



Financial Results

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Submitted

Company Information

Main Market Company

New Announcement

Submitting Investment Bank/Advisor
(if applicable)

Submitting Secretarial Firm (if applicable) Epsilon Advisory Services Sdn Bhd

* Company name KESM INDUSTRIES BERHAD
 * Stock name KESM
 * Stock code 9334
 * Contact person Ms Leong Oi Wah
 * Designation Company Secretary
 * Contact number 03-7803 1126
 E-mail address sookping@epsilonas.com

Part A : To be filled by Public Listed Company

* Financial Year End 31/07/2010
 * Quarter 2 Qtr
 * Quarterly report for the financial period ended 31/01/2010
 * The figures have not been audited

Please attach the full Quarterly Report here

[KESMI GRP - FY2010 Qtr2.xls](#)
[KESMI Grp - FY2010 Qtr2.doc](#)

Remarks

- DEFAULT CURRENCY
- OTHER CURRENCY

Currency Malaysian Ringgit (MYR)

Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Key Financial Information for the financial period ended
 * 31/01/2010

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER *	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE *	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2010 [dd/mm/yyyy] \$\$'000	31/01/2009 [dd/mm/yyyy] \$\$'000	31/01/2010 [dd/mm/yyyy] \$\$'000	31/01/2009 [dd/mm/yyyy] \$\$'000
1. Revenue	55,888	39,308	103,135	84,840
2. Profit/(loss) before tax	4,788	927	7,653	5,894

3. Profit/(loss) for the period	3,176	814	5,467	5,079
4. Profit/(loss) attributable to ordinary equity holders of the parent	2,602	678	4,518	4,698
5. Basic earnings/(loss) per share (Subunit)	6.00	1.60	10.50	10.90
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 (\$\$)		4.7500		4.6900
Remarks :				

Definition of Subunit:

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER*	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE*	PRECEDING YEAR CORRESPONDING PERIOD
	31/01/2010	31/01/2009	31/01/2010	31/01/2009
	[dd/mm/yyyy]	[dd/mm/yyyy]	[dd/mm/yyyy]	[dd/mm/yyyy]
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1. Gross interest income	320	470	639	840
2. Gross interest expense	389	735	847	1,276
Remarks :				

Note: The above information is for the Exchange internal use only.

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

Company No : 13022-A

**UNAUDITED SECOND QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31ST JANUARY 2010**

The Board of Directors announces the following unaudited results of the Group for the financial quarter ended 31st January 2010.

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER ENDED 31 JANUARY 2010**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER (31/01/2010) RM'000	PRECEDING YEAR CORRESPONDING QUARTER (31/01/2009) RM'000	CURRENT YEAR TO DATE (31/01/2010) RM'000	PRECEDING YEAR CORRESPONDING PERIOD (31/01/2009) RM'000
Revenue	55,888	39,308	103,135	84,840
Operating expenses	(51,100)	(38,168)	(95,423)	(78,616)
Other income	389	522	788	946
Profit from operations	5,177	1,662	8,500	7,170
Finance costs	(389)	(735)	(847)	(1,276)
Profit before tax	4,788	927	7,653	5,894
Taxation	(1,612)	(113)	(2,186)	(815)
Profit after tax	3,176	814	5,467	5,079
Profit for the period attributable to:				
Equity holders of the Parent	2,602	678	4,518	4,698
Minority interest	574	136	949	381
Profit after tax	3,176	814	5,467	5,079
Earnings per share (sen)				
- Basic	6.0	1.6	10.5	10.9
- Diluted	6.0	1.6	10.5	10.9

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31st July 2009.

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Company No : 13022-A

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 JANUARY 2010

	AS AT END OF CURRENT QUARTER 31/01/2010	AS AT PRECEDING FINANCIAL YEAR END 31/07/2009
	RM'000	RM'000
PROPERTY, PLANT AND EQUIPMENT	112,105	123,324
PREPAID LEASE PAYMENTS ON LAND	5,808	5,882
DEFERRED TAX ASSETS	9,174	9,174
CURRENT ASSETS		
Short term investments	8,264	8,213
Inventories	20,536	13,159
Trade and other receivables	54,668	44,356
Tax recoverable	758	1,001
Cash and bank balances	78,028	80,692
	<u>162,254</u>	<u>147,421</u>
CURRENT LIABILITIES		
Trade and other payables	34,864	25,350
Lease and hire purchase creditors	1,888	2,193
Short term borrowings	14,212	18,186
Tax payable	833	-
	<u>51,797</u>	<u>45,729</u>
NET CURRENT ASSETS	<u>110,457</u>	<u>101,692</u>
	<u>237,544</u>	<u>240,072</u>
FINANCED BY :-		
SHARE CAPITAL	43,015	43,015
RESERVES		
Reserves	15,073	15,735
Retained Profit	146,013	142,785
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	<u>204,101</u>	<u>201,535</u>
MINORITY INTEREST	<u>16,920</u>	<u>15,971</u>
TOTAL EQUITY	<u>221,021</u>	<u>217,506</u>
LONG TERM LIABILITIES		
Hire purchases payables	1,694	894
Long term loans	10,478	17,321
Deferred taxation	4,351	4,351
	<u>237,544</u>	<u>240,072</u>
Net assets per share (sen)	<u>474.5</u>	<u>468.5</u>

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the financial year ended 31st July 2009.

KESM INDUSTRIES BERHAD

(Incorporated in Malaysia)

Company No : 13022-A

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JANUARY 2010**

FY2010	<----- Attributable to Equity Holders of the Company ----->						Minority Interest	Total Equity
	Share Capital	<----- Non-distributable ----->			Distributable Retained Profit	Total		
		Share Premium	Foreign Currency Translation Reserve	Asset Revaluation Reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1/8/2009	43,015	663	2,157	12,915	142,785	201,535	15,971	217,506
Exchange difference arising on consolidation	-	-	(662)	-	-	(662)	-	(662)
Net profit for the period	-	-	-	-	4,518	4,518	949	5,467
Dividend	-	-	-	-	(1,290)	(1,290)	-	(1,290)
Balance @ 31/01/2010	43,015	663	1,495	12,915	146,013	204,101	16,920	221,021

FY2009	<----- Attributable to Equity Holders of the Company ----->						Minority Interest	Total Equity
	Share Capital	<----- Non-distributable ----->			Distributable Retained Profit	Total		
		Share Premium	Foreign Currency Translation Reserve	Asset Revaluation Reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1/8/2008	43,015	663	664	7,658	134,318	186,318	14,445	200,763
Exchange difference arising on consolidation	-	-	1,799	-	-	1,799	-	1,799
Net profit for the period	-	-	-	-	4,698	4,698	381	5,079
Dividend	-	-	-	-	(1,290)	(1,290)	-	(1,290)
Balance @ 31/01/2009	43,015	663	2,463	7,658	137,726	191,525	14,826	206,351

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 31st July 2009.

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Company No : 13022-A

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED 31 JANUARY 2010**

	Current Year-To-Date Ended 31/01/2010	Preceding Corresponding Year-To-Date Ended 31/01/2009
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	7,653	5,894
Adjustments for non-cash items :		
Depreciation of property, plant and equipment	21,511	24,053
Impairment of property, plant and equipment	89	-
Amortisation of prepaid lease payments on land	74	73
Other non-cash items	(1,027)	(735)
Operating income before reinvestment in working capital	28,300	29,285
Net change in current assets	(17,540)	(2,037)
Net change in current liabilities	7,333	(6,258)
Income taxes paid	(1,110)	(1,724)
Net cash provided by operating activities	16,983	19,266
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment in quoted shares	(625)	(565)
Proceeds from disposal of quoted shares	1,382	1,362
Purchase of property, plant and equipment	(8,670)	(23,954)
Proceeds from disposal of property, plant and equipment	71	109
Net cash used in investment activities	(7,842)	(23,048)
CASH FLOWS FROM FINANCING ACTIVITIES		
Hire purchase payables	(1,574)	(1,415)
Bank borrowings	(10,817)	24,923
Dividend paid	-	(621)
Net cash (used in)/provided by financing activities	(12,391)	22,887
Net changes in cash and cash equivalents	(3,250)	19,105
Effects of foreign exchange rate changes	586	(1,677)
Cash and cash equivalents at beginning of year	80,692	59,016
Cash and cash equivalents at end of the period	78,028	76,444

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31st July 2009.

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standards (“FRS”) No.134 : “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, and should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 July 2009.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted for the audited annual financial statements for the year ended 31 July 2009.

2. Audit report of preceding annual financial statements

The audit report of the Group’s most recent audited annual financial statements for the year ended 31 July 2009 was not qualified.

3. Seasonality or cyclicity of operations

There is no material seasonal or cyclical fluctuation in the operations of the Group.

4. 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 period under review.

5. 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.

6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year-to-date.

7. 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 2009, was paid on 2 February 2010.

8. Segmental reporting

Segmental revenue and results for the current financial period to-date were as follows:-

	Burn-in, testing and electronic manufacturing services		Investments holdings		Total	
	31/01/2010 RM'000	31/01/2009 RM'000	31/01/2010 RM'000	31/01/2009 RM'000	31/01/2010 RM'000	31/01/2009 RM'000
Revenue						
Sales to external customers	103,135	84,840	-	-	103,135	84,840
Dividend income	-	-	149	106	149	106
	103,135	84,840	149	106	103,284	84,946
Results						
Segment results	6,892	3,112	957	812	7,849	3,924
Other operating income					12	2,406
Finance costs					(847)	(1,276)
Interest income					639	840
Profit before tax					7,653	5,894
Income tax					(2,186)	(815)
Profit for the period					5,467	5,079

9. Valuations of property, plant and equipment

The valuation of property, plant and equipment has been brought forward without any amendment from the previous audited annual financial statements.

10. Material events not reflected in the financial statements

There are no material subsequent events to be disclosed as at the date of this report.

11. Changes in the composition of the Group

There was no change in the composition of the Group for the financial year-to-date.

12. Contingent liabilities

	AS AT 31/01/2010 RM'000	AS AT 31/07/2009 RM'000
Guarantees granted to licensed banks in respect of credit facilities extended to subsidiary companies	<u>15,973</u>	<u>15,973</u>

13. Review of Performance of the Group

The Group's revenue increased by RM18.3 million or 22% to RM103.1 million for the half year ended 31 January 2010 from RM84.8 million achieved in the preceding corresponding period. The increase was mainly attributable to a higher demand for testing and electronic manufacturing services.

Operating expenses increased by RM16.8 million or 21% over the previous corresponding period, from RM78.6 million to RM95.4 million. Included in the operating expenses was an exchange loss of RM1.3 million for the half year ended 31 January 2010 as compared to an exchange gain of RM2.5 million in the previous corresponding period. The exchange loss arose from the depreciation in US Dollars against Ringgit as the intercompany loans were denominated in US Dollars. Excluding the effects of foreign exchange, the increase in operating expenses was mainly due to higher cost of sales of RM12.6 million following an increase in sales.

Finance costs decreased by RM0.5 million, from RM1.3 million to RM0.8 million, for the half year ended 31 January 2010 due to lower borrowings.

In effect, the Group's profit before tax increased by RM1.8 million or 30% from RM5.9 million to RM7.7 million for the six months ended 31 January 2010.

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

The Group achieved a profit before tax of RM4.8 million for the second quarter ended 31 January 2010. This was an increase of RM1.9 million or 66% from the RM2.9 million profit before tax in the preceding quarter ended 31 October 2009.

The increase was largely attributed to higher margins from testing and electronic manufacturing services despite no gain on disposal of quoted shares recorded in the current quarter.

15. Prospects

The semiconductor industry is expecting revenue growth of 20% in 2010, reaching USD276 billion, on the back of two years of consecutive revenue contractions of 5.4% and 9.6% in 2008 and 2009 respectively.

Barring unforeseen circumstances, the Group expects to benefit from the industry recovery momentum and remain profitable in the coming quarter.

16. Profit forecast / profit guarantee

The Group is not subjected to any profit guarantee.

17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/01/2010 RM'000	Preceding Year Corresponding Quarter 31/01/2009 RM'000	Current Year To Date 31/01/2010 RM'000	Preceding Year Corresponding Quarter 31/01/2009 RM'000
Malaysian taxation based on results for the year :				
- Current	1,612	172	2,186	874
Over provision in respect of prior year :				
- Current	-	(59)	-	(59)
	<u>1,612</u>	<u>113</u>	<u>2,186</u>	<u>815</u>

The effective tax rate for the half year ended 31 January 2010 is higher than the statutory tax rate. This is mainly due to certain non tax deductible expenses.

18. Sale of unquoted investments and/or properties

There were no sales of unquoted investment or properties in the current quarter and financial year to date.

19. Purchase or disposal of quoted securities

During the second financial quarter, the Group made the following acquisitions and disposal of quoted securities.

	Individual Quarter	Cumulative Quarter
	Current Year Quarter 31/01/2010 RM'000	Current Year To Date 31/01/2010 RM'000
Total purchases	-	626
Total disposal	-	(575)
Gain on disposal	-	808
	<u>As at 31/01/2010 RM'000</u>	<u>As at 31/07/2009 RM'000</u>
Quoted shares : - at cost	8,264	8,213
- at carrying value	8,264	8,213
- at market value	<u>12,768</u>	<u>11,747</u>

20. Status of uncompleted corporate proposals

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

21. Group borrowings and debt securities

	<u>As At</u> <u>31/01/2010</u> RM'000	<u>As At</u> <u>31/07/2009</u> RM'000
(a) Group borrowings		
- Secured	23,316	34,133
Other loan – unsecured	1,374	1,374
	<u>24,690</u>	<u>35,507</u>
(b) Repayable within 12 months	14,212	18,186
Repayable after 12 months	10,478	17,321
	<u>24,690</u>	<u>35,507</u>

(c) The securities provided on term loans comprise fixed charge on certain assets of the Group.

Other loan represents unsecured loan obtained from a minority shareholder of a subsidiary company who is also a corporate shareholder of the Company. This loan bears interest at prevailing commercial rates and has no fixed term of repayment.

22. Financial instruments with off balance sheet risk

There were no financial instruments with off balance sheet risk.

23. Changes in material litigation

There was no pending material litigation.

24. Dividend

The Board does not recommend any interim dividend for the financial quarter ended 31 January 2010.

25. Earnings Per Share

(a) Basic earnings per ordinary share

The calculation of basic earnings per share for the period is based on the net profit attributable to ordinary shareholders of the Parent of RM4,518,000 and the weighted average number of 43,015,000 ordinary shares outstanding during the quarter.

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per share for the period is based on the net profit attributable to ordinary shareholders of the Parent of RM4,518,000 and the weighted average number of 43,020,000 dilutive potential ordinary shares outstanding during the current quarter.

BY ORDER OF THE BOARD

Leong Oi Wah
Company Secretary

Petaling Jaya
Date : 9 March 2010