

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Registration No. : 197201001376 (13022-A)

**UNAUDITED FOURTH QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER AND YEAR ENDED 31 JULY 2025**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR ENDED 31 JULY 2025**

	Individual period			Cumulative period		
	Current year quarter (31/07/2025) RM'000	Preceding year corresponding quarter (31/07/2024) RM'000	% Change	Current year to date (31/07/2025) RM'000	Preceding year corresponding year to date (31/07/2024) RM'000	% Change
Revenue	53,527	56,518	(5%)	210,546	243,025	(13%)
Other items of income						
Interest income	1,678	1,770	(5%)	6,730	6,867	(2%)
Dividend income	117	145	(19%)	393	382	3%
Other income	628	3,501	(82%)	2,770	7,461	(63%)
Items of expenses						
Consumables used	(4,326)	(4,997)	(13%)	(17,150)	(19,626)	(13%)
Employee benefits expense	(19,099)	(21,882)	(13%)	(82,744)	(94,558)	(12%)
Depreciation of property, plant and equipment	(11,595)	(11,603)	(0%)	(45,404)	(47,973)	(5%)
Finance costs	(637)	(1,146)	(44%)	(2,735)	(4,239)	(35%)
Other expenses	(19,351)	(22,480)	(14%)	(79,874)	(88,040)	(9%)
Profit/(loss) before tax	942	(174)	NM	(7,468)	3,299	NM
Income tax expense	(721)	(803)	(10%)	(717)	(3,111)	(77%)
Profit/(loss), net of tax	221	(977)	NM	(8,185)	188	NM
Other comprehensive income/(loss):						
Item that will not be reclassified to profit or loss						
Remeasurement loss arising from defined benefit liabilities, net of tax	(78)	(221)	(65%)	(78)	(77)	1%
Item that may be reclassified subsequently to profit or loss						
Foreign currency translation (loss)/gain	(55)	(1,482)	(96%)	(2,019)	402	NM
Other comprehensive (loss)/income for the year, net of tax	(133)	(1,703)	(92%)	(2,097)	325	NM
Total comprehensive income/(loss) for the year, net of tax	88	(2,680)	NM	(10,282)	513	NM
Earnings/(loss) per share attributable to owners of the Company (sen):						
- Basic	0.5	(2.3)	NM	(19.0)	0.4	NM

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 2024 and the accompanying explanatory notes attached to the interim financial statements.

KESM INDUSTRIES BERHAD
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Registration No. : 197201001376 (13022-A)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2025

	As at end of current quarter 31/07/2025	As at preceding financial year end 31/07/2024
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	133,767	163,915
Deferred tax assets	5,943	6,082
Other receivables	358	628
	<u>140,068</u>	<u>170,625</u>
Current assets		
Inventories	1,985	1,584
Trade and other receivables	43,663	42,835
Derivatives	-	104
Prepayments	1,266	1,495
Investment securities	10,649	14,318
Tax recoverable	5,678	5,578
Cash and short-term deposits	210,121	232,461
	<u>273,362</u>	<u>298,375</u>
Assets held for sale ¹	1,762	-
	<u>275,124</u>	<u>298,375</u>
Total assets	<u>415,192</u>	<u>469,000</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	43,678	43,678
Other reserves	16,970	18,989
Retained earnings	278,521	290,010
Total equity	<u>339,169</u>	<u>352,677</u>
Non-current liabilities		
Loans and borrowings	6,757	34,201
Defined benefit liabilities	6,197	5,662
Deferred tax liabilities	5,014	6,954
	<u>17,968</u>	<u>46,817</u>
Current liabilities		
Trade and other payables	28,721	30,447
Derivatives	101	-
Loans and borrowings	29,233	39,059
	<u>58,055</u>	<u>69,506</u>
Total liabilities	<u>76,023</u>	<u>116,323</u>
Total equity and liabilities	<u>415,192</u>	<u>469,000</u>
Net assets per share attributable to owners of the Company (RM)	<u>7.88</u>	<u>8.20</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 2024 and the accompanying explanatory notes attached to the interim financial statements.

¹ On 28 May 2025, the Group entered into a sale and purchase agreement for the disposal of leasehold land and building for a cash consideration of RM4 million. The disposal is expected to be completed within a year from the reporting date.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2025**

	< ----- Attributable to owners of the Company ----- >					Total equity
	< ----- Non-distributable ----- >				Distributable	
	Share capital	Foreign currency translation reserve	Statutory reserve fund	Capital reserve	Retained earnings	
FY2025						
As at 1 August 2024	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 August 2024	43,678	12,120	4,629	2,240	290,010	352,677
Loss for the year	-	-	-	-	(8,185)	(8,185)
Other comprehensive loss for the year	-	(2,019)	-	-	(78)	(2,097)
Transaction with owners						
Dividends on ordinary shares	-	-	-	-	(3,226)	(3,226)
As at 31 July 2025	43,678	10,101	4,629	2,240	278,521	339,169

	< ----- Attributable to owners of the Company ----- >					Total equity
	< ----- Non-distributable ----- >				Distributable	
	Share capital	Foreign currency translation reserve	Statutory reserve fund	Capital reserve	Retained earnings	
FY2024						
As at 1 August 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 August 2023	43,678	11,718	4,629	2,240	292,480	354,745
Profit for the year	-	-	-	-	188	188
Other comprehensive income/(loss) for the year	-	402	-	-	(77)	325
Transactions with owners						
Dividends on ordinary shares	-	-	-	-	(2,581)	(2,581)
As at 31 July 2024	43,678	12,120	4,629	2,240	290,010	352,677

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 2024 and the accompanying explanatory notes attached to the interim financial statements.

KESM INDUSTRIES BERHAD
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Registration No. : 197201001376 (13022-A)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2025

	Current year to date 31/07/2025 RM'000	Preceding year corresponding year to date 31/07/2024 RM'000
OPERATING ACTIVITIES		
(Loss)/profit before tax	(7,468)	3,299
Adjustments for:		
Depreciation of property, plant and equipment	45,404	47,973
Plant and equipment written off	-	17
Net gain on disposal of property, plant and equipment	(1,534)	(3,797)
Write-back of inventories	-	(77)
Net fair value loss/(gain) on investment securities	3,384	(1,700)
Impairment of trade receivables	831	-
Unrealised exchange (gain)/loss	(47)	357
Unrealised loss/(gain) on derivatives	205	(104)
Dividend income	(393)	(382)
Interest income	(6,730)	(6,867)
Finance costs	2,735	4,239
Operating cash flows before changes in working capital	36,387	42,958
Increase in inventories	(401)	(19)
(Increase)/decrease in prepayments and receivables	(1,827)	13,117
Decrease in payables	(1,826)	(4,352)
Cash flows from operations	32,333	51,704
Income taxes paid, net	(2,757)	(2,569)
Interest paid	(2,696)	(4,022)
Interest received	6,879	6,240
Net cash flows from operating activities	33,759	51,353
INVESTING ACTIVITIES		
Decrease/(increase) in short-term deposits with maturity more than three months	20,500	(33,500)
Purchase of investment securities	(1,025)	(5,762)
Proceeds from disposal of investment securities	1,310	3,911
Dividend received	393	382
Purchase of property, plant and equipment	(17,414)	(15,400)
Proceeds and deposit received from disposal of property, plant and equipment	1,821	3,797
Net cash flows from/(used in) investing activities	5,585	(46,572)
FINANCING ACTIVITIES		
Repayment of principal portion of lease liabilities	(2,515)	(3,804)
Repayment of bank loans	(36,506)	(34,168)
Proceeds from bank loans	1,847	11,000
Dividend paid on ordinary shares	(3,226)	(2,581)
Net cash flows used in financing activities	(40,400)	(29,553)
Net decrease in cash and cash equivalents	(1,056)	(24,772)
Effect of exchange rate changes on cash and cash equivalents	(784)	(195)
Cash and cash equivalents at beginning of the year	74,461	99,428
Cash and cash equivalents at end of the year	72,621	74,461

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Registration No. : 197201001376 (13022-A)

Cash and cash equivalents comprised the following:

	Current year to date 31/07/2025 RM'000	Preceding year corresponding year to date 31/07/2024 RM'000
Cash at banks and on hand	19,564	26,406
Deposits with licensed banks	190,557	206,055
Cash and short-term deposits	210,121	232,461
Less: Short-term deposits with maturity more than three months	(137,500)	(158,000)
Cash and cash equivalents	72,621	74,461

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KESM INDUSTRIES BERHAD
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Registration No. : 197201001376 (13022-A)

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 July 2024 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 financial year ended 31 July 2024. 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 2024.

2. Significant accounting policies

The significant accounting policies and methods of computation in the interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 July 2024, except that on 1 August 2024, the Group adopted the MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2023 which are applicable to the Group. The initial adoption of these applicable MFRSs, amendments and interpretations do not have any material impact 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.

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.

8. Dividends

	<u>Current year to date</u>	<u>Preceding year corresponding year to date</u>
	<u>31/07/2025</u>	<u>31/07/2024</u>
	<u>RM'000</u>	<u>RM'000</u>
Recognised during the financial year to date		
First and final tax exempt dividend for 2024 at nil sen (2023: 6 sen) per ordinary share	-	2,581
Interim tax exempt dividend for 2024 at 7.5 sen (2023: nil sen) per ordinary share, paid on 29 October 2024	3,226	-
	<u>3,226</u>	<u>2,581</u>
Declared but not recognised as a liability as at year end		
Interim tax exempt dividend for 2025 at 6 sen (2024: 7.5 sen) per ordinary share, approved on 18 September 2025 and to be paid on 28 October 2025	2,581	3,226

The directors do not recommend a final dividend for the financial year ended 31 July 2025.

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.

11. Acquisition or disposal of items of property, plant and equipment

During the current financial year, the Group acquired property, plant and equipment amounting to RM17,877,000, and disposed property, plant and equipment of net book value amounting to RM7,000.

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12. Significant related party transactions

	<u>Current year to date</u>	<u>Preceding year corresponding year to date</u>
	<u>31/07/2025</u>	<u>31/07/2024</u>
	<u>RM'000</u>	<u>RM'000</u>
Transactions with Sunright Limited, holding company of the Company, and its subsidiaries:		
Management fees charged by holding company	10,345	10,913
Dividends paid/payable to holding company	1,562	1,250
Sale of equipment to a related company	21	-
Purchases of equipment (including consumables) and related software from related companies	162	81
	<u> </u>	<u> </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.

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

Commitments for purchases of property, plant and equipment amounted to RM19,373,000 as at 31 July 2025.

Included in the commitments was an amount of RM6,000 relating to purchases from certain related companies.

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14. Profit/(loss) before tax

	Individual Period		Cumulative Period	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding year to date
	31/07/2025	31/07/2024	31/07/2025	31/07/2024
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before tax is arrived at ² :				
After charging:				
Plant and equipment written off	-	1	-	17
Net fair value loss on investment securities	-	151	3,384	-
Impairment of trade receivables	831	-	831	-
Net foreign exchange loss	321	627	1,274	-
Net loss on derivatives	17	-	-	210
And crediting:				
Write-back of inventories	-	77	-	77
Net gain on disposal of property, plant and equipment	21	2,962	1,534	3,797
Net fair value gain on investment securities	138	-	-	1,700
Net foreign exchange gain	-	-	-	505
Net gain on derivatives	-	41	246	-

15. Derivatives

	As at 31/07/2025	As at 31/07/2024
	RM'000	RM'000
Financial (liabilities)/assets:		
Forward currency contracts	(101)	104

The Group uses derivative financial instruments such as forward currency contracts to manage its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group does not apply hedge accounting.

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The model incorporates various inputs including foreign exchange spot and forward rates as well as forward rate curves (i.e. Level 2).

As at 31 July 2025, the Group held nineteen forward currency contracts, with total outstanding notional amounts of RM12,419,000. The outstanding forward currency contracts mature within 3 months.

² Save as disclosed in the interim financial statements and the accompanying explanatory notes, the other items required under Part A of Appendix 9B, Note 16 of the Bursa Securities Berhad's Main Market Listing Requirements are not applicable.

16. Fair value changes of financial liabilities

Apart from derivatives, there was no gain or loss arising from fair value changes of the financial liabilities for the current quarter and financial year.

17. Segment information

No segment reporting has been prepared as the Group has only one operating segment, namely burn-in and testing.

18. Detailed analysis of Group performance

Analysis of the performance for the current quarter

The Group's revenue declined by 5% or RM3.0 million, from RM56.5 million in the preceding year's fourth quarter ("4QFY2024") to RM53.5 million for the current quarter ended 31 July 2025 ("4QFY2025"), due to weaker customers' demand.

Other income decreased by 82% or RM2.9 million, primarily due to lower net gain on disposal of machinery and test equipment of RM2.9 million.

Consumables used reduced by 13% or RM0.7 million, in line with lower revenue.

Employee benefits expense decreased by 13% or RM2.8 million, with reduced labour to align with operational requirements.

Finance costs decreased by 44% or RM0.5 million, following repayments of bank loans.

Other expenses were lower by 14% or RM3.1 million, mainly attributable to cost reductions in utilities, repairs and maintenance expenses, recruitment expenses and portfolio fees for investment securities, totalled RM3.5 million, as well as a decrease of RM0.2 million in net foreign exchange loss³. These were partially offset by impairment of trade receivables of RM0.8 million.

Consequently, the Group reported a profit before tax of RM0.9 million in the 4QFY2025, from a loss before tax of RM0.2 million in the 4QFY2024.

Analysis of the performance for the current financial year

The Group's revenue was lower by 13% or RM32.5 million, from RM243.0 million in the preceding year, to RM210.5 million for the current financial year ended 31 July 2025. This was primarily due to weaker demand for processing of automotive chips.

Other income decreased by 63% or RM4.7 million, mainly due to lower net gain on disposal of machinery and test equipment by RM2.3 million, and absences of net fair value gain on investment securities and net foreign exchange gain³ totalled RM2.0 million.

Consumables used reduced by 13% or RM2.5 million, in line with lower revenue.

Employee benefits expense decreased by 12% or RM11.8 million, with reduced labour to align with operational requirements.

³ Included net gain/loss on derivatives.

Depreciation of property, plant and equipment was lower by 5% or RM2.6 million, as certain machinery and test equipment were fully depreciated.

Finance costs decreased by 35% or RM1.5 million, following repayments of bank loans.

Other expenses decreased by 9% or RM8.2 million, mainly attributable to cost reductions in utilities, repairs and maintenance expenses, recruitment expenses, management fees and portfolio fees for investment securities, totalled RM12.8 million. These were partially offset by net fair value loss on investment securities of RM3.4 million, net foreign exchange loss⁴ of RM1.0 million and impairment of trade receivables of RM0.8 million.

Consequently, the Group reported a loss before tax of RM7.5 million in the current financial year, from a profit before tax of RM3.3 million in the preceding year.

Analysis of financial position

Property, plant and equipment was lower by 18% or RM30.1 million, from RM163.9 million as at 31 July 2024 to RM133.8 million as at 31 July 2025. The decrease was primarily due to depreciation charge of RM45.4 million, offset by net additions of RM16.1 million⁵.

Investment securities were lower by 26% or RM3.7 million, from RM14.3 million to RM10.6 million, as a result of net fair value loss on investment securities of RM3.4 million and net disposals of investment securities of RM0.3 million.

Cash and short-term deposits decreased by 10% or RM22.3 million, from RM232.5 million to RM210.1 million, representing net cash outflows primarily due to repayment of bank loans.

Total loans and borrowings decreased by 51% or RM37.3 million, from RM73.3 million to RM36.0 million, primarily due to net repayments of bank loans of RM34.7 million and repayments of lease liabilities of RM2.5 million.

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

The Group reported a profit before tax of RM0.9 million in 4QFY2025, compared to loss before tax of RM0.3 million in the preceding quarter ended 30 April 2025. The improvement of RM1.3 million was mainly driven by higher revenue, cost reductions and lower net foreign exchange loss⁴, totalled RM2.0 million. These were partially offset by impairment of trade receivables amounted to RM0.8 million.

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⁴ Included net gain/loss on derivatives.

⁵ Additions less disposals, after reclassification of assets held for sale.

20. Prospects

The International Monetary Fund has revised its 2025 global economic outlook growth rate upwards from 2.8% to 3.0%, in its July 2025 report, reflecting an improvement in financial conditions, with a lower average effective US tariff rates than announced in April 2025.

Worldwide semiconductor revenue in 2025, projected at USD760 billion, was an increase of 15.7% from 2024, primarily driven by artificial intelligence (“AI”), high bandwidth memory, networking chips and power modules.

Notwithstanding these research reports, uncertainties remain in implementing reciprocal tariffs and the yet to be announced sectoral tariffs on semiconductors. These developments will continue to exert further alignment of supply chains and add to the unpredictability in trade flows.

The Group returned to profitability in the final quarter of the financial year and is well placed to capture increasing demand for burn-in and test services, especially in semiconductors for data centres, while continuing to respond flexibly to the variable production volumes in the automotive sector.

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.

22. Taxation

	Individual Period		Cumulative Period	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding year to date
	31/07/2025	31/07/2024	31/07/2025	31/07/2024
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- Malaysian income tax	(255)	1,365	2,818	2,970
- (Over)/under provision in prior years	(94)	(27)	(161)	47
	<u>(349)</u>	<u>1,338</u>	<u>2,657</u>	<u>3,017</u>
Deferred tax				
- Relating to origination and reversal of temporary differences	1,077	(546)	(1,933)	83
- (Over)/under provision in prior years	(7)	11	(7)	11
	<u>1,070</u>	<u>(535)</u>	<u>(1,940)</u>	<u>94</u>
Income tax expense	<u>721</u>	<u>803</u>	<u>717</u>	<u>3,111</u>

The high effective tax rate for the current quarter was mainly due to unrecognised deferred tax assets.

The tax expense for the current year was mainly due to unrecognised deferred tax assets and non-deductible expenses.

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

	<u>As at</u> <u>31/07/2025</u> <u>RM'000</u>	<u>As at</u> <u>31/07/2024</u> <u>RM'000</u>
Amount repayable within 12 months		
Secured	1,893	2,433
Unsecured	27,340	36,626
	<u>29,233</u>	<u>39,059</u>
Repayable after 12 months		
Secured	2,762	4,833
Unsecured	3,995	29,368
	<u>6,757</u>	<u>34,201</u>
Total loans and borrowings	<u>35,990</u>	<u>73,260</u>

Included in the loans and borrowings as at 31 July 2025 was an amount of RM5,035,000 (31 July 2024: RM4,412,000) denominated in Renminbi.

25. Changes in material litigation

There was no material litigation as at the date of this announcement.

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26. Earnings per share

Basic earnings/(loss) per ordinary share amounts are calculated by dividing profit/(loss) net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the current reporting period.

	Individual Period		Cumulative Period	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding year to date
	31/07/2025	31/07/2024	31/07/2025	31/07/2024
Profit/(loss), net of tax (RM'000)	221	(977)	(8,185)	188
Weighted average number of ordinary shares ('000)	43,014.5	43,014.5	43,014.5	43,014.5
Basic earnings/(loss) per share (sen)	<u>0.5</u>	<u>(2.3)</u>	<u>(19.0)</u>	<u>0.4</u>

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: 18 September 2025