

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Registration No. : 197201001376 (13022-A)

**UNAUDITED FIRST QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 OCTOBER 2025**

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

	Individual period			Cumulative period		
	Current year quarter	Preceding year corresponding quarter	% Change	Current year to date	Preceding year year to date	% Change
	(31/10/2025) RM'000	(31/10/2024) RM'000		(31/10/2025) RM'000	(31/10/2024) RM'000	
	Revenue	53,049	52,821	0%	53,049	52,821
Other items of income						
Interest income	1,556	1,750	(11%)	1,556	1,750	(11%)
Dividend income	46	36	28%	46	36	28%
Other income	3,067	277	NM	3,067	277	NM
Items of expenses						
Consumables used	(4,960)	(3,938)	26%	(4,960)	(3,938)	26%
Employee benefits expense	(20,367)	(22,669)	(10%)	(20,367)	(22,669)	(10%)
Depreciation of property, plant and equipment	(12,203)	(11,335)	8%	(12,203)	(11,335)	8%
Finance costs	(406)	(803)	(49%)	(406)	(803)	(49%)
Other expenses	(17,270)	(21,137)	(18%)	(17,270)	(21,137)	(18%)
Profit/(loss) before tax	2,512	(4,998)	NM	2,512	(4,998)	NM
Income tax (expense)/credit	(665)	470	NM	(665)	470	NM
Profit/(loss), net of tax	1,847	(4,528)	NM	1,847	(4,528)	NM
Other comprehensive income/(loss):						
Item to be reclassified						
subsequently to profit or loss						
Foreign currency translation loss	(206)	(955)	(78%)	(206)	(955)	(78%)
Total comprehensive income/(loss)						
for the period, net of tax	1,641	(5,483)	NM	1,641	(5,483)	NM
Earnings/(loss) per share attributable to owners of the Company (sen):						
- Basic	4.3	(10.5)	NM	4.3	(10.5)	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 2025 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2025

	As at end of current quarter 31/10/2025	As at preceding financial year end 31/07/2025
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	141,558	133,767
Deferred tax assets	5,928	5,943
Other receivables	360	358
	<u>147,846</u>	<u>140,068</u>
Current assets		
Inventories	2,231	1,985
Trade and other receivables	46,730	43,663
Derivatives	17	-
Prepayments	3,047	1,266
Investment securities	10,901	10,649
Tax recoverable	4,816	5,678
Cash and short-term deposits	200,770	210,121
	<u>268,512</u>	<u>273,362</u>
Assets held for sale	1,762	1,762
	<u>270,274</u>	<u>275,124</u>
Total assets	<u>418,120</u>	<u>415,192</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	43,678	43,678
Other reserves	16,764	16,970
Retained earnings	277,787	278,521
Total equity	<u>338,229</u>	<u>339,169</u>
Non-current liabilities		
Loans and borrowings	9,812	6,757
Defined benefit liabilities	6,318	6,197
Deferred tax liabilities	3,961	5,014
	<u>20,091</u>	<u>17,968</u>
Current liabilities		
Trade and other payables	33,261	28,721
Derivatives	-	101
Loans and borrowings	26,539	29,233
	<u>59,800</u>	<u>58,055</u>
Total liabilities	<u>79,891</u>	<u>76,023</u>
Total equity and liabilities	<u>418,120</u>	<u>415,192</u>
Net assets per share attributable to owners of the Company (RM)	<u>7.86</u>	<u>7.88</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 2025 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 OCTOBER 2025

FY2026	< ----- Attributable to owners of the Company ----- >						
	< ----- Non-distributable ----- >			Distributable			
	Share capital	Foreign currency translation reserve	Statutory reserve fund	Capital reserve	Retained earnings		
As at 1 August 2025	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Profit for the period	43,678	10,101	4,629	2,240	278,521	339,169	
Other comprehensive loss for the period	-	-	-	-	1,847	1,847	
Transaction with owners							
Dividends on ordinary shares	-	(206)	-	-	-	(206)	
As at 31 October 2025	43,678	9,895	4,629	2,240	277,787	338,229	

FY2025	< ----- Attributable to owners of the Company ----- >						
	< ----- Non-distributable ----- >			Distributable			
	Share capital	Foreign currency translation reserve	Statutory reserve fund	Capital reserve	Retained earnings		
As at 1 August 2024	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Loss for the period	43,678	12,120	4,629	2,240	290,010	352,677	
Other comprehensive loss for the period	-	-	-	-	(4,528)	(4,528)	
Transactions with owners							
Dividends on ordinary shares	-	(955)	-	-	-	(955)	
As at 31 October 2024	43,678	11,165	4,629	2,240	282,256	343,968	

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 2025 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 OCTOBER 2025

	Current year to date	Preceding year corresponding year to date
	31/10/2025	31/10/2024
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit/(loss) before tax	2,512	(4,998)
Adjustments for:		
Depreciation of property, plant and equipment	12,203	11,335
Net gain on disposal of property, plant and equipment	(1,200)	-
Net fair value (gain)/loss on investment securities	(434)	1,370
Unrealised exchange loss/(gain)	104	(511)
Unrealised (gain)/loss on derivatives	(118)	376
Dividend income	(46)	(36)
Interest income	(1,556)	(1,750)
Finance costs	406	803
Operating cash flows before changes in working capital	11,871	6,589
Increase in inventories	(246)	(279)
Increase in prepayments and receivables	(3,399)	(4,414)
Increase in payables	2,099	914
Cash flows from operations		
Income taxes paid, net	10,325	2,810
Interest paid	(856)	(864)
Interest received	(368)	(859)
	1,583	1,780
Net cash flows from operating activities	10,684	2,867
INVESTING ACTIVITIES		
Decrease in short-term deposits with maturity more than three months	15,500	11,000
Purchase of investment securities	-	(782)
Proceeds from disposal of investment securities	182	414
Dividend received	46	36
Purchase of property, plant and equipment	(19,122)	(9,925)
Proceeds from disposal of property, plant and equipment	1,200	-
Net cash flows (used in)/from investing activities	(2,194)	743
FINANCING ACTIVITIES		
Repayment of principal portion of lease liabilities	(661)	(617)
Repayment of bank loans	(7,667)	(9,117)
Proceeds from bank loans	8,726	-
Dividend paid on ordinary shares	(2,581)	(3,226)
Net cash flows used in financing activities	(2,183)	(12,960)
Net increase/(decrease) in cash and cash equivalents	6,307	(9,350)
Effect of exchange rate changes on cash and cash equivalents	(158)	(212)
Cash and cash equivalents at beginning of the period	72,621	74,461
Cash and cash equivalents at end of the period	78,770	64,899

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Cash and cash equivalents comprised the following:

	Current year to date 31/10/2025	Preceding year corresponding year to date 31/10/2024
	RM'000	RM'000
Cash at banks and on hand	18,652	27,929
Deposits with licensed banks	182,118	183,970
Cash and short-term deposits	200,770	211,899
Less: Short-term deposits with maturity more than three months	(122,000)	(147,000)
Cash and cash equivalents	78,770	64,899

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 July 2025 and the accompanying explanatory notes attached to the interim financial statements.

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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 2025. 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 2025.

2. Material accounting policy information

The material accounting policy information 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 2025 except that on 1 August 2025, the Group adopted the MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2025 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 period.

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 period.

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8. Dividends

	Current year to date	Preceding year corresponding year to date
	31/10/2025	31/10/2024
	RM'000	RM'000
Recognised during the financial year to date		
Interim tax exempt dividend for 2025 at 6.0 sen (2024: 7.5 sen) per per ordinary share, paid on 28 October 2025	2,581	3,226

No dividend was declared during the current financial period or preceding year corresponding period.

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 period.

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

During the current financial period, the Group acquired property, plant and equipment amounting to RM20,109,000.

12. Significant related party transactions

	Current year to date	Preceding year corresponding year to date
	31/10/2025	31/10/2024
	RM'000	RM'000
Transactions with Sunright Limited, holding company of the Company, and its subsidiaries:		
Management fees charged by holding company	2,641	2,604
Dividends paid/payable to holding company	1,250	1,562
Purchases of equipment (including consumables) and related software from related companies	722	-

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.

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

Commitments for purchases of property, plant and equipment amounted to RM6,664,000 as at 31 October 2025.

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

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
	31/10/2025 RM'000	31/10/2024 RM'000	31/10/2025 RM'000	31/10/2024 RM'000
Profit/(loss) before tax is arrived at¹:				
After charging:				
Net fair value loss on investment securities	-	1,370	-	1,370
Net foreign exchange loss	109	630	109	630
Net loss on derivatives	50	-	50	-
And crediting:				
Net gain on disposal of property, plant and equipment	1,200	-	1,200	-
Net fair value gain on investment securities	434	-	434	-
Net gain on derivatives	-	306	-	306

¹ 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.

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15. Derivatives

	As at 31/10/2025 RM'000	As at 31/07/2025 RM'000
Financial assets/(liabilities):		
Forward currency contracts	17	(101)

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 October 2025, the Group held eight forward currency contracts, with total outstanding notional amounts of RM6,539,000. The outstanding forward currency contracts mature within three months.

16. Fair value changes of financial liabilities

There was no gain or loss arising from fair value changes of the financial liabilities for the current quarter and financial period.

17. Segment information

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

18. Detailed analysis of Group performance

Analysis of the performance for the current quarter

The Group's revenue of RM53.0 million for the current quarter ended 31 October 2025 (1QFY2026) was comparable with the preceding year's first quarter (1QFY2025).

Other income increased by RM2.8 million, mainly due to gain on disposal of machinery and test equipment of RM1.2 million, fair value gain on investment securities of RM0.4 million as well as RM1.2 million compensation for unfulfilled minimum orders.

Consumables used increased by 26% or RM1.0 million, mainly attributable to changes in product mix which required higher material usage.

Employee benefits expense decreased by 10% or RM2.3 million, reflecting reduced labour and lower outsourced services.

Depreciation of property, plant and equipment increased by 8% or RM0.9 million, as additional machinery and test equipment were commissioned for use in the production.

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Finance costs decreased by 49% or RM0.4 million, following repayment of bank loans.

Other expenses were lower by 18% or RM3.9 million, mainly attributable to cost reductions in utilities and repairs and maintenance expenses which totalled RM2.8 million, as well as absence of fair value loss on investment securities of RM1.4 million. These reductions were partially offset by higher equipment rental expenses of RM0.2 million.

Consequently, the Group reported a profit before tax of RM2.5 million in 1QFY2026, from a loss before tax of RM5.0 million in 1QFY2025.

Analysis of financial position

Property, plant and equipment increased by 6% or RM7.8 million, from RM133.8 million as at 31 July 2025 to RM141.6 million as at 31 October 2025. The increase was primarily due to additions of RM20.1 million, offset by depreciation charge of RM12.2 million.

Current trade and other receivables increased by 7% or RM3.1 million, from RM43.7 million to RM46.7 million, mainly due to compensation receivable for unfulfilled minimum orders, as well as higher sales towards the end of the quarter.

Prepayments increased by RM1.8 million, from RM1.3 million to RM3.0 million, mainly attributable to higher procurement of machinery and test equipment.

Investment securities increased by 2% or RM0.3 million, from RM10.6 million to RM10.9 million, as a result of net fair value gain on investment securities of RM0.4 million; partially offset by disposals of RM0.2 million.

Tax recoverable decreased by 15% or RM0.9 million, from RM5.7 million to RM4.8 million, primarily due to additional tax provision during the year.

Cash and short-term deposits decreased by 4% or RM9.4 million, from RM210.1 million to RM200.8 million, representing net cash outflows primarily due to purchase of machinery and test equipment.

Trade and other payables increased by 16% or RM4.5 million, from RM28.7 million to RM33.3 million, mainly due to higher payables for the purchases of machinery and test equipment and increased accrued operating expenses.

Total loans and borrowings increased by 1% or RM0.4 million, from RM36.0 million to RM36.4 million, primarily due to net proceeds from bank loans of RM1.1 million; partially offset by repayment of lease liabilities of RM0.7 million.

Deferred tax liabilities decreased by 21% or RM1.1 million, from RM5.0 million to RM4.0 million, as a result of lower taxable temporary differences, arising from the differences in depreciation for tax purposes.

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

The Group reported a profit before tax of RM2.5 million in 1QFY2026, compared to RM0.9 million profit before tax reported in the preceding quarter ended 31 July 2025. The improvement in profit of RM1.6 million was driven by RM1.2 million compensation for unfulfilled minimum orders and higher net fair value gain on investment securities of RM0.3 million.

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20. Prospects

The International Monetary Fund has revised its 2025 global economic outlook growth rate to 3.2%², indicating a slower growth from 2024 of 3.3%. This is attributed to the prolonged global economic uncertainty, increased protectionism and labour supply shocks, despite a continuing decline in inflation rate globally.

Worldwide semiconductor revenue in 2025 is projected at USD772.6 billion. This reflects a 17.8% increase from 2024, primarily driven by artificial intelligence ("AI"), high bandwidth memory, networking chips and power modules.

The escalating trade hostilities between China and US has reached a temporary pause with no further hikes in tariffs. This eases the immediate cost pressures on the automotive segment, which itself has been lackluster. At the same time, we expect increasing demand in burn-in and test services in AI related semiconductors for computing and data centres.

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
	31/10/2025	31/10/2024	31/10/2025	31/10/2024
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- Malaysian income tax	1,718	561	1,718	561
Deferred tax				
- Relating to origination and reversal of temporary differences	(1,053)	(1,031)	(1,053)	(1,031)
Income tax expense/(credit)	<u>665</u>	<u>(470)</u>	<u>665</u>	<u>(470)</u>

The effective tax rate was higher as compared to the statutory tax rate, mainly due to certain unrecognised deferred tax assets, after considering certain non-taxable income.

² According to International Monetary Fund's October 2025 outlook report.

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23. Status of uncompleted corporate proposals

The Company has proposed to seek the approval of the shareholders for the Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transaction of a Revenue or Trading Nature at the Company's Annual General Meeting to be held on 14 January 2026. A circular which set out the details of the Proposed Shareholders' Mandate had been issued to shareholders of the Company on 27 October 2025.

24. Group borrowings and debt securities

	As at 31/10/2025 RM'000	As at 31/07/2025 RM'000
Amount repayable within 12 months		
Secured	1,615	1,893
Unsecured	24,924	27,340
	<u>26,539</u>	<u>29,233</u>
Repayable after 12 months		
Secured	2,356	2,762
Unsecured	7,456	3,995
	<u>9,812</u>	<u>6,757</u>
Total loans and borrowings	<u>36,351</u>	<u>35,990</u>

Included in the loans and borrowings as at 31 October 2025 was an amount of RM13,485,000 (31 July 2025: RM5,035,000) denominated in Renminbi.

25. Changes in material litigation

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

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 financial period.

	Individual Period		Cumulative Period	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding year to date
	31/10/2025	31/10/2024	31/10/2025	31/10/2024
Profit/(loss), net of tax (RM'000)	1,847	(4,528)	1,847	(4,528)
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>4.3</u>	<u>(10.5)</u>	<u>4.3</u>	<u>(10.5)</u>

The Group has no potential ordinary shares in issue as at reporting date and therefore diluted earnings per share has not been presented.

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BY ORDER OF THE BOARD

Leong Oi Wah
Company Secretary

Petaling Jaya
Date: 19 November 2025