

**SUMMARY OF KEY MATTERS DISCUSSED AT THE
50TH ANNUAL GENERAL MEETING HELD ON 13 JANUARY 2022**

PART A. RESPONSES TO QUESTIONS FROM MINORITY SHAREHOLDERS WATCH GROUP

QUESTIONS

RESPONSES

Operational & Financial Matters

1. The Group's revenue was higher by 3% or RM7.3 million, from RM241.0 million in the preceding financial year to RM248.3 million for the current financial year ended 31 July 2021 ("FYE2021"). This was attributable to higher orders for electronic manufacturing services ("EMS"), but lower sales from burn-in and test services. (page 5 of Annual Report 2021 ("AR2021"))
- (a) What was the percentage revenue contribution of EMS to the Group's total revenue for FYE2021?
- (b) Are these orders for EMS based on long term contracts?
- (c) Are the higher orders for EMS sustainable in financial year 2022?
- EMS constituted about 13% of the Group's revenue for FY2021.*
- No, they are on purchase order basis.*
- EMS remains as an ancillary service within the Group and we remain focused in burn-in and test business.*

2. As the Group entered into the second half of FYE2021, the chip shortages impacted the Group's loadings and the outbreak of the more transmittable Delta variant became rampant. Manufacturing activities in Malaysia were limited due to continuing border closures, as well as multiple and prolonged Movement Control Orders. As a result, the Group operated with much lesser manpower along with deferred orders. (page 2 of AR2021)

To-date, has sales and production of the Group's burn-in and test services recovered to pre-COVID-19 normal?

No. Sales and profitability in Q1FY2022 have begun to improve from the last sequential quarter. We are stepping up efforts to fulfilling customers' backlogs.

3. The Group invested in a new facility in Malacca to expand its services for a wider range of market segments (page 6 of AR2021).

(a) What is the status of operations of the new facility in Malacca?

The operation had undergone extensive certification and initial productions have begun.

(b) What are the market segments that the new facility in Malacca will caters to?

To support a wide range of devices for automotive, industrial, commercial, applications, etc..

(c) Will the production capacity of the new facility be dedicated to existing customers or new customers?

The Malacca facility is to consolidate and improve cycle time to support both existing and potentially new customers.

(d) What is the current utilisation rate of the new facility in Malacca?

The operation is in its initial production.

PART B. RESPONSES TO LIVE QUESTIONS FROM SHAREHOLDERS

QUESTIONS	RESPONSES
1. What is the company's future outlook?	<p><i>The Company is encouraged with the improved performance in Q1 FY2022 and look forward to continuing good performance as we revive from the recovery of the pandemic.</i></p> <p><i>However, the level of recovery would depend on improvements in 3 areas of uncertainties, i.e. the duration and spread of COVID-19 (and the on-going new variant which the world is now facing), the continuing trade tension between US and China, and the ability of the customers in securing adequate supply of materials.</i></p>
2. What is the impact due to the Movement Control Orders (“MCO”)?	<p><i>Multiple MCOs significantly affected our financial performance.</i></p>
3. Comments on the correlation between the Company's performance with the Electric Vehicle's (“EV”) overall industry's performance.	<p><i>There is no direct correlation between the EV numbers versus production in KESM as we burn-in and test a wide range of devices.</i></p>
4. Will the revenue generated from China increase and surpass Malaysia?	<p><i>It is difficult to predict at this point in time. Whilst the China economy is growing with more new applications, we are looking forward to increase in other applications in Malaysia.</i></p>
5. When is the new Malacca plant to be fully utilised and what is the revenue that can potentially be generated?	<p><i>The Malacca plant is now at its early stage of production, around 30% to 40% utilisation rate of its current setup. As we continue to expand, the utilisation would improve as the growth continues on in the automotive and digitalisation spaces.</i></p>

6. What is the competitive advantage of burn-in technology compared to other technology i.e. vision technology by Vitrox?
- They are different technologies. Burn-in is a “stress” process to weed out potentially weak integrated circuits. Vitrox’s vision technology involves inspecting the package.*
7. What is the current utilisation rate and how many percent is automotive related?
- The utilisation rate ranges from 50% to 80%, depending on the flow of production requirements.*
- About 70% to 80% of our burn-in and test revenue comes from automotive customers.*
8. Is there a threat of burn-in testing being less outsourced and done in-house by semiconductor principals?
- We have over 45 years of good track record in delivering service excellence to our global customers who have been with us all these years. As such, we don’t foresee that the customers would do the burn-in and testing in-house unless there are some specific test requirements that are confidential.*
9. The Company’s top line and bottom line has been deteriorating since financial year 2018. What is the major reason and what is the Management’s view on the financial year 2021? Is there any revenue guide and kindly share the prospects for financial year 2022?
- The Company business was hit by the downturn in the US car industry in 2018. In the following year, the China market was similarly affected, followed by the pandemic which caused further deterioration in business.*
- Nonetheless, our FY2021 result has been more stable despite under MCOs. We are encouraged by the improved performance in 1Q FY2022 and looking forward to improving results.*
10. Are there still a huge backlog on the customers’ orders to be fulfilled by the Group? Are there any numbers to share?
- The backlog could range from 1-3 quarters for certain devices and customers.*
11. Currently most of the IDM (eg. NXP, Infineon, STM) is expanding their Capital Expenditure (“CAPEX”) to cater for the shortages of EV chips. Will KESM benefit from this expansion? If so, any numbers to share?
- Yes, we are looking forward to increase our CAPEX to cater for customers’ increased investments.*

12. What is the expected utilization rate of the Malacca plant in FY2022 and FY2023? *Please refer to the Company's response to MSWG's Q3 and also see the answer to Q5 above.*
13. What is the current foreign shareholding percentage? Any plan to attract more foreign shareholders? *The percentage of foreign shareholding is about 54% and we are nationalities neutral.*
14. Please update on the status of Melaka Branch. What is the planned output of the new plant? *Please refer to the Company's responses to MSWG's Q3.*
15. What is the plant's utilization rate before and after herd vaccination in Malaysia? *Vaccination rate has little influence on the plant utilisation. The continuing changes in MCO rules limited our workers' attendance. Consequently, we adjusted the level of production.*
16. How much is cost saving of this virtual AGM as compared to physical one? *About 30% to 35%.*
17. Will the Board consider giving door gifts such as e-voucher or e-wallets as a token of appreciation for those participating in this AGM? *Rewarding shareholders with sustainable dividends is our goal.*
We appreciate your loyal support to the Company and look forward to your continued participation at our general meeting.
18. How much does the company spend on this virtual AGM? *We are unable to disclose due to confidentiality obligations with the providers for this virtual meeting.*
19. I would like to request a printed hard copy of the company annual report. *Our share registrar has copies available. However, we encourage you to support our sustainability effort to save the environment by downloading it from our website.*