



Financial Results

Form Version 8 (Enhanced)

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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	03-78031126
E-mail address	lucasong@epsilonas.com

Part A : To be filled by Public Listed Company

* Financial Year End	31/07/2011
* Quarter	1 Qtr
* Quarterly report for the financial period ended	31/10/2010
* The figures	have not been audited

Please attach the full Quarterly Report here

[KESMI GRP - FY2011 1Qtr - Announcement.xls](#)
[KESMI Grp - 1Qtr FY11 - 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
* 31/10/2010

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER *	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE *	PRECEDING YEAR CORRESPONDING PERIOD
	31/10/2010	31/10/2009	31/10/2010	31/10/2009
	[dd/mm/yyyy]	[dd/mm/yyyy]	[dd/mm/yyyy]	[dd/mm/yyyy]
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1. Revenue	63,581	47,247	63,581	47,247
2. Profit/(loss) before tax	8,625	2,865	8,625	2,865
3. Profit/(loss) for the period	5,994	2,291	5,994	2,291

4. Profit/(loss) attributable to ordinary equity holders of the parent	4,472	1,916	4,472	1,916
5. Basic earnings/(loss) per share (Subunit)	10.40	4.50	10.40	4.50
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 (\$\$)		5.0900		4.9000
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
	31/10/2010	31/10/2009	31/10/2010	31/10/2009
	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000
1. Gross interest income	247	319	247	319
2. Gross interest expense	486	458	486	458
Remarks :				

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

KESM INDUSTRIES BERHAD

(Incorporated in Malaysia)

Company No : 13022-A

**UNAUDITED FIRST QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 OCTOBER 2010**

The Board of Directors is pleased to announce the following unaudited results of the Group for the financial quarter ended 31 October 2010.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 OCTOBER 2010**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER (31/10/2010) RM'000	PRECEDING YEAR CORRESPONDING QUARTER (31/10/2009) RM'000	CURRENT YEAR TO DATE (31/10/2010) RM'000	PRECEDING YEAR CORRESPONDING PERIOD (31/10/2009) RM'000
Revenue	63,581	47,247	63,581	47,247
Operating expenses	(54,773)	(44,323)	(54,773)	(44,323)
Other income	56	80	56	80
Profit from operations	8,864	3,004	8,864	3,004
Interest income	247	319	247	319
Finance costs	(486)	(458)	(486)	(458)
Profit before tax	8,625	2,865	8,625	2,865
Income tax expense	(2,631)	(574)	(2,631)	(574)
Profit for the period	5,994	2,291	5,994	2,291
Other comprehensive income:				
Foreign currency translation reserve	(39)	(323)	(39)	(323)
Other comprehensive income for the period, net of tax	(39)	(323)	(39)	(323)
Total comprehensive income for the period	5,955	1,968	5,955	1,968
Profit attributable to:				
Owners of the parent	4,472	1,916	4,472	1,916
Minority interests	1,522	375	1,522	375
	5,994	2,291	5,994	2,291
Total comprehensive income attributable to:				
Owners of the parent	4,433	1,593	4,433	1,593
Minority interests	1,522	375	1,522	375
	5,955	1,968	5,955	1,968
Earnings per share attributable to owners of the parent (sen per share):				
- Basic	10.4	4.5	10.4	4.5
- Diluted	10.4	4.5	10.4	4.5

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 July 2010 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 31 OCTOBER 2010

	<u>AS AT END OF CURRENT QUARTER 31/10/2010</u>	<u>AS AT PRECEDING FINANCIAL YEAR END 31/07/2010</u>
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	187,857	150,707
Prepaid land lease payments	5,700	5,737
Deferred tax assets	6,386	6,386
	<u>199,943</u>	<u>162,830</u>
Current assets		
Inventories	17,742	16,085
Trade and other receivables	68,565	62,835
Other investments	12,125	7,204
Tax recoverable	316	538
Cash and bank balances	88,003	68,585
	<u>186,751</u>	<u>155,247</u>
Total assets	<u>386,694</u>	<u>318,077</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	43,015	43,015
Reserves	14,444	14,483
Retained earnings	161,386	153,241
	<u>218,845</u>	<u>210,739</u>
Minority interests	19,767	18,245
Total equity	<u>238,612</u>	<u>228,984</u>
Non-current liabilities		
Obligations under finance leases	1,088	1,372
Long term loans	36,012	8,212
Deferred tax liabilities	3,583	3,583
	<u>40,683</u>	<u>13,167</u>
Current liabilities		
Trade and other payables	83,948	55,979
Obligations under finance leases	1,753	2,029
Term loans	19,523	17,231
Tax payable	2,175	687
	<u>107,399</u>	<u>75,926</u>
Total liabilities	<u>148,082</u>	<u>89,093</u>
Total equity and liabilities	<u>386,694</u>	<u>318,077</u>
Net assets per share attributable to owners of the parent (sen)	<u>508.8</u>	<u>489.9</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 2010 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 31 OCTOBER 2010

FY2011	< ----- Attributable to owners of the parent ----- >						Minority interests	Total equity
	Share capital	< ----- Non-distributable ----- >			Distributable retained earnings	Total		
		Share premium	Foreign currency translation reserve	Asset revaluation reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 August 2010	43,015	663	905	12,915	153,241	210,739	18,245	228,984
Effect of adopting FRS 139	-	-	-	-	3,673	3,673	-	3,673
At 1 August 2010, as restated	43,015	663	905	12,915	156,914	214,412	18,245	232,657
Total comprehensive income	-	-	(39)	-	4,472	4,433	1,522	5,955
Balance at 31 October 2010	43,015	663	866	12,915	161,386	218,845	19,767	238,612

FY2010	< ----- Attributable to owners of the parent ----- >						Minority interests	Total equity
	Share capital	< ----- Non-distributable ----- >			Distributable retained earnings	Total		
		Share premium	Foreign currency translation reserve	Asset revaluation reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 August 2009	43,015	663	2,157	12,915	142,785	201,535	15,971	217,506
Total comprehensive income	-	-	(323)	-	1,916	1,593	375	1,968
Balance at 31 October 2009	43,015	663	1,834	12,915	144,701	203,128	16,346	219,474

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 2010 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 31 OCTOBER 2010

	Current year to date ended 31/10/2010 RM'000	Preceding corresponding year to date ended 31/10/2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	8,625	2,865
Adjustments for non-cash items :		
Depreciation of property, plant and equipment	11,544	11,018
Impairment of property, plant and equipment	-	44
Amortisation of prepaid lease payments on land	37	36
Other non-cash items	(308)	(755)
Operating income before reinvestment in working capital	19,898	13,208
Increase in current assets	(7,387)	(4,402)
Increase in current liabilities	26,429	1,730
Taxes paid	(921)	(299)
Interest paid	(486)	(458)
Interest received	247	319
Net cash generated from operating activities	37,780	10,098
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment in quoted shares	-	(626)
Proceeds from disposal of quoted shares	-	1,383
Dividend income	56	80
Purchase of property, plant and equipment	(47,918)	(2,323)
Proceeds from disposal of property, plant and equipment	3	3
Net cash used in investment activities	(47,859)	(1,483)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of obligations under finance leases	(560)	(1,152)
Repayments of loans	(3,700)	(5,554)
Proceeds from loans	33,581	-
Net cash provided by/(used in) financing activities	29,321	(6,706)
Net increase in cash and cash equivalents	19,242	1,909
Effects of exchange rate changes	176	284
Cash and cash equivalents at beginning of year	68,585	80,692
Cash and cash equivalents at end of the period	88,003	82,885

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 July 2010 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 Financial Reporting Standards ("FRS") 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. The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 July 2010. 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 2010.

2. Significant accounting policies

The significant accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those of the audited financial statements for the year ended 31 July 2010, except for the adoption of the new/revised Financial Reporting Standards (FRSs), Amendments to FRSs, and IC interpretations effective for financial year beginning 1 August 2010.

Other than for the application of FRS 139: Financial Instruments: Recognition and Measurement, the application of the new/revised FRSs, Amendments to FRSs, and IC interpretations did not result in any material financial impact on the Group.

The principal effects of new/revised FRSs are as follows:

FRS 7: Financial Instruments: Disclosures

FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis of the market risk.

FRS 101: Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity included only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognized in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

FRS 139: Financial Instruments: Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments in the statement of financial position reflects the designation for the financial instruments. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 August 2010. Comparatives are not restated. The adoption of FRS 139 has affected the equity investments as discussed below:

Prior to 1 August 2010, the Group classified its investments in equity instruments which were held for trading as marketable securities. Such investments were carried at the lower of cost and market value, determined on an aggregate basis. Upon the adoption of FRS139, these investments are designated at 1 August 2010 as financial assets at fair value through profit or loss and accordingly are stated at their fair values as at that date amounting to RM3,673,000. The adjustments to their previous carrying amounts are recognized as adjustments to the opening balance of retained earnings as at 1 August 2010, as disclosed in the statement of changes in equity.

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 2010 was not qualified.

4. Seasonality or cyclicity of operations

There is 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 period under review.

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. 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.

8. Dividends paid

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

9. Segmental reporting

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

	Burn-in, testing and electronic manufacturing services		Investment holding		Total	
	31/10/2010 RM'000	31/10/2009 RM'000	31/10/2010 RM'000	31/10/2009 RM'000	31/10/2010 RM'000	31/10/2009 RM'000
Revenue						
Sales to external customers	63,581	47,247	-	-	63,581	47,247
Dividend income	-	-	56	80	56	80
	63,581	47,247	56	80	63,637	47,327
Results						
Segment profit	7,560	2,116	1,304	888	8,864	3,004
Interest income					247	319
Finance costs					(486)	(458)
Profit before tax					8,625	2,865
Income tax expense					(2,631)	(574)
Profit for the period					5,994	2,291

10. Valuations of property, plant and equipment

The property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses. There was no revaluation of property, plant and equipment for the current quarter and financial year to date.

11. Material events not reflected in the financial statements

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

12. Changes in the composition of the Group

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

13. Contingent liabilities

	As at 31/10/2010 RM'000	As at 31/07/2010 RM'000
Guarantees granted to licensed banks in respect of credit facilities extended to subsidiary companies	<u>16,373</u>	<u>16,373</u>

14. Review of Performance of the Group

The Group's revenue for the first quarter ended 31 October 2010 increased by RM16.3 million or 35%, from RM47.2 million in the preceding year's corresponding quarter to RM63.6 million as a result of a sustained increase in the demand for burn-in and testing services.

Operating expenses were higher by RM10.5 million or 24%. The increase was largely attributed to higher material consumption, labour and overhead costs to support higher sales.

In effect, the Group's profit before tax was higher by RM5.8 million from RM2.9 million in the preceding year's corresponding quarter to RM8.6 million for the first quarter ended 31 October 2010.

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

Profit before taxation was higher by RM1.7 million, from preceding quarter ended 31 July 2010 at RM6.9 million, to current quarter ended 31 October 2010 at RM8.6 million.

Included in the profit before taxation was (i) a fair value gain on quoted investments of RM1.2 million following the adoption of new standard (FRS 139) in current quarter, and (ii) an exchange loss of RM0.8 million (as opposed to an exchange gain of RM0.3 million in the preceding quarter) arising from depreciation of USD against Ringgit on certain receivables.

Notwithstanding these factors, better economies of scale contributed to higher profit before taxation.

16. Prospects

The Group expects to remain profitable in the coming quarter.

17. Profit forecast / profit guarantee

The Group is not subjected to any profit guarantee.

18. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2010 RM'000	Preceding year corresponding quarter 31/10/2009 RM'000	Current year to date 31/10/2010 RM'000	Preceding year corresponding quarter 31/10/2009 RM'000
Current income tax				
- Malaysian income tax	1,890	574	1,890	574
- Foreign tax	682	-	682	-
- Under provision in prior years	59	-	59	-
	2,631	574	2,631	574

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The effective tax rate is higher than the statutory tax rate. This is mainly due to certain non-deductible expenses.

19. Sale of unquoted investments and/or properties

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

20. Purchase or disposal of quoted securities

During the first financial quarter, there were no acquisition or disposal of quoted securities by the Group.

	<u>As at</u> <u>31/10/2010</u> RM'000	<u>As at</u> <u>31/07/2010</u> RM'000
Quoted investments:		
- at carrying value	<u>12,125</u>	<u>7,204</u>
- at market value	<u>12,125</u>	<u>10,877</u>

21. Status of uncompleted corporate proposals

The Company has proposed to seek the approval of the shareholders for the Proposed Amendments to the Articles of Association of the Company in line with the amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements in relation to e-Dividend at the Company's Annual General Meeting ("AGM") to be held on 11 January 2011 and Proposed Renewal of 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 AGM.

22. Group borrowings and debt securities

	<u>As At</u> <u>31/10/2010</u> RM'000	<u>As At</u> <u>31/07/2010</u> RM'000
(a) Term loans – secured	54,161	24,069
Other loan – unsecured	<u>1,374</u>	<u>1,374</u>
	<u>55,535</u>	<u>25,443</u>
(b) Repayable within 12 months	19,523	17,231
Repayable after 12 months	<u>36,012</u>	<u>8,212</u>
	<u>55,535</u>	<u>25,443</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.

23. Off balance sheet financial instruments

There were no off balance sheet financial instruments.

24. Changes in material litigation

There was no pending material litigation.

25. Dividend

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

26. Earnings Per Share

(a) Basic earnings per ordinary share

The calculation of basic earnings per share for the period is based on the profit attributable to owners of the parent of RM4,472,000 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 profit attributable to owners of the parent of RM4,472,000 and the weighted average number of 43,024,000 dilutive potential ordinary shares outstanding during the current quarter.

BY ORDER OF THE BOARD

Leong Oi Wah
Company Secretary

Petaling Jaya
Date : 18 November 2010

