



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 03-7803 1126

E-mail address liching@epsilonas.com

Part A : To be filled by Public Listed Company

* Financial Year End 31/07/2010

* Quarter 3 Qtr

* Quarterly report for the financial
period ended 30/04/2010

* The figures have not been audited

Please attach the full Quarterly Report here

[KESMI GRP - FY2010 Qtr3 - Announcement.xls](#)
[KESMI Grp - FY2010 Qtr3 - 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

* 30/04/2010

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER *	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE *	PRECEDING YEAR CORRESPONDING PERIOD
	30/04/2010	30/04/2009	30/04/2010	30/04/2009
	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000
1. Revenue	58,275	37,410	161,410	122,250
2. Profit/(loss) before tax	4,858	1,090	12,511	6,984
3. Profit/(loss) for the period	3,816	448	9,283	5,527
4. Profit/(loss) attributable to ordinary equity holders of the parent	2,870	248	7,388	4,946
5. Basic earnings/(loss) per share (Subunit)	6.70	0.60	17.20	11.50
6. Proposed/Declared dividend per share (Subunit)	0.00	0.00	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 (\$\$)		4.8000		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
	30/04/2010	30/04/2009	30/04/2010	30/04/2009
	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000
1. Gross interest income	284	354	923	1,194
2. Gross interest expense	350	591	1,197	1,867
Remarks :				

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

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

Company No : 13022-A

**UNAUDITED THIRD QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 APRIL 2010**

The Board of Directors is pleased to announce the following unaudited results of the Group for the financial quarter ended 30 April 2010.

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER ENDED 30 APRIL 2010**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER (30/04/2010) RM'000	PRECEDING YEAR CORRESPONDING QUARTER (30/04/2009) RM'000	CURRENT YEAR-TO-DATE (30/04/2010) RM'000	PRECEDING YEAR CORRESPONDING PERIOD (30/04/2009) RM'000
Revenue	58,275	37,410	161,410	122,250
Operating expenses	(53,443)	(36,182)	(148,866)	(114,798)
Other income	376	453	1,164	1,399
Profit from operations	5,208	1,681	13,708	8,851
Finance costs	(350)	(591)	(1,197)	(1,867)
Profit before tax	4,858	1,090	12,511	6,984
Taxation	(1,042)	(642)	(3,228)	(1,457)
Profit after tax	<u>3,816</u>	<u>448</u>	<u>9,283</u>	<u>5,527</u>
Profit for the period attributable to:				
Equity holders of				
the Parent	2,870	248	7,388	4,946
Minority interest	946	200	1,895	581
Profit after tax	<u>3,816</u>	<u>448</u>	<u>9,283</u>	<u>5,527</u>
Earnings per share (sen)				
- Basic	6.7	0.6	17.2	11.5
- Diluted	6.7	0.6	17.2	11.5

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 30 APRIL 2010**

	<u>AS AT END OF CURRENT QUARTER 30/04/2010</u> RM'000	<u>AS AT PRECEDING FINANCIAL YEAR ENDED 31/07/2009</u> RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	115,185	123,324
Prepaid land lease payments	5,772	5,882
Deferred tax assets	9,174	9,174
	<u>130,131</u>	<u>138,380</u>
Current assets		
Short term investments	7,204	8,213
Inventories	19,894	13,159
Trade and other receivables	54,168	44,356
Tax recoverable	781	1,001
Cash and bank balances	77,655	80,692
	<u>159,702</u>	<u>147,421</u>
TOTAL ASSETS	<u>289,833</u>	<u>285,801</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Parent		
Share capital	43,015	43,015
Other reserves	14,433	15,735
Retained profit	148,883	142,785
	<u>206,331</u>	<u>201,535</u>
Minority interest	17,866	15,971
Total equity	<u>224,197</u>	<u>217,506</u>
Non-current liabilities		
Hire purchase payables	1,014	894
Long term loans	7,602	17,321
Deferred tax liabilities	4,351	4,351
	<u>12,967</u>	<u>22,566</u>
Current liabilities		
Trade and other payables	35,876	25,350
Hire purchase payables	2,068	2,193
Short term borrowings	13,417	18,186
Tax payable	1,308	-
	<u>52,669</u>	<u>45,729</u>
Total liabilities	<u>65,636</u>	<u>68,295</u>
TOTAL EQUITY AND LIABILITIES	<u>289,833</u>	<u>285,801</u>
Net assets per share (sen)	<u>479.7</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 30 APRIL 2010**

FY2010	< ----- Attributable to Equity Holders of the Parent ----- >						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	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	-	-	(1,302)	-	-	(1,302)	-	(1,302)
Net profit for the period	-	-	-	-	7,388	7,388	1,895	9,283
Dividend	-	-	-	-	(1,290)	(1,290)	-	(1,290)
Balance @ 30/04/2010	43,015	663	855	12,915	148,883	206,331	17,866	224,197

FY2009	< ----- Attributable to Equity Holders of the Parent ----- >						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	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	-	-	1,796	-	-	1,796	-	1,796
Net profit for the period	-	-	-	-	4,946	4,946	581	5,527
Dividend	-	-	-	-	(1,290)	(1,290)	-	(1,290)
Balance @ 30/04/2009	43,015	663	2,460	7,658	137,974	191,770	15,026	206,796

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 30 APRIL 2010**

	Current Year-To-Date Ended 30/04/2010	Preceding Corresponding Year-To-Date Ended 30/04/2009
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,511	6,984
Adjustments for non-cash items :		
Depreciation of property, plant and equipment	31,548	35,511
Impairment of property, plant and equipment	133	-
Amortisation of prepaid land lease payments	110	108
Other non-cash items	(2,496)	(689)
Operating income before reinvestment in working capital	41,806	41,914
Net change in current assets	(16,547)	(4,493)
Net change in current liabilities	10,212	(3,690)
Income taxes paid	(1,700)	(2,327)
Net cash provided by operating activities	33,771	31,404
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment in quoted shares	(4,289)	(2,233)
Proceeds from disposal of quoted shares	7,792	1,413
Purchase of property, plant and equipment	(23,544)	(25,615)
Proceeds from disposal of property, plant and equipment	3	107
Net cash used in investment activities	(20,038)	(26,328)
CASH FLOWS FROM FINANCING ACTIVITIES		
Hire purchase payables	(2,119)	(2,121)
Bank borrowings	(14,488)	19,739
Dividend paid	(1,221)	(1,284)
Net cash (used in)/provided by financing activities	(17,828)	16,334
Net changes in cash and cash equivalents	(4,095)	21,410
Effects of foreign exchange rate changes	1,058	(1,683)
Cash and cash equivalents at beginning of year	80,692	59,016
Cash and cash equivalents at end of the period	77,655	78,743

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”) 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 year-to-date were as follows:-

	Burn-in, testing and electronic manufacturing services		Investment holding		Total	
	30/04/2010 RM'000	30/04/2009 RM'000	30/04/2010 RM'000	30/04/2009 RM'000	30/04/2010 RM'000	30/04/2009 RM'000
Revenue						
Sales to external customers	161,410	122,250	-	-	161,410	122,250
Dividend income	-	-	241	205	241	205
	161,410	122,250	241	205	161,651	122,455
Results						
Segment results	9,621	4,393	2,735	865	12,356	5,258
Other operating income					429	2,399
Finance costs					(1,197)	(1,867)
Interest income					923	1,194
Profit before tax					12,511	6,984
Income tax					(3,228)	(1,457)
Profit for the period					9,283	5,527

9. 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 not revaluation of property, plant and equipment for the current quarter and financial year-to-date.

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 30/04/2010 RM'000	AS AT 31/07/2009 RM'000
Guarantees granted to licensed banks in respect of credit facilities extended to subsidiary companies	<u>16,373</u>	<u>15,973</u>

13. Review of Performance of the Group

Group revenue increased from RM122.3 million to RM161.4 million representing an increase of RM39.2 million or 32% for the nine months ended 30 April 2010 compared to the corresponding period of the preceding year. The increase arose from an across the board improvement in the demand for burn-in, testing and electronic manufacturing services.

Operating expenses increased by RM34.1 million or 30% over the previous corresponding period, from RM114.8 million to RM148.9 million. This was mainly attributed to higher materials usage of RM22.0 million as a result of strong growth in the electronic manufacturing services business. Additionally, Operating expenses included an exchange loss of RM3.0 million for the period ended 30 April 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 certain receivables and intercompany loans were denominated in US Dollars.

Finance costs decreased by RM0.7 million or 36%, from RM1.9 million to RM1.2 million, for the period ended 30 April 2010 as a result of lower borrowings.

In effect, the Group's profit before tax increased by RM5.5 million or 79%, from RM7.0 million to RM12.5 million, for the nine months ended 30 April 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 RM4.9 million for the third quarter ended 30 April 2010. This was an increase of RM0.1 million or 2% from RM4.8 million reported in the preceding quarter ended 31 January 2010.

15. Prospects

Barring unforeseen circumstances, the Group expects to remain profitable in the coming quarter.

16. Profit forecast / profit guarantee

The Group is not subjected to any profit guarantee.

17. Taxation

	Individual Period		Cumulative Period	
	Current Year Quarter 30/04/2010	Preceding Year Corresponding Quarter 30/04/2009	Current Year-To-Date 30/04/2010	Preceding Year Corresponding Period 30/04/2009
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation based on results for the year :				
- Current	1,042	628	3,228	1,502
Under/(over) provision in respect of prior year :				
- Current	-	14	-	(45)
	<u>1,042</u>	<u>642</u>	<u>3,228</u>	<u>1,457</u>

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

	Individual Period	Cumulative Period
	Current Year Quarter 30/04/2010	Current Year-To-Date 30/04/2010
	RM'000	RM'000
Total purchases	3,663	4,289
Total disposal	(4,723)	(5,298)
Gain on disposal	<u>1,686</u>	<u>2,494</u>
	As at 30/04/2010	As at 31/07/2009
	RM'000	RM'000
Quoted shares : - at cost	<u>7,204</u>	<u>8,213</u>
- at carrying value	<u>7,204</u>	<u>8,213</u>
- at market value	<u>10,825</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>30/04/2010</u> RM'000	<u>As At</u> <u>31/07/2009</u> RM'000
(a) Group borrowings		
- Secured	19,645	34,133
Other loan – unsecured	1,374	1,374
	<u>21,019</u>	<u>35,507</u>
(b) Repayable within 12 months	13,417	18,186
Repayable after 12 months	7,602	17,321
	<u>21,019</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 30 April 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 RM7,388,000 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 RM7,388,000 and the weighted average number of 43,022,000 dilutive potential ordinary shares outstanding during the current quarter.

BY ORDER OF THE BOARD

Leong Oi Wah
Company Secretary

Petaling Jaya
Date : 10 June 2010