

**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 2024**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 OCTOBER 2024**

	Individual period			Cumulative period		
	Current year	Preceding year	% Change	Current year	Preceding year	% Change
	quarter	corresponding		to date	corresponding	
	(31/10/2024)	quarter (31/10/2023)	RM'000	year to date (31/10/2024)	year to date (31/10/2023)	RM'000
<b>Revenue</b>	52,821	63,531	(17%)	52,821	63,531	(17%)
<b>Other items of income</b>						
Interest income	1,750	1,724	2%	1,750	1,724	2%
Dividend income	36	37	(3%)	36	37	(3%)
Other income	277	2,136	(87%)	277	2,136	(87%)
<b>Items of expenses</b>						
Consumables used	(3,938)	(5,181)	(24%)	(3,938)	(5,181)	(24%)
Employee benefits expense	(22,669)	(25,083)	(10%)	(22,669)	(25,083)	(10%)
Depreciation of property, plant and equipment	(11,335)	(11,917)	(5%)	(11,335)	(11,917)	(5%)
Finance costs	(803)	(1,081)	(26%)	(803)	(1,081)	(26%)
Other expenses	(21,137)	(22,416)	(6%)	(21,137)	(22,416)	(6%)
<b>(Loss)/profit before tax</b>	<u>(4,998)</u>	<u>1,750</u>	NM	<u>(4,998)</u>	<u>1,750</u>	NM
Income tax credit/(expense)	470	(834)	NM	470	(834)	NM
<b>(Loss)/profit, net of tax</b>	<u>(4,528)</u>	<u>916</u>	NM	<u>(4,528)</u>	<u>916</u>	NM
<b>Other comprehensive (loss)/income:</b>						
<b>Item to be reclassified</b>						
<b>subsequently to profit or loss</b>						
Foreign currency translation (loss)/gain	(955)	1,086	NM	(955)	1,086	NM
<b>Total comprehensive (loss)/income</b>						
<b>for the period, net of tax</b>	<u>(5,483)</u>	<u>2,002</u>	NM	<u>(5,483)</u>	<u>2,002</u>	NM
(Loss)/earnings per share attributable to owners of the Company (sen):						
- Basic	<u>(10.5)</u>	<u>2.1</u>	NM	<u>(10.5)</u>	<u>2.1</u>	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.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2024**

	<u>As at end of current quarter 31/10/2024</u>	<u>As at preceding financial year end 31/07/2024</u>
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	152,660	163,915
Deferred tax assets	6,018	6,082
Other receivables	623	628
	<u>159,301</u>	<u>170,625</u>
<b>Current assets</b>		
Inventories	1,863	1,584
Trade and other receivables	46,920	42,835
Derivatives	-	104
Prepayments	2,117	1,495
Investment securities	13,316	14,318
Tax recoverable	5,881	5,578
Cash and short-term deposits	211,899	232,461
	<u>281,996</u>	<u>298,375</u>
<b>Total assets</b>	<u>441,297</u>	<u>469,000</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	43,678	43,678
Other reserves	18,034	18,989
Retained earnings	282,256	290,010
<b>Total equity</b>	<u>343,968</u>	<u>352,677</u>
<b>Non-current liabilities</b>		
Loans and borrowings	25,864	34,201
Defined benefit liabilities	5,779	5,662
Deferred tax liabilities	5,923	6,954
	<u>37,566</u>	<u>46,817</u>
<b>Current liabilities</b>		
Trade and other payables	21,955	30,447
Derivatives	272	-
Loans and borrowings	37,536	39,059
	<u>59,763</u>	<u>69,506</u>
<b>Total liabilities</b>	<u>97,329</u>	<u>116,323</u>
<b>Total equity and liabilities</b>	<u>441,297</u>	<u>469,000</u>
Net assets per share attributable to owners of the Company (RM)	<u>8.00</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.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED 31 OCTOBER 2024**

	< ----- Attributable to owners of the Company ----- >					Total equity
	< ----- Non-distributable ----- >				Distributable	
	Share capital	Foreign currency translation reserve	Statutory reserve fund	Capital reserve	Retained earnings	
<b>FY2025</b>						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 1 August 2024</b>	43,678	12,120	4,629	2,240	290,010	352,677
Loss for the period	-	-	-	-	(4,528)	(4,528)
Other comprehensive loss for the period	-	(955)	-	-	-	(955)
Dividends on ordinary shares	-	-	-	-	(3,226)	(3,226)
<b>As at 31 October 2024</b>	43,678	11,165	4,629	2,240	282,256	343,968

	< ----- Attributable to owners of the Company ----- >					Total equity
	< ----- Non-distributable ----- >				Distributable	
	Share capital	Foreign currency translation reserve	Statutory reserve fund	Capital reserve	Retained earnings	
<b>FY2024</b>						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 1 August 2023</b>	43,678	11,718	4,629	2,240	292,480	354,745
Profit for the period	-	-	-	-	916	916
Other comprehensive income for the period	-	1,086	-	-	-	1,086
<b>As at 31 October 2023</b>	43,678	12,804	4,629	2,240	293,396	356,747

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.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE QUARTER ENDED 31 OCTOBER 2024**

	<b>Current year to date 31/10/2024 RM'000</b>	<b>Preceding year corresponding year to date 31/10/2023 RM'000</b>
<b>OPERATING ACTIVITIES</b>		
(Loss)/profit before tax	(4,998)	1,750
Adjustments for:		
Depreciation of property, plant and equipment	11,335	11,917
Plant and equipment written off	-	15
Net gain on disposal of property, plant and equipment	-	(833)
Net fair value loss on investment securities	1,370	14
Unrealised exchange gain	(511)	(262)
Unrealised loss/(gain) on derivatives	376	(5)
Dividend income	(36)	(37)
Interest income	(1,750)	(1,724)
Finance costs	803	1,081
<b>Operating cash flows before changes in working capital</b>	<b>6,589</b>	<b>11,916</b>
Increase in inventories	(279)	(474)
Increase in prepayments and receivables	(4,414)	(695)
Increase/(decrease) in payables	914	(2,407)
<b>Cash flows from operations</b>	<b>2,810</b>	<b>8,340</b>
Income taxes paid, net	(864)	(192)
Interest paid	(859)	(1,056)
Interest received	1,780	1,190
<b>Net cash flows from operating activities</b>	<b>2,867</b>	<b>8,282</b>
<b>INVESTING ACTIVITIES</b>		
Decrease in short-term deposits with maturity more than three months	11,000	-
Purchase of investment securities	(782)	(3,374)
Proceeds from disposal of investment securities	414	-
Dividend received	36	37
Purchase of property, plant and equipment	(9,925)	(1,051)
Proceeds from disposal of property, plant and equipment	-	833
<b>Net cash flows from/(used in) investing activities</b>	<b>743</b>	<b>(3,555)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of principal portion of lease liabilities	(617)	(1,025)
Repayment of bank loans	(9,117)	(8,021)
Dividend paid on ordinary shares	(3,226)	-
<b>Net cash flows used in financing activities</b>	<b>(12,960)</b>	<b>(9,046)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(9,350)</b>	<b>(4,319)</b>
Effect of exchange rate changes on cash and cash equivalents	(212)	320
Cash and cash equivalents at beginning of the period	74,461	99,428
<b>Cash and cash equivalents at end of the period</b>	<b>64,899</b>	<b>95,429</b>

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Cash and cash equivalents comprised the following:

	<b>Current year to date 31/10/2024 RM'000</b>	<b>Preceding year corresponding year to date 31/10/2023 RM'000</b>
Cash at banks and on hand	27,929	22,128
Deposits with licensed banks	183,970	197,801
Cash and short-term deposits	211,899	219,929
Less: Short-term deposits with maturity more than three months	(147,000)	(124,500)
Cash and cash equivalents	<b>64,899</b>	<b>95,429</b>

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. 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 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 2024 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**

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 RM554,000.

**12. Significant related party transactions**

	<u>Current year to date</u> <u>31/10/2024</u> RM'000	<u>Preceding year corresponding year to date</u> <u>31/10/2023</u> RM'000
Transactions with Sunright Limited, holding company of the Company, and its subsidiaries:		
Management fees charged by holding company	2,604	2,598
Dividends paid/payable to holding company	1,562	-
Purchases of equipment (including consumables) and related software from related companies	-	33
	<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 RM5,660,000 as at 31 October 2024.

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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
	31/10/2024	31/10/2023	31/10/2024	31/10/2023
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before tax is arrived at <sup>1</sup> :				
After charging:				
Net fair value loss on investment securities	1,370	14	1,370	14
Net foreign exchange loss	630	-	630	-
And crediting:				
Net gain on disposal of property, plant and equipment	-	833	-	833
Net foreign exchange gain	-	984	-	984
Net gain on derivatives	306	5	306	5

**15. Derivatives**

	As at 31/10/2024	As at 31/07/2024
	RM'000	RM'000
Financial assets:		
Forward currency contracts	-	104
Financial liabilities:		
Forward currency contracts	272	-

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 2024, the Group held seventeen forward currency contracts, with total outstanding notional amounts of RM11,046,000. The outstanding forward currency contracts mature within three months.

<sup>1</sup> 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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**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 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 was lower by 17% or RM10.7 million, from RM63.5 million in the preceding year's first quarter ("1QFY2024") to RM52.8 million for the current quarter ended 31 October 2024 ("1QFY2025"), due to weaker demand for processing of automotive chips.

Other income decreased by 87% or RM1.9 million, mainly due to absences of net foreign exchange gain of RM1.0 million and gain on disposal of machinery and test equipment of RM0.8 million.

Consumables used decreased by 24% or RM1.2 million, in line with lower revenue.

Employee benefits expense decreased by 10% or RM2.4 million, as outsourced services were reduced to align with prevailing operational requirements.

Depreciation of property, plant and equipment was lower by 5% or RM0.6 million, as certain machinery and test equipment were fully depreciated.

Finance costs decreased by 26% or RM0.3 million, following repayment of bank loans.

Other expenses were lower by 6% or RM1.3 million, driven by cost control measures in alignment with operational requirements. As such, utility costs and repair and maintenance costs decreased by RM1.3 million and RM0.9 million respectively. These reductions were partially offset with higher net fair value loss on investment securities of RM1.4 million.

Consequently, the Group reported a loss before tax of RM5.0 million in 1QFY2025, from a profit before tax of RM1.8 million in 1QFY2024.

Analysis of financial position

Property, plant and equipment decreased by 7% or RM11.3 million, from RM163.9 million as at 31 July 2024 to RM152.7 million as at 31 October 2024. The decrease was due to depreciation charge of RM11.3 million.

Total trade and other receivables increased by 9% or RM4.1 million, from RM43.5 million to RM47.5 million. This reflected outstanding trade receivables with longer payment terms as compared to the previous quarter.

Prepayments increased by 42% or RM0.6 million, from RM1.5 million to RM2.1 million, mainly for service contracts.

Investment securities were lower by 7% or RM1.0 million, from RM14.3 million to RM13.3 million, as a result of net fair value loss on investment securities of RM1.4 million; partially offset by net additions of RM0.4 million.

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Cash and short-term deposits decreased by 9% or RM20.6 million, from RM232.5 million to RM211.9 million, represented by net cash outflows in capital expenditure and repayment of bank loans.

Trade and other payables were lower by 28% or RM8.5 million, from RM30.4 million to RM22.0 million, largely due to settlement of payables for the purchases of machinery and test equipment; partially offset by increased accrued operating expenses.

Total loans and borrowings decreased by 13% or RM9.9 million, from RM73.3 million to RM63.4 million, primarily due to repayments of bank loans of RM9.1 million and lease liabilities of RM0.6 million.

Deferred tax liabilities decreased by 15% or RM1.0 million, from RM7.0 million to RM6.0 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 loss before tax of RM5.0 million in 1QFY2025, compared to RM0.2 million loss before tax reported in the preceding quarter ended 31 July 2024. The increased loss of RM4.8 million mainly resulted from lower revenue of RM3.7 million and higher net fair value loss on investment securities of RM1.2 million.

**20. Prospects**

International Monetary Fund has again maintained its 2024 global economic outlook growth rate at 3.2%, in its October 2024 report, indicating a slower growth from 2023 of 3.3%, amid persistent geopolitical tensions and policy uncertainty, despite a lowering global inflation rate.

Worldwide semiconductor revenue in 2024 is estimated at USD629.8 billion, representing growth of 18.8% from 2023. This growth momentum is expected to continue into 2025 at 13.8%, with an estimated revenue of USD716.7 billion. These positive outlooks are largely driven by the surge in the adoption of AI-related semiconductors.

The introduction of AI chip technology presents unique quality challenges, which in turn constrain our production. Nonetheless the growing momentum of numerous new product introductions (“NPIs”) with AI applications is set to drive future growth.

Escalation in tariff war amongst major economies may disrupt the ongoing adjustments in global supply chain. The Group is prioritising efforts to streamline its cost structure, ensuring alignment with operational requirements for greater efficiency, while maintaining close collaboration with customers to stay aligned with their product roadmaps.

**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.

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**22. Taxation**

	Individual Period		Cumulative Period	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding year to date
	31/10/2024	31/10/2023	31/10/2024	31/10/2023
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- Malaysian income tax	561	374	561	374
Deferred tax				
- Relating to origination and reversal of temporary differences	(1,031)	460	(1,031)	460
Income tax (credit)/expense	<u>(470)</u>	<u>834</u>	<u>(470)</u>	<u>834</u>

The low effective tax rate as compared to the statutory tax rate was mainly due to non-deductible expenses and certain deferred tax assets not recognised.

**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 at the Company's Annual General Meeting to be held on 15 January 2025. A circular which set out the details of the Proposed Shareholders' Mandate had been issued to shareholders of the Company on 25 October 2024.

**24. Group borrowings and debt securities**

	As at	As at
	31/10/2024	31/07/2024
	RM'000	RM'000
Amount repayable within 12 months		
Secured	2,435	2,433
Unsecured	35,101	36,626
	<u>37,536</u>	<u>39,059</u>
Repayable after 12 months		
Secured	4,088	4,833
Unsecured	21,776	29,368
	<u>25,864</u>	<u>34,201</u>
Total loans and borrowings	<u>63,400</u>	<u>73,260</u>

Included in the loans and borrowings as at 31 October 2024 was an amount of RM4,038,000 (31 July 2024: RM4,412,000) denominated in Renminbi.

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**25. Changes in material litigation**

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

**26. Earnings per share**

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

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	<u>Current year quarter</u>	<u>Preceding year corresponding quarter</u>	<u>Current year to date</u>	<u>Preceding year corresponding year to date</u>
	<u>31/10/2024</u>	<u>31/10/2023</u>	<u>31/10/2024</u>	<u>31/10/2023</u>
(Loss)/profit, net of tax (RM'000)	(4,528)	916	(4,528)	916
Weighted average number of ordinary shares ('000)	43,014.5	43,014.5	43,014.5	43,014.5
Basic (loss)/earnings per share (sen)	<u>(10.5)</u>	<u>2.1</u>	<u>(10.5)</u>	<u>2.1</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: 19 November 2024