5,470 | 10,604 | (48%) | 28,022 | 30,591 | (8%) |
| Other comprehensive income: | | | | | | |
| Item to be reclassified subsequently to profit or loss | | | | | | |
| Foreign currency translation gain/(loss) | 13 | (482) | NM | (1,860) | 1,808 | NM |
| Total comprehensive income for the period | 5,483 | 10,122 | (46%) | 26,162 | 32,399 | (19%) |
| Earnings per share attributable to owners of the Company (sen): | | | | | | |
| - Basic | 12.7 | 24.7 | (49%) | 65.1 | 71.1 | (8%) |

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 2017 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 2018

| | <u>As at end of current quarter 30/04/2018</u> | <u>As at preceding financial year end 31/07/2017</u> |
|--|--|--|
| | <u>RM'000</u> | <u>RM'000</u> |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 222,227 | 242,873 |
| Deferred tax assets | 754 | 786 |
| | <u>222,981</u> | <u>243,659</u> |
| Current assets | | |
| Inventories | 8,623 | 7,151 |
| Trade and other receivables | 78,449 | 82,680 |
| Prepayments | 7,281 | 6,718 |
| Tax recoverable | 802 | 437 |
| Investment securities held for trading | 8,127 | 8,046 |
| Cash and short-term deposits | 146,281 | 127,576 |
| | <u>249,563</u> | <u>232,608</u> |
| Total assets | <u>472,544</u> | <u>476,267</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the Company | | |
| Share capital | 43,678 | 43,678 |
| Other reserves | 18,097 | 19,957 |
| Retained earnings | 290,945 | 265,504 |
| Total equity | <u>352,720</u> | <u>329,139</u> |
| Non-current liabilities | | |
| Obligations under finance leases | 2,920 | 2,102 |
| Bank loans | 38,175 | 35,502 |
| Defined benefit obligations | 3,301 | 3,038 |
| | <u>44,396</u> | <u>40,642</u> |
| Current liabilities | | |
| Trade and other payables | 32,669 | 74,586 |
| Obligations under finance leases | 5,203 | 3,983 |
| Bank loans | 35,096 | 27,892 |
| Income tax payable | 2,460 | 25 |
| | <u>75,428</u> | <u>106,486</u> |
| Total liabilities | <u>119,824</u> | <u>147,128</u> |
| Total equity and liabilities | <u>472,544</u> | <u>476,267</u> |
| Net assets per share attributable to owners of the Company (RM) | <u>8.20</u> | <u>7.65</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 2017 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 2018**

| FY2018 | < ----- Attributable to owners of the Company ----- > | | | | | | Total equity |
|---|---|--------------------------------------|------------------------|-----------------|-------------------|---------------|--------------|
| | < ----- Non-distributable ----- > | | | | | Distributable | |
| | Share capital | 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 2017 | 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) | |
| Transaction with owners | | | | | | | |
| Dividends | - | - | - | - | (2,581) | (2,581) | |
| At 30 April 2018 | 43,678 | 11,228 | 4,629 | 2,240 | 290,945 | 352,720 | |

| 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 | |
| At 1 August 2016 | 43,015 | 663 | 10,531 | 4,629 | 2,240 | 225,640 | 286,718 | |
| Profit for the period | - | - | - | - | - | 30,591 | 30,591 | |
| Other comprehensive income for the period | - | - | 1,808 | - | - | - | 1,808 | |
| Transactions with owners | | | | | | | | |
| Upon abolition of par value* | 663 | (663) | - | - | - | - | - | |
| Dividends | - | - | - | - | - | (1,290) | (1,290) | |
| At 30 April 2017 | 43,678 | - | 12,339 | 4,629 | 2,240 | 254,941 | 317,827 | |

* On 31 January 2017, in accordance with the Companies Act 2016, the concepts of "par value" and "authorised 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 2017 and the accompanying explanatory notes attached to the interim financial statements.

KESM INDUSTRIES BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 APRIL 2018

| | Current year to date 30/04/2018 RM'000 | Preceding year corresponding year to date 30/04/2017 RM'000 |
|--|---|--|
| OPERATING ACTIVITIES | | |
| Profit before tax | 33,711 | 35,025 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 58,560 | 48,265 |
| Plant and equipment written off | - | 5 |
| Gain on disposal of property, plant and equipment | (77) | (236) |
| Write-down/(write-back) of inventories | 93 | (104) |
| Gain on disposal of investment securities held for trading | - | (47) |
| Net fair value loss/(gain) on investment securities held for trading | 441 | (437) |
| Unrealised exchange gain | (3) | (8) |
| Dividend income | (91) | (76) |
| Interest income | (2,433) | (1,876) |
| Finance costs | 2,845 | 1,545 |
| Operating cash flows before working capital changes | 93,046 | 82,056 |
| (Increase)/decrease in inventories | (1,565) | 204 |
| Decrease/(increase) in prepayments and receivables | 2,559 | (14,941) |
| Decrease in payables | (40,096) | (2,495) |
| Cash flows generated from operations | 53,944 | 64,824 |
| Income taxes paid | (3,587) | (2,701) |
| Interest paid | (2,845) | (1,545) |
| Interest received | 2,433 | 1,876 |
| Net cash flows generated from operating activities | 49,945 | 62,454 |
| INVESTING ACTIVITIES | | |
| Increase in short-term deposits with maturity more than three months | (8,706) | (6,000) |
| Purchase of investment securities held for trading | (522) | (2,315) |
| Proceeds from disposal of investment securities held for trading | - | 886 |
| Dividend income | 91 | 76 |
| Purchase of property, plant and equipment | (32,534) | (81,265) |
| Proceeds from disposal of property, plant and equipment | 77 | 757 |
| Net cash flows used in investing activities | (41,594) | (87,861) |
| FINANCING ACTIVITIES | | |
| Repayment of obligations under finance leases | (3,019) | (1,645) |
| Repayment of bank loans | (32,234) | (22,869) |
| Proceeds from bank loans | 42,278 | 25,625 |
| Dividend paid on ordinary shares | (5,377) | (1,290) |
| Net cash flows generated from/(used in) financing activities | 1,648 | (179) |
| Net increase/(decrease) in cash and cash equivalents | 9,999 | (25,586) |
| Effects of exchange rate changes | - | 783 |
| Cash and cash equivalents at beginning of the year | 81,441 | 112,748 |
| Cash and cash equivalents at end of the period | 91,440 | 87,945 |

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Cash and cash equivalents comprised the following:

| | Current year to date 30/04/2018 RM'000 | Preceding year corresponding year to date 30/04/2017 RM'000 |
|--|---|--|
| Cash at banks | 31,157 | 30,640 |
| Deposits with licensed banks | 115,124 | 63,305 |
| Cash and short-term deposits | 146,281 | 93,945 |
| Less: Short-term deposits with maturity more than three months | (54,841) | (6,000) |
| Cash and cash equivalents | 91,440 | 87,945 |

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 July 2017 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 2017. 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 2017.

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 2017.

In the current reporting period, the Group had adopted all the new/revised standards and interpretations that are effective for annual periods beginning on or after 1 August 2017. 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 for the current financial year to date.

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 financial year to date.

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8. Dividends

| | <u>Current year to date</u> <u>30/04/2018</u> RM'000 | <u>Preceding year corresponding year to date</u> <u>30/04/2017</u> RM'000 |
|--|--|---|
| Recognised during the financial year to date | | |
| Final tax exempt dividend for 2017 at 6 sen (2016: 3 sen) per ordinary share, was paid on 13 February 2018 | <u>2,581</u> | <u>1,290</u> |

No dividend was declared for the current quarter 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 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 RM38,630,000.

12. Significant related party transactions

| | <u>Current year to date</u> <u>30/04/2018</u> RM'000 | <u>Preceding year corresponding year to date</u> <u>30/04/2017</u> RM'000 |
|---|--|---|
| Transactions with Sunright Limited, holding company of the Company, and its subsidiaries: | | |
| Management fees charged by holding company | 8,780 | 6,572 |
| Dividends paid to holding company | 1,250 | 625 |
| Rendering of services to related companies | - | 25 |
| Purchases of equipment and consumables from related companies | 4,676 | 1,537 |
| Receiving of services from related companies | <u>-</u> | <u>38</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.

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

Commitments for purchases of property, plant and equipment amounted to RM13,429,000 as at 30 April 2018.

14. Profit before tax

| | Individual period | | Cumulative period | |
|---|--|--|--|---|
| | Current year quarter 30/04/2018 RM'000 | Preceding year corresponding quarter 30/04/2017 RM'000 | Current year to date 30/04/2018 RM'000 | Preceding year corresponding year to date 30/04/2017 RM'000 |
| Profit before tax is arrived at: | | | | |
| After charging: | | | | |
| Write-down of inventories | 17 | - | 93 | - |
| Plant and equipment written off | - | - | - | 5 |
| Net fair value loss on investment securities held for trading | 1,047 | - | 441 | - |
| Net foreign exchange loss | 16 | 239 | - | 32 |
| And crediting: | | | | |
| Write-back of inventories | - | - | - | 104 |
| Gain on disposal of property, plant and equipment | 9 | - | 77 | 236 |
| Gain on disposal of investment securities held for trading | - | - | - | 47 |
| Net fair value gain on investment securities held for trading | - | 543 | - | 437 |
| Net foreign exchange gain | - | - | 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 financial year to date.

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 financial year to date.

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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 decreased by RM2.7 million or 3%, from RM85.0 million in the preceding year's third quarter, to RM82.3 million for the current quarter ended 30 April 2018 ("3QFY2018"), mainly due to lower demand for electronic manufacturing services ("EMS").

Raw materials and consumables used and changes in work-in-progress and finished goods decreased by RM0.8 million or 10%, from RM8.0 million to RM7.2 million, due to lower revenue from EMS.

Employee benefits expense decreased by RM0.9 million or 3%, as a result of lower staff compensation.

Depreciation was higher by RM2.1 million or 12% as additional machinery and test equipment were commissioned for use in the production.

Other expenses were higher by RM1.3 million or 6%, primarily because of a net fair value loss of RM1.0 million on investment securities held for trading.

Consequently, the Group's profit before tax reduced by RM5.0 million or 41%, from RM12.3 million to RM7.2 million in 3QFY2018.

Analysis of the performance for the current financial year to date

The Group's revenue increased by RM16.3 million or 7%, from RM248.2 million in the preceding year's corresponding period to RM264.5 million for the current financial period ended 30 April 2018, as a result of higher demand for burn-in and testing services.

Depreciation was higher by RM10.3 million or 21% as additional machinery and test equipment were commissioned for use in the production.

Finance costs were higher by RM1.3 million or 84% as a result of additional borrowings to fund the capital expenditure.

Other expenses were higher by RM7.1 million or 12%, mainly due to higher repairs and maintenance expense by RM1.1 million and utilities by RM2.6 million to support higher revenue, and an increase in management fees of RM2.2 million.

Consequently, the Group's profit before tax reduced by RM1.3 million or 4%, from RM35.0 million to RM33.7 million in the reporting period under review.

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Analysis of financial position

Property, plant and equipment (“PPE”) was lower by 9% or RM20.6 million, from RM242.9 million as at 31 July 2017 to RM222.2 million as at 30 April 2018. The decrease in PPE was primarily due to depreciation charge of RM58.6 million, offset by capital expenditure of RM38.6 million.

Trade and other receivables was lower by 5% or RM4.2 million, from RM82.7 million to RM78.4 million, mainly due to lower revenue.

Cash and short-term deposits improved by 15% or RM18.7 million, from RM127.6 million to RM146.3 million, which represented the net surplus cash generated from operations.

Trade and other payables was lower by 56% or RM41.9 million, from RM74.6 million to RM32.7 million, largely attributable to settlement of balances due for purchases of machinery and test equipment of RM26.8 million, and lower accrued operating expenses by RM8.1 million.

The Group’s loans and borrowings increased by 17% or RM11.9 million, from RM69.5 million to RM81.4 million, as a result of additional borrowings 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 RM7.2 million for 3QFY2018, compared to RM13.0 million in the preceding quarter ended 31 January 2018. The decrease in profit before tax by RM5.8 million was mainly due to lower net revenue¹ by RM7.3 million, offset by lower employee benefits expense by RM1.5 million as a result of lower staff compensation.

20. Prospects

World-wide semiconductor revenue is estimated to reach USD451 billion in 2018, representing a growth of 7.3% from USD420.4 billion in 2017. This reflects a more normal rate of growth.

The supply of materials for burn in and testing services has not been consistently smooth. Our equipment utilisation was affected. This unexpected disruption will progressively be corrected.

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.

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

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Company No : 13022-A

22. Taxation

| | Individual Period | | Cumulative Period | |
|---|----------------------|--------------------------------------|----------------------|---|
| | Current year quarter | Preceding year corresponding quarter | Current year to date | Preceding year corresponding year to date |
| | 30/04/2018 | 30/04/2017 | 30/04/2018 | 30/04/2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current income tax | | | | |
| - Malaysian income tax | 1,712 | 1,294 | 5,587 | 4,318 |
| - Under provision in prior years | 70 | 353 | 70 | 116 |
| | <u>1,782</u> | <u>1,647</u> | <u>5,657</u> | <u>4,434</u> |
| Deferred tax | | | | |
| - Relating to origination and reversal of temporary differences | (17) | - | 32 | - |
| | <u>1,765</u> | <u>1,647</u> | <u>5,689</u> | <u>4,434</u> |

The effective tax rate for the current quarter was higher than the statutory tax rate mainly due to certain non-deductible expenses.

The effective tax rate for the current financial year to date was lower than the statutory tax rate, largely because of the availability of certain tax benefits, such as business losses and reinvestment allowance.

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 |
|--|---------------|---------------|
| | 30/04/2018 | 31/07/2017 |
| | RM'000 | RM'000 |
| (a) Obligations under finance leases - secured | 8,123 | 6,085 |
| Bank loans * | 73,271 | 63,394 |
| | <u>81,394</u> | <u>69,479</u> |
| (b) Repayable within 12 months | 40,299 | 31,875 |
| Repayable after 12 months | 41,095 | 37,604 |
| | <u>81,394</u> | <u>69,479</u> |
| (c) Total loans and borrowings denominated in: | | |
| Renminbi | 9,734 | 5,026 |
| Ringgit Malaysia | 71,660 | 64,453 |
| | <u>81,394</u> | <u>69,479</u> |

* Included in the bank loans were secured term loans of RM9,734,000 (31/07/2017: RM5,026,000).

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25. Material litigation

There was no 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 reporting period.

| | Individual Period | | Cumulative Period | |
|---|-----------------------------|---|-----------------------------|--|
| | Current year quarter | Preceding year corresponding quarter | Current year to date | Preceding year corresponding year to date |
| | 30/04/2018 | 30/04/2017 | 30/04/2018 | 30/04/2017 |
| Profit net of tax (RM'000) | 5,470 | 10,604 | 28,022 | 30,591 |
| Weighted average number of ordinary shares ('000) | 43,014.5 | 43,014.5 | 43,014.5 | 43,014.5 |
| Basic earnings per share (sen) | 12.7 | 24.7 | 65.1 | 71.1 |

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 : 31 May 2018

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Company No : 13022-A

SUMMARY OF KEY FINANCIAL INFORMATION
FOR THE THIRD QUARTER ENDED 30 APRIL 2018

| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|----|---|--|--|--|---|
| | | CURRENT YEAR QUARTER (30/04/2018) RM'000 | PRECEDING YEAR CORRESPONDING QUARTER (30/04/2017) RM'000 | CURRENT YEAR TO DATE (30/04/2018) RM'000 | PRECEDING YEAR CORRESPONDING PERIOD (30/04/2017) RM'000 |
| 1. | Revenue | 82,328 | 84,995 | 264,512 | 248,222 |
| 2. | Profit before tax | 7,235 | 12,251 | 33,711 | 35,025 |
| 3. | Profit for the period | 5,470 | 10,604 | 28,022 | 30,591 |
| 4. | Profit attributable to ordinary equity holders of the Company | 5,470 | 10,604 | 28,022 | 30,591 |
| 5. | Basic earnings per share (sen) | 12.7 | 24.7 | 65.1 | 71.1 |
| 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) | 8.2000 | 7.6518 |

ADDITIONAL INFORMATION

| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|----|------------------------|--|--|--|---|
| | | CURRENT YEAR QUARTER (30/04/2018) RM'000 | PRECEDING YEAR CORRESPONDING QUARTER (30/04/2017) RM'000 | CURRENT YEAR TO DATE (30/04/2018) RM'000 | PRECEDING YEAR CORRESPONDING PERIOD (30/04/2017) RM'000 |
| 1. | Gross interest income | 940 | 574 | 2,433 | 1,876 |
| 2. | Gross interest expense | 1,017 | 551 | 2,845 | 1,545 |

| | | | | |
|--|------------------------------|------|------------------------------------|------|
| 6. Proposed/Declared dividend per share (Subunit) | 0.00 | 0.00 | 0.00 | 0.00 |
| | 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 (\$\$) | 8.2000 | | 7.6518 | |
| 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:

| 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 2018 [dd/mm/yyyy] \$\$'000 | 30 Apr 2017 [dd/mm/yyyy] \$\$'000 | 30 Apr 2018 [dd/mm/yyyy] \$\$'000 | 30 Apr 2017 [dd/mm/yyyy] \$\$'000 |
| 1. Gross interest income | 940 | 574 | 2,433 | 1,876 |
| 2. Gross interest expense | 1,017 | 551 | 2,845 | 1,545 |
| Remarks | | | | |

OTHER CURRENCY

| Other Currency | | | | |
|--|------------------------------|--------------------------------------|------------------------------------|-------------------------------------|
| Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION | | | | |
| Summary of the Key Financial Information for the financial period ended | 30 Apr 2018 | | | |
| | 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:

| 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 |
| | [dd/mm/yyyy] \$\$'000 | [dd/mm/yyyy] \$\$'000 | [dd/mm/yyyy] \$\$'000 | [dd/mm/yyyy] \$\$'000 |
| 1. Gross interest income | | | | |
| 2. Gross interest expense | | | | |
| Remarks | | | | |

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