KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Registration No. : 197201001376 (13022-A)

UNAUDITED THIRD QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 APRIL 2026

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 APRIL 2026

	Individual period			Cumulative period		
	Current year quarter (30/04/2026) RM'000	Preceding year corresponding quarter (30/04/2025) RM'000	% Change	Current year to date (30/04/2026) RM'000	Preceding year correponding year to date (30/04/2025) RM'000	% Change
Revenue	53,319	52,805	1%	161,269	157,019	3%
Other items of income						
Interest income	1,355	1,650	(18%)	4,304	5,052	(15%)
Dividend income	55	100	(45%)	238	276	(14%)
Other income	5,017	1,694	>100%	10,044	2,281	>100%
Items of expenses						
Consumables used	(5,047)	(4,536)	11%	(15,617)	(12,824)	22%
Employee benefits expense	(20,806)	(20,018)	4%	(61,879)	(63,645)	(3%)
Depreciation of property, plant and equipment	(12,015)	(11,242)	7%	(36,428)	(33,809)	8%
Finance costs	(351)	(575)	(39%)	(1,144)	(2,098)	(45%)
Other expenses	(19,110)	(20,213)	(5%)	(51,714)	(60,662)	(15%)
Profit/(loss) before tax	2,417	(335)	NM	9,073	(8,410)	NM
Income tax (expense)/credit	(1,208)	(553)	>100%	(2,429)	4	NM
Profit/(loss), net of tax	1,209	(888)	NM	6,644	(8,406)	NM
Other comprehensive income:						
Item to be reclassified subsequently to profit or loss						
Foreign currency translation gain/(loss)	821	(1,006)	NM	(331)	(1,964)	(83%)
Other comprehensive income/(loss) for the period, net of tax	821	(1,006)	NM	(331)	(1,964)	(83%)
Total comprehensive income/(loss) for the period, net of tax	2,030	(1,894)	NM	6,313	(10,370)	NM
Earnings/(loss) per share attributable to owners of the Company (sen):						
- Basic	2.8	(2.1)	NM	15.4	(19.5)	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.

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Registration No. : 197201001376 (13022-A)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2026

	As at end of current quarter 30/04/2026	As at preceding financial year end 31/07/2025
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	135,975	133,767
Deferred tax assets	5,919	5,943
Other receivables	620	358
	142,514	140,068
Current assets		
Inventories	1,939	1,985
Trade and other receivables	47,531	43,663
Prepayments	7,777	1,266
Investment securities	8,771	10,649
Tax recoverables	422	5,678
Cash and short-term deposits	202,816	210,121
	269,256	273,362
Assets held for sale[1]	-	1,762
	269,256	275,124
Total assets	411,770	415,192
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	43,678	43,678
Other reserves	16,639	16,970
Retained earnings	282,584	278,521
Total equity	342,901	339,169
Non-current liabilities		
Loans and borrowings	10,677	6,757
Defined benefit liabilities	6,559	6,197
Deferred tax liabilities	2,139	5,014
	19,375	17,968
Current liabilities		
Trade and other payables	29,469	28,721
Contract liabilities	104	-
Derivatives	153	101
Loans and borrowings	16,469	29,233
Income tax payable	3,299	-
	49,494	58,055
Total liabilities	68,869	76,023
Total equity and liabilities	411,770	415,192
Net assets per share attributable to owners of the Company (RM)	7.97	7.88

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.

[1] The disposal was completed on 9 January 2026.

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Registration No. : 197201001376 (13022-A)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 APRIL 2026

	< ------ Attributable to owners of the Company ------- >					
	< ------------ Non-distributable ------------- >				Distributable	
FY2026	**Share capital**	**Foreign currency translation reserve**	**Statutory reserve fund**	**Capital reserve**	**Retained earnings**	**Total equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 1 August 2025	43,678	10,101	4,629	2,240	278,521	339,169
Profit for the period	-	-	-	-	6,644	6,644
Other comprehensive loss for the period	-	(331)	-	-	-	(331)
Transaction with owners						
Dividends on ordinary shares	-	-	-	-	(2,581)	(2,581)
As at 30 April 2026	43,678	9,770	4,629	2,240	282,584	342,901

	< -------- Attributable to owners of the Company -------- >					
	< ----------- Non-distributable ----------- >				Distributable	
FY2025	**Share capital**	**Foreign currency translation reserve**	**Statutory reserve fund**	**Capital reserve**	**Retained earnings**	**Total equity**
	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 period	-	-	-	-	(8,406)	(8,406)
Other comprehensive loss for the period	-	(1,964)	-	-	-	(1,964)
Transactions with owners						
Dividends on ordinary shares	-	-	-	-	(3,226)	(3,226)
As at 30 April 2025	43,678	10,156	4,629	2,240	278,378	339,081

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.

KESM INDUSTRIES BERHAD
(Incorporated in Malaysia)

Registration No. : 197201001376 (13022-A)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 APRIL 2026

	Current year to date 30/04/2026	Preceding year corresponding year to date 30/04/2025
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit/(loss) before tax	9,073	(8,410)
Adjustments for:		
Depreciation of property, plant and equipment	36,428	33,809
Net gain on disposal of property, plant and equipment and assets held for sale	(6,691)	(1,513)
Net fair value loss on investment securities	263	3,522
Reversal of impairment of trade receivables	(802)	-
Unrealised exchange (gain)/loss	(230)	457
Unrealised loss/(gain) on derivatives	52	(200)
Dividend income	(238)	(276)
Interest income	(4,304)	(5,052)
Finance costs	1,144	2,098
Operating cash flows before changes in working capital	34,695	24,435
Decrease/(increase) in inventories	46	(558)
Increase in prepayments and receivables	(3,720)	(2,482)
Increase in payables	2,879	341
Cash flows from operations	33,900	21,736
Income taxes received/(paid), net	3,251	(1,876)
Interest paid	(1,173)	(2,207)
Interest received	4,611	5,379
Net cash flows from operating activities	40,589	23,032
INVESTING ACTIVITIES		
Decrease in short-term deposits with maturity more than three months	21,500	19,000
Purchase of investment securities	(1,218)	(1,024)
Proceeds from disposal of investment securities	2,833	1,011
Dividend income	238	276
Purchase of property, plant and equipment	(39,518)	(11,996)
Proceeds from disposal of property, plant and equipment and assets held for sale	8,288	1,513
Net cash flows (used in)/from investing activities	(7,877)	8,780
FINANCING ACTIVITIES		
Repayment of principal portion of lease liabilities	(2,038)	(1,869)
Repayment of bank loans	(23,653)	(27,359)
Proceeds from bank loans	9,889	-
Dividend paid on ordinary shares	(2,581)	(3,226)
Net cash flows used in financing activities	(18,383)	(32,454)
Net increase/(decrease) in cash and cash equivalents	14,329	(642)
Effect of exchange rate changes on cash and cash equivalents	(134)	(987)
Cash and cash equivalents at beginning of the period	72,621	74,461
Cash and cash equivalents at end of the period	86,816	72,832

Cash and cash equivalents comprised the following:

	Current year to date 30/04/2026	Preceding year corresponding year to date 30/04/2025
	RM'000	RM'000
Cash at banks and on hand	23,363	19,141
Deposits with licensed banks	179,453	192,691
Cash and short-term deposits	202,816	211,832
Less: Short-term deposits with maturity more than three months	(116,000)	(139,000)
Cash and cash equivalents	86,816	72,832

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.

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 cyclicality 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 reporting 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 reporting period.

8. Dividends

	Current year to date 30/04/2026	Preceding year corresponding year to date 30/04/2025
	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 ordinary share, paid on 28 October 2025	2,581	3,226

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 reporting period.

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

During the current reporting period, the Group acquired property, plant and equipment amounting to RM38,973,000, and disposed property, plant and equipment of net book value amounting to RM115,000.

12. Significant related party transactions

	Current year to date 30/04/2026	Preceding year corresponding year to date 30/04/2025
	RM'000	RM'000
Transactions with Sunright Limited, holding company of the Company, and its subsidiaries:		
Management fees charged by holding company	7,502	7,593
Dividends paid/payable to holding company	1,250	1,562
Purchases of equipment (including consumables) and related software from related companies	5,623	162

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 RM28,403,000 as at 30 April 2026.

Included in the commitments was an amount of RM3,911,000 relating to purchases from certain related companies.

14. Profit/(loss) before tax

	Individual Period		Cumulative Period	
	Current year quarter 30/04/2026	Preceding year corresponding quarter 30/04/2025	Current year to date 30/04/2026	Preceding year corresponding year to date 30/04/2025
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before tax is arrived at[2]:				
After charging:				
Net fair value loss on investment securities	1,484	1,096	263	3,522
Net foreign exchange loss	-	691	500	953
Net loss on derivatives	398	-	-	-
And crediting:				
Reversal of impairment on trade receivables	-	-	802	-
Net gain on disposal of property, plant and equipment and assets held for sale	3,238	1,513	6,691	1,513
Net foreign exchange gain	619	-	-	-
Net gain on derivatives	-	172	75	263

[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.

15. Derivatives

	As at 30/04/2026 RM'000	As at 31/07/2025 RM'000
Financial liabilities:		
Forward currency contracts	(153)	(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 30 April 2026, the Group held 26 forward currency contracts, with total outstanding notional amounts of RM19,087,000. The outstanding forward currency contracts mature within three months.

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 reporting period.

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 increased by RM0.5 million, from RM52.8 million in the preceding year's third quarter ("3QFY2025") to RM53.3 million for the current quarter ended 30 April 2026 ("3QFY2026"), primarily driven by higher demand for the Group's services in artificial intelligence ("AI") related chips.

Interest income was lower by 18% or RM0.3 million, following lower placement of fixed deposits at lower interest rates.

Other income increased by RM3.3 million, mainly due to higher gain on disposal of machinery and test equipment of RM1.7 million, net foreign exchange gain[3] of RM0.2 million and income of RM1.0 million arising from accelerated deliveries.

Consumables used increased by 11% or RM0.5 million, due to changes in product mix which required higher material usage.

Employee benefits expense increased by 4% or RM0.8 million, primarily driven by higher variable compensation.

Depreciation of property, plant and equipment was higher by 7% or RM0.8 million, as more machinery and test equipment were commissioned for use in the production.

Other expenses reduced by 5% or RM1.1 million, mainly due to cost reductions in utilities and repair and maintenance expenses which totalled RM1.6 million, and absence of net foreign exchange loss[3] of RM0.5 million. These reductions were mainly offset by increases in net fair value loss on investment securities of RM0.4 million, and equipment rental of RM0.5 million.

Consequently, the Group reported a profit before tax of RM2.4 million in the 3QFY2026, from a loss before tax of RM0.3 million in the 3QFY2025.

Analysis of the performance for the current financial year to date

The Group's revenue improved by 3% or RM4.3 million, from RM157.0 million in the preceding year's corresponding period, to RM161.3 million for the current financial period ended 30 April 2026. This was largely attributable to increased demand for our services in processing AI related chips.

Interest income was lower by 15% or RM0.7 million, following lower placement of fixed deposits at lower interest rates.

Other income was higher by RM7.8 million, mainly due to increase in gain on disposal of machinery and test equipment and assets held for sale by RM5.2 million, compensation of RM1.2 million for unfulfilled minimum orders, income of RM1.0 million arising from accelerated deliveries and increase in rental income of RM0.2 million.

Consumables used increased by 22% or RM2.8 million, due to changes in product mix which required higher material usage.

Employee benefits expense was lower by 3% or RM1.8 million, due to reduced labour.

Depreciation of property, plant and equipment was higher by 8% or RM2.6 million, as more machinery and test equipment were commissioned for use in the production.

Finance costs decreased by 45% or RM1.0 million, following repayment of bank loans.

[3] Included net loss/gain on derivatives.

Other expenses reduced by 15% or RM8.9 million, mainly due to cost reductions in utilities and repairs and maintenance expenses which totalled RM6.0 million, reversal of impairment on trade receivables of RM0.8 million and lower fair value loss on investment securities by RM3.3 million. These reductions were partially offset by increase in equipment rental of RM0.8 million.

Consequently, the Group reported a profit before tax of RM9.1 million in the current reporting period, from a loss before tax of RM8.4 million in the preceding year's corresponding period.

Analysis of financial position

Property, plant and equipment increased by 2% or RM2.2 million, from RM133.8 million as at 31 July 2025 to RM136.0 million as at 30 April 2026. The increase was primarily due to net additions of RM38.9 million, partially offset by depreciation charge of RM36.4 million.

Total trade and other receivables increased by 9% or RM4.1 million, from RM44.0 million to RM48.2 million, mainly due to higher sales towards the end of the quarter as well as receivables arising from income related to accelerated deliveries.

Prepayments increased by RM6.5 million, from RM1.3 million to RM7.8 million, mainly attributable to higher downpayments for procurement of machinery and test equipment.

Investment securities were lower by 18% or RM1.9 million, from RM10.6 million to RM8.8 million, as a result of net fair value loss on investment securities of RM0.3 million and net disposals of RM1.6 million.

Tax recoverable decreased by 93% or RM5.3 million, from RM5.7 million to RM0.4 million, primarily due to tax refunds received during current reporting period.

Cash and short-term deposits decreased by 3% or RM7.3 million, from RM210.1 million to RM202.8 million. This represented net cash outflows for capital expenditure and repayments of bank loans, partially funded by cash generated from operating activities.

Trade and other payables were higher by 3% or RM0.7 million, from RM28.7 million to RM29.5 million, due to deferred grant income related to purchases of machinery and test equipment.

Total loans and borrowings decreased by 25% or RM8.8 million, from RM36.0 million to RM27.1 million, primarily due to net repayments of bank loans of RM13.8 million, offset with net increase of RM4.9 million in lease liabilities.

Income tax payable increased by RM3.3 million, due to additional tax provision made during current reporting period.

Deferred tax liabilities decreased by 57% or RM2.9 million, from RM5.0 million to RM2.1 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 RM2.4 million in 3QFY2026, compared to RM4.1 million reported in the preceding quarter ended 31 January 2026 ("2QFY2026"). The variance was mainly due to net fair value adjustment of RM2.3 million and absence of reversal of impairment on trade receivables of RM0.8 million, partially cushioned by increase in net gain on disposal of property, plant and equipment and assets held for sale of RM1.0 million and net foreign exchange adjustment of RM0.7 million.

20. Prospects

We anticipate cost pressures, particularly from elevated oil prices, which are likely to have broad implications across industries and global economies. Notwithstanding these challenges, the Group is experiencing growing demand for AI related devices amidst customers' intense development of AI driven applications globally. This provides a strong foundation for our ongoing investment initiatives, which remain closely aligned with our customers' product introductions.

The worldwide semiconductor revenue is set to exceed USD1.3 trillion in 2026, exhibiting the remarkable increase of 64% from 2025 driven by high demand for AI processing, data centre networking and power, and memory price inflation. Specifically, AI semiconductors are projected to contribute nearly 30% of the total semiconductor revenue in 2026 and will remain as the primary engine of the industry's growth.

On the other hand, the global economic growth in 2026 has been adjusted downwards, from the previous forecast of 3.3% to 3.1%[4] , reflecting the disruptions from the conflict in the Middle East and the expected increase in inflation.

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 30/04/2026	Preceding year corresponding quarter 30/04/2025	Current year to date 30/04/2026	Preceding year corresponding year to date 30/04/2025
	RM'000	RM'000	RM'000	RM'000
Current income tax				
- Malaysian income tax	2,033	1,598	5,123	3,073
- Real property gains tax	-	-	181	-
- Over provision in prior years	-	(67)	-	(67)
	2,033	1,531	5,304	3,006
Deferred tax				
- Relating to origination and reversal of temporary differences	(825)	(978)	(2,875)	(3,010)
Income tax expense/(credit)	1,208	553	2,429	(4)

The effective tax rate for the current quarter was higher than the statutory tax rate mainly due to the impact of unrecognised deferred tax assets.

The effective tax rate for the current year to date was also higher than the statutory tax rate, mainly due to the impact of unrecognised deferred tax assets, partially offset by certain non-taxable income and real property gains tax.

[4] According to International Monetary Fund's April 2026 outlook report, with previous forecast based on January 2026 report.

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

	As at 30/04/2026 RM'000	As at 31/07/2025 RM'000
Amount repayable within 12 months		
Secured	3,839	1,893
Unsecured	12,630	27,340
	16,469	29,233
Amount repayable after 12 months		
Secured	5,758	2,762
Unsecured	4,919	3,995
	10,677	6,757
Total loans and borrowings	27,146	35,990

Included in the loans and borrowings as at 30 April 2026 was an amount of RM10,626,000 (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.

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26. Earnings/(loss) 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
	30/04/2026	30/04/2025	30/04/2026	30/04/2025
Profit/(loss), net of tax (RM'000)	1,209	(888)	6,644	(8,406)
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)	2.8	(2.1)	15.4	(19.5)

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: 28 May 2026