



## 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	Leong Oi Wah
* Designation	Company Secretary
* Contact number	03-7803 1126
E-mail address	liching@epsilonas.com

Part A1 : Quarterly Report	
* Financial Year End	31/07/2009
* Quarter	4 Qtr
* Quarterly report for the financial period ended	31/07/2009
* The figures	have not been audited

Please attach the full Quarterly Report here

[KESMI GRP - FY2009 Qtr4 - Announcement.xls](#)  
[KESMI Grp - FY2009 Qtr4 - Announcement.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  
 \* 31/07/2009

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER *	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE *	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2009 [dd/mm/yyyy] \$\$'000	31/07/2008 [dd/mm/yyyy] \$\$'000	31/07/2009 [dd/mm/yyyy] \$\$'000	31/07/2008 [dd/mm/yyyy] \$\$'000
1. Revenue	47,065	46,192	169,315	197,504
2. Profit/(loss) before tax	3,464	4,283	10,448	20,691

3. Profit/(loss) for the period	5,756	7,478	11,283	35,376
4. Profit/(loss) attributable to ordinary equity holders of the parent	4,811	6,811	9,757	30,661
5. Basic earnings/(loss) per share (Subunit)	11.20	15.80	22.70	71.30
6. Proposed/Declared dividend per share (Subunit)	3.00	3.00	3.00	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 (\$\$)		4.6900		4.3300
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
	31/07/2009	31/07/2008	31/07/2009	31/07/2008
	[dd/mm/yyyy]	[dd/mm/yyyy]	[dd/mm/yyyy]	[dd/mm/yyyy]
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1. Gross Interest income	296	270	1,490	1,618
2. Gross interest expense	515	349	2,382	1,631
Remarks :				

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

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

Company No : 13022-A

**UNAUDITED FOURTH QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL QUARTER ENDED 31ST JULY 2009**

The Board of Directors announces the following unaudited results of the Group for the financial quarter ended 31st July 2009.

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE QUARTER ENDED 31 JULY 2009**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER (31/07/2009) RM'000	PRECEDING YEAR CORRESPONDING QUARTER (31/07/2008) RM'000	CURRENT YEAR TO DATE (31/07/2009) RM'000	PRECEDING YEAR CORRESPONDING PERIOD (31/07/2008) RM'000
Revenue	47,065	46,192	169,315	197,504
Operating expenses	(43,396)	(41,998)	(158,194)	(177,029)
Other income	310	438	1,709	1,847
Profit from operations	3,979	4,632	12,830	22,322
Finance costs	(515)	(349)	(2,382)	(1,631)
Profit before tax	3,464	4,283	10,448	20,691
Taxation	2,292	3,195	835	14,685
Profit after tax	<u>5,756</u>	<u>7,478</u>	<u>11,283</u>	<u>35,376</u>
Profit for the period attributable to:				
Equity holders of the Parent	4,811	6,811	9,757	30,661
Minority interest	945	667	1,526	4,715
Profit after tax	<u>5,756</u>	<u>7,478</u>	<u>11,283</u>	<u>35,376</u>
Earnings per share (sen)				
- Basic	11.2	15.8	22.7	71.3
- Diluted	11.2	15.4	22.7	69.4

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31st July 2008.

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

Company No : 13022-A

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 31 JULY 2009**

	AS AT END OF CURRENT QUARTER 31/07/2009	AS AT PRECEDING FINANCIAL YEAR END 31/07/2008
	RM'000	RM'000
PROPERTY, PLANT AND EQUIPMENT	123,324	144,006
PREPAID LEASE PAYMENTS ON LAND	5,882	6,024
DEFERRED TAX ASSETS	9,174	8,208
<b>CURRENT ASSETS</b>		
Short term investments	8,213	6,243
Inventories	13,159	8,045
Trade and other receivables	44,356	38,943
Tax recoverable	1,001	-
Cash and bank balances	80,692	59,016
	<u>147,421</u>	<u>112,247</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	25,350	39,531
Lease and hire purchase creditors	2,193	2,780
Short term borrowings	18,186	12,191
Tax payable	-	2,252
	<u>45,729</u>	<u>56,754</u>
<b>NET CURRENT ASSETS</b>	101,692	55,493
	<u>240,072</u>	<u>213,731</u>
<b>FINANCED BY :-</b>		
<b>SHARE CAPITAL</b>	43,015	43,015
<b>RESERVES</b>		
Reserves	15,735	8,985
Retained Profit	142,785	134,318
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	201,535	186,318
<b>MINORITY INTEREST</b>	15,971	14,445
<b>TOTAL EQUITY</b>	217,506	200,763
<b>LONG TERM LIABILITIES</b>		
Hire purchases payables	894	3,088
Long term loans	17,321	9,006
Deferred taxation	4,351	874
	<u>240,072</u>	<u>213,731</u>
<b>Net assets per share (sen)</b>	<u>468.5</u>	<u>433.1</u>

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the financial year ended 31st July 2008.

# KESM INDUSTRIES BERHAD

(Incorporated in Malaysia)

Company No : 13022-A

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 JULY 2009

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	-	-	1,493	-	-	1,493	-	1,493
Net profit for the year	-	-	-	-	9,757	9,757	1,526	11,283
Net surplus in revaluation of buildings	-	-	-	5,257	-	5,257	-	5,257
Dividend	-	-	-	-	(1,290)	(1,290)	-	(1,290)
Balance @ 31/07/2009	43,015	663	2,157	12,915	142,785	201,535	15,971	217,506

FY2008	< ----- 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 1/8/2007								
As previously stated	43,001	649	-	7,433	102,191	153,274	8,270	161,544
Effects of adopting FRS 112	-	-	-	-	2,756	2,756	1,460	4,216
At 1/8/2007 (restated)	43,001	649	-	7,433	104,947	156,030	9,730	165,760
Exchange difference arising on consolidation	-	-	664	-	-	664	-	664
Net profit for the year	-	-	-	-	30,661	30,661	4,715	35,376
Dividend	-	-	-	-	(1,290)	(1,290)	-	(1,290)
Effects on deferred tax relating to reduction in tax rate	-	-	-	225	-	225	-	225
Exercised of options to subscribe for ordinary shares in the Company	14	14	-	-	-	28	-	28
Balance @ 31/07/2008	43,015	663	664	7,658	134,318	186,318	14,445	200,763

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 2008.

**KESM INDUSTRIES BERHAD**

(Incorporated in Malaysia)

Company No : 13022-A

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE QUARTER ENDED 31 JULY 2009**

	<b>Current Year-To-Date Ended 31/07/2009</b>	<b>Preceding Corresponding Year-To-Date Ended 31/07/2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before tax	10,448	20,691
Adjustments for non-cash items :		
Depreciation of property, plant and equipment	46,944	44,690
Impairment of property, plant and equipment	177	354
Amortisation of prepaid lease payments on land	142	142
Other non-cash items	(2,683)	(2,355)
Operating income before reinvestment in working capital	55,028	63,522
Net change in current assets	(10,527)	8,141
Net change in current liabilities	(12,472)	2,577
Income taxes paid	(1,569)	(4,413)
Net cash provided by operating activities	30,460	69,827
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment in quoted shares	(2,723)	(5,166)
Proceeds from disposal of quoted shares	1,413	2,266
Purchase of property, plant and equipment	(16,401)	(86,100)
Proceeds from disposal of property, plant and equipment	107	178
Net cash used in investment activities	(17,604)	(88,822)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Hire purchase payables	(2,781)	(1,904)
Bank borrowings	14,310	(9,092)
Dividend paid	(1,290)	(1,290)
Issue of new shares	-	28
Net cash used in financing activities	10,239	(12,258)
Net changes in cash and cash equivalents	23,095	(31,253)
Effects of foreign exchange rate changes	(1,419)	721
Cash and cash equivalents at beginning of year	59,016	89,548
Cash and cash equivalents at end of the period	80,692	59,016

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31st July 2008.

**KESM INDUSTRIES BERHAD**

(Incorporated in Malaysia)

Company No : 13022-A

**SUMMARY OF KEY FINANCIAL INFORMATION  
FOR THE FOURTH QUARTER ENDED 31 JULY 2009**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER  (31/07/2009) RM'000	PRECEDING YEAR CORRESPONDING QUARTER (31/07/2008) RM'000	CURRENT YEAR TO DATE (31/07/2009) RM'000	PRECEDING YEAR CORRESPONDING PERIOD (31/07/2008) RM'000
1. Revenue	47,065	46,192	169,315	197,504
2. Profit before tax	3,464	4,283	10,448	20,691
3. Profit after tax and minority interest	4,811	6,811	9,757	30,661
4. Net Profit for the period	5,756	7,478	11,283	35,376
5. Basic earnings per share (sen)	11.2	15.8	22.7	71.3
6. Dividend per share (sen)	3.00	3.00	3.00	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 (RM)	4.69	4.33

**ADDITIONAL INFORMATION**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER  (31/07/2009) RM'000	PRECEDING YEAR CORRESPONDING QUARTER (31/07/2008) RM'000	CURRENT YEAR TO DATE (31/07/2009) RM'000	PRECEDING YEAR CORRESPONDING PERIOD (31/07/2008) RM'000
1. Profit from operations	3,979	4,632	12,830	22,322
2. Gross interest income	296	270	1,490	1,618
3. Gross interest expenses	(515)	(349)	(2,382)	(1,631)

## **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 Listing Requirements, and should be read in conjunction with the Group’s audited financial statements for the year ended 31 July 2008.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted for the annual financial statements for the year ended 31 July 2008.

### **2. Audit report of preceding annual financial statements**

The audit report of the Group’s most recent annual audited financial statements for the year ended 31 July 2008 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 2008, was paid on 23 January 2009.



## 8. Segmental reporting

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

	Burn-in, testing and electronic manufacturing service		Investments holdings		Total	
	31/07/2009 RM'000	31/07/2008 RM'000	31/07/2009 RM'000	31/07/2008 RM'000	31/07/2009 RM'000	31/07/2008 RM'000
<b>Revenue</b>						
Sales to external customers	169,315	197,504	-	-	169,315	197,504
Dividend income	-	-	219	229	219	229
	<b>169,315</b>	<b>197,504</b>	<b>219</b>	<b>229</b>	<b>169,534</b>	<b>197,733</b>
<b>Results</b>						
Segment results	8,240	18,023	879	1,761	9,119	19,784
Other operating income					2,221	920
Finance costs					(2,382)	(1,631)
Interest income					1,490	1,618
Profit before tax					10,448	20,691
Income tax					835	14,685
Profit for the period					<b>11,283</b>	<b>35,376</b>

## 9. Valuations of property, plant and equipment

The Group's leasehold buildings were revalued during the financial year ended 31 July 2009. The buildings were revalued based on valuation conducted by Colliers, Jordan Lee & Jaafar in April 2009, using the cost method of valuation.

## 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 31/07/2009 RM'000	AS AT 31/07/2008 RM'000
Guarantees granted to licensed banks in respect of credit facilities extended to subsidiary companies	<u>15,973</u>	<u>17,505</u>

### **13. Review of Performance of the Group**

The Group's revenue for the year ended 31 July 2009 decreased by 14% to RM169.3 million, from RM197.5 million in the previous corresponding year. The decrease was largely attributed to lower capacity utilisation across all business units.

Operating expenses decreased by 11% to RM158.2 million from RM177 million in the previous corresponding year. The decrease was largely due to the lower revenue in FY2009 and lower equity gain of RM0.9 million, partially offset by an increase in exchange gain of RM1.4 million. The exchange gain resulted from the strengthening of US Dollar denominated intercompany loans extended to the wholly owned subsidiary company in China.

In effect, the Group's profit before tax decreased by 49%, from RM20.7 million to RM10.4 million for the year ended 31 July 2009.

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

The Group achieved a profit before tax of RM3.5 million for the fourth quarter ended 31 July 2009. This was an increase of RM2.4 million from the RM1.1 million profit before tax reported in the preceding quarter ended 30 April 2009. The increase was a result of 26% improvement in revenue in the fourth quarter as compared to the preceding quarter.

### **15. Prospects**

The Group expects to remain profitable in the coming financial year.

### **16. Profit forecast / profit guarantee**

The Group is not subjected to any profit guarantee.

## Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Quarter	Preceding Year Corresponding Quarter
	31/07/2009	31/07/2008	31/07/2009	31/07/2008
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation based on results for the year :				
- Current	(424)	(2,785)	1,078	2,675
- Deferred	1,046	(452)	1,046	(452)
	622	(3,237)	2,124	2,218
Over provision in respect of prior year :				
- Current	(2,717)	137	(2,762)	137
- Deferred	(197)	(95)	(197)	(17,045)
	(2,292)	(3,195)	(835)	(14,685)

The effective tax rate for financial year to date is lower than the statutory tax rate largely due to the utilisation of reinvestment allowances.

The Group wrote back deferred tax provision amounting to RM17.04 million in the previous corresponding financial year on obtaining satisfactory agreement on Reinvestment Allowance claims.

### 17. 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.

### 18. Purchase or disposal of quoted securities

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

	Individual Quarter	Cumulative Quarter
	Current Year Quarter 31/07/2009	Current Year To Date 31/07/2009
	RM'000	RM'000
Total purchases	490	2,723
Total disposal	-	(753)
Gain on disposal	-	660
	As at 31/07/2009	As at 31/07/2008
	RM'000	RM'000
Quoted shares : - at cost	8,213	6,578
- at carrying value	8,213	6,243
- at market value	11,747	8,788

## 19. Status of uncompleted corporate proposals

There was no uncompleted corporate announcement.

## 20. Group borrowings and debt securities

	<u>As At</u> <u>31/07/2009</u> RM'000	<u>As At</u> <u>31/07/2008</u> RM'000
(a) Group borrowings		
- Secured	34,133	19,823
Other loan – unsecured	1,374	1,374
	<u>35,507</u>	<u>21,197</u>
(b) Repayable within 12 months	18,186	12,191
Repayable after 12 months	17,321	9,006
	<u>35,507</u>	<u>21,197</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 bore interest at prevailing commercial rates and has no fixed term of repayment.

## 21. Financial instruments with off balance sheet risk

There were no financial instruments with off balance sheet risk.

## 22. Changes in material litigation

There was no pending material litigation.

## 23. Dividend

The Board recommends for shareholders' approval at the forthcoming Annual General Meeting a first and final tax exempt dividend of 3.0 sen per share in respect of the financial year ended 31 July 2009.

## **24. 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 RM9,757,000 and the weighted average number of 43,015,000 ordinary shares outstanding during the year.

### **(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 RM9,757,000 and the weighted average number of 43,018,000 dilutive potential ordinary shares outstanding during the current year.

BY ORDER OF THE BOARD

Leong Oi Wah  
Company Secretary

Petaling Jaya  
Date :17 September 2009