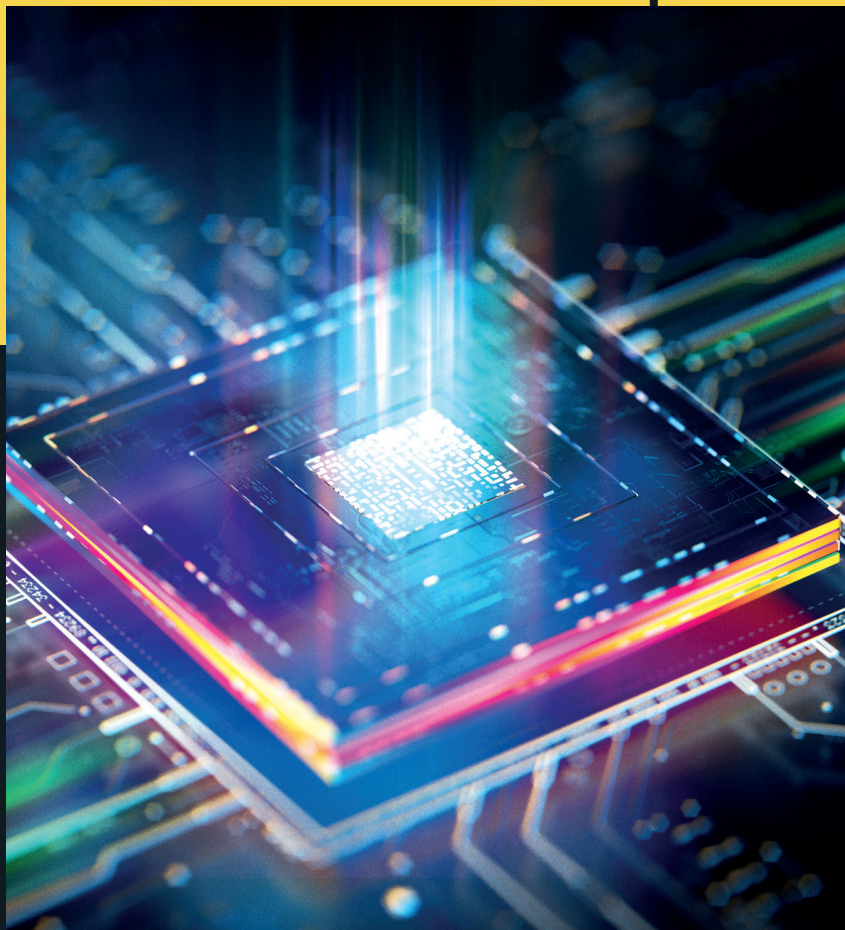


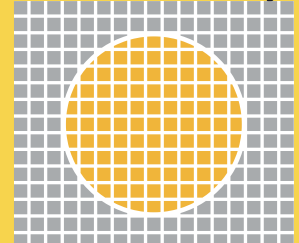
KESM INDUSTRIES BERHAD
REG. NO. 197201001376 (13022-A)

ANNUAL REPORT



2024

A Member of



SUNRIGHT



**THE WORLD'S LARGEST
INDEPENDENT
BURN-IN AND
TEST SERVICE PROVIDER**



**WE ENSURE THE RELIABILITY OF
DEVICES MANUFACTURED BY
OUR CUSTOMERS FOR A WIDE
RANGE OF PRODUCTS**

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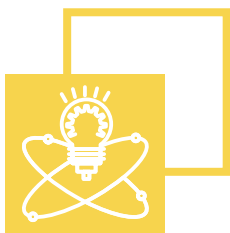
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CHAIRMAN'S STATEMENT

OUR SKILLED WORKFORCE AND STRONG CUSTOMER PARTNERSHIPS ENABLE US TO STAY AGILE, ADJUSTING OUR PRODUCTION STRATEGIES TO MEET THE EVOLVING DEMANDS AND CHALLENGES OF THIS DYNAMIC INDUSTRY.



CONTINUING TO EVOLVE AT A PROGRESSIVE PACE, PRESENTING GROWTH OPPORTUNITIES



DRIVING DEMAND FOR ADVANCED POWER ELECTRONICS



DEDICATING TO SHAPE SUSTAINABLE BUSINESS PRACTICES

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

FY2024 was a year of both challenges and progress for KESMI. Amidst a complex economic landscape characterised by ongoing market volatility and shifting industry dynamics, the Group demonstrated remarkable resilience and strategic agility. These strengths enabled us to achieve revenue growth and return to profitability, underscoring the effectiveness of our focused approach and commitment to operational excellence. However, the modest recovery was tempered by global economic uncertainty, fluctuating demand, persistent supply chain disruptions, and inflationary pressures. These impacted our production growth.

FINANCIAL PERFORMANCE

In FY2024, the Group recorded revenue of RM243.0 million, a 6% increase from RM228.3 million in FY2023. This growth translated into a modest net profit of RM0.2 million, but a significant turnaround from the net loss of RM3.1 million reported in the previous year. Correspondingly, earnings per share improved to 0.4 sen, compared to a loss per share of 7.3 sen in FY2023.

EV- CENTRIC APPROACH MOVING FORWARD

The electric vehicle ("EV") market is continuing to evolve at a progressive pace, presenting growth opportunities amid China's pursuit for self-sufficiency of semiconductors which brought about disrupted supply chains. Global data indicates that the adoption of EVs is accelerating. This shift toward electrification is transforming the automotive industry and driving robust demand for advanced semiconductor technologies. Key components in EVs, such as Advanced Driver Assistance Systems ("ADAS"), Electric Axles ("E-Axles") and power management devices undergoes rigorous burn-in and testing to ensure reliability before they are deployed on the road. These are areas where KESMI excels.

AI- DRIVING DEMAND FOR ADVANCED POWER ELECTRONICS

AI is emerging as the defining technology of this decade, driving transformative change across industries. Such exponential progress is fuelling the demand for advanced power management chips, essential for optimising energy consumption, preventing overheating, ensuring consistent performance, and extending battery life in AI-driven systems. KESMI is experiencing increased demand for these chips and is actively collaborating with customers to strategically prepare for anticipated growth in the coming years.

OUR ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) INITIATIVES

At KESMI, we recognise the critical role that Environmental, Social, and Governance ("ESG") factors play in shaping sustainable business practices. Our efforts have been recognised with a FTSE4GOOD ESG rating of 3 out of 4 stars for FY2024. This rating reflects our dedication to sustainable environmental practices, strong social responsibility, and transparent governance structures.

LOOKING AHEAD FY2025

According to various research houses, the semiconductor industry is on a robust growth trajectory. World Semiconductor Trade Statistics has forecasted the global market revenue to reach USD687 billion by 2025 from USD611 billion in 2024. A significant contributor to this growth is the automotive semiconductor market, projected to exceed USD88 billion by 2027, fuelled by the rising adoption of EVs.

The artificial intelligence ("AI") market is rapidly expanding, projected to surpass USD1.34 trillion by 2030, driven by widespread adoption across various sectors. Semiconductor manufacturers are addressing this demand by developing specialised power management chips that enhance data processing and decision-making capabilities, essential for advancing AI systems.

Both the automotive and AI markets offer substantial growth opportunities for KESMI. As EVs become more advanced and interconnected, the demand for high-performance semiconductors capable of managing complex data processing and real-time decision-making is rapidly increasing. Simultaneously, the accelerating adoption of AI technologies across industries is driving the need for specialised semiconductors, further expanding opportunities for KESMI to support cutting-edge innovation in both sectors.

As a leader in semiconductor burn-in and testing services, KESMI is uniquely positioned to capitalise on these growing trends, especially in sectors where high reliability and performance standards are essential. Our skilled workforce and strong customer partnerships enable us to stay agile, adjusting our production strategies to meet the evolving demands and challenges of this dynamic industry.

DIVIDEND

This year, KESMI is pleased to declare an interim dividend of 7.5 sens per share. This includes a maintainable dividend of 6 sens, reflecting the company's performance, and an additional 1.5 sens, attributed to our recent financial turnaround. This dividend payout underscores our commitment to delivering value to our shareholders while maintaining a strong financial foundation to support future growth.

APPRECIATION

We are truly inspired by the adaptability, agility, and resilience demonstrated by KESMI throughout the year. Our heartfelt gratitude goes out to our dedicated employees, loyal shareholders, supportive bankers, reliable suppliers, and valued customers for your unwavering support. We look forward to sharing more of our successes with you throughout FY2025.

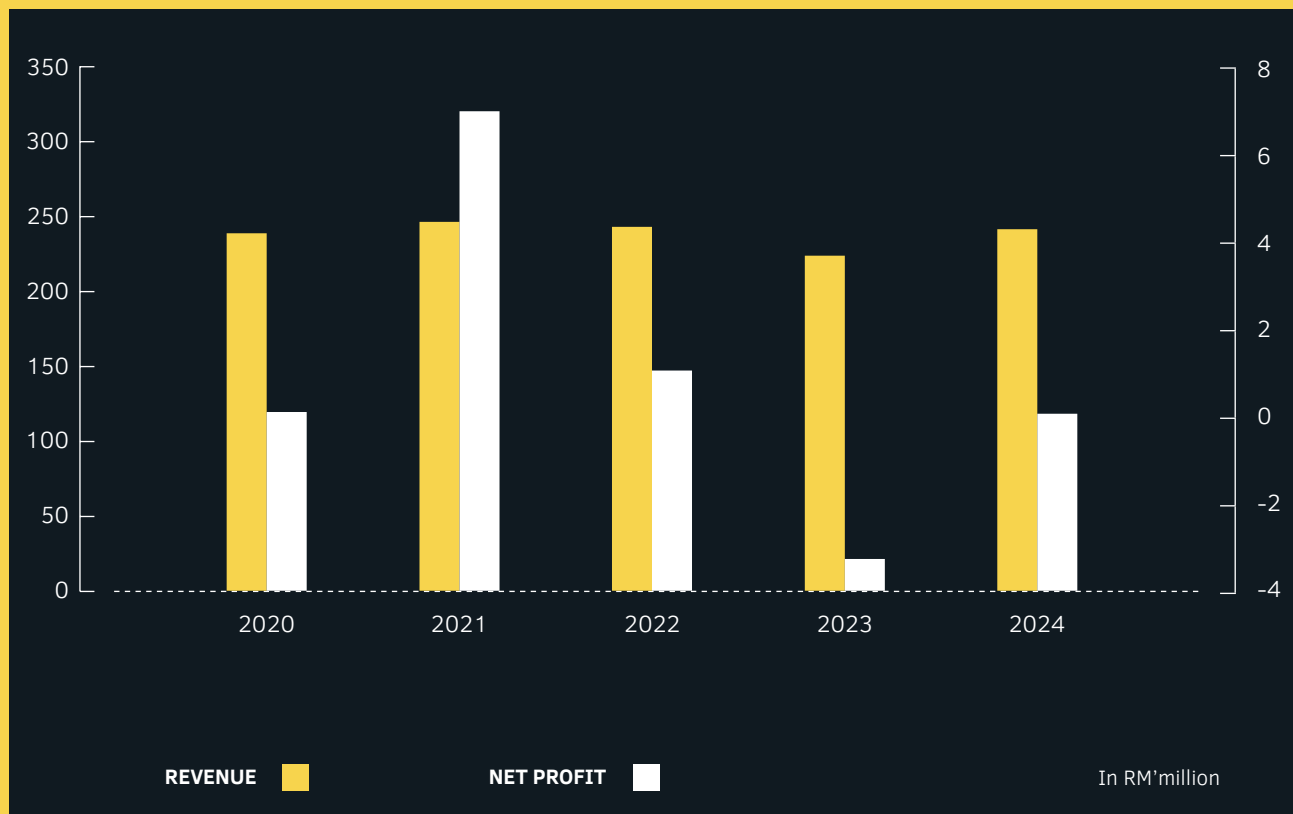
SAMUEL LIM SYN SOO

Executive Chairman & Chief Executive Officer
19 September 2024

MANAGEMENT DISCUSSION AND ANALYSIS

5-YEAR FINANCIAL HIGHLIGHTS

Financial Year Ended 31 July (RM '000)	2020	2021	2022	2023	2024
Revenue	240,976	248,257	246,736	228,283	243,025
Profit/(Loss) Before Tax	5,679	11,025	4,232	(2,218)	3,299
Net Profit/(Loss) Attributable To Owners of the Company	96	7,335	1,666	(3,130)	188
Total Equity Attributable To Owners of the Company	356,274	363,404	362,358	354,745	352,677
Basic Earnings/(Loss) Per Share (sen)	0.2	17.1	3.9	(7.3)	0.4
Dividend Per Share (sen)	7.5	9.0	7.5	6.0	7.5



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP

KESM Industries Berhad (“KESMI”) began its journey in 1978, establishing its first burn-in operations in Kepong, Selangor Darul Ehsan. Driven by rapid growth, the company relocated to the Sungei Way Free Industrial Zone in Petaling Jaya, where it continues to operate today.

Recognising the potential for further expansion, KESMI extended its footprint in 1983 by incorporating KESP Sdn. Bhd. in the Bayan Lepas Free Industrial Zone, Penang, to bolster its burn-in operations. This strategic move laid the foundation for KESMI’s continued growth in Malaysia.

KESMI is the world’s largest provider of burn-in and test services and publicly listed on the Main Market of Bursa Malaysia Securities Berhad since 1994. The company is a trusted partner to the world’s leading semiconductor manufacturers, delivering reliable and high-quality services.

In 1995, the Group enhanced its service offerings by integrating semiconductor testing into its core business. This diversification enabled KESMI to provide comprehensive solutions to its clients, strengthening its market position.

Further expanding its global presence, KESMI established KESM Industries (Tianjin) Co., Ltd in 2007. Located in Tianjin, China, this facility supports the Group’s commitment to providing cutting-edge burn-in and test services on an international scale.

In 2021, KESMI marked another milestone by setting up a state-of-the-art facility in Malacca, aimed at supporting the burgeoning demand for automotive chip burn-in and testing.

Today, KESMI proudly serves leading automotive semiconductor manufacturers, backed by a skilled workforce of close to 1,900 employees across four strategic locations.

OUR BUSINESS IS RELIABILITY

KESMI is a leading provider of burn-in and testing services for the semiconductor industry. Recognised as the world’s largest independent provider of these critical services, KESMI operates without affiliation to any of its customers, ensuring impartiality and trust in its operations.

To ensure reliability, semiconductor manufacturers rely on the burn-in and test process, which identify and eliminate potential defects during production. The quality and reliability of semiconductor devices are paramount, as they directly impact the performance of electronics across various sectors, including automotive, personal computing, and consumer electronics.

Following the burn-in process, each semiconductor device undergoes rigorous testing to confirm its functionality and adherence to specified performance standards. This testing not only ensures that the device operates as intended but also assesses its electrical characteristics, grading the device for overall quality.

Through its comprehensive burn-in and testing services, KESMI plays a vital role in supporting the global semiconductor industry, helping to enhance the reliability and performance of electronic devices worldwide.

THE GROUP’S STRATEGY

KESMI is dedicated to ensuring the reliability and functionality of integrated circuits (“ICs”) through its specialised burn-in and test services. Semiconductor manufacturers depend on these critical services to verify the performance of their ICs.

The Group’s strategic vision is to provide comprehensive, end-to-end burn-in and test solutions tailored to the needs of semiconductor manufacturers. By leveraging our deep expertise in both software and hardware solutions, combined with over 40 years of industry experience, KESMI enables its customers to concentrate on their core strengths. This partnership allows them to bring new product developments to market more efficiently and cost-effectively, reinforcing KESMI’s commitment to supporting the global semiconductor industry.

KESMI’s strategic vision is further reinforced by the increasing demand for advanced power management chips, spurred by the rapid evolution of artificial intelligence (“AI”). As AI continues to define this decade, it is driving transformative changes across industries and unlocking significant opportunities for semiconductor manufacturers.

REVIEW OF FINANCIAL RESULTS

The information in this management discussion and analysis should be read in conjunction with the Company’s consolidated financial statements and notes related thereto.

The Group’s revenue was higher by 6% or RM14.7 million, from RM228.3 million in the preceding year, to RM243.0 million for the current financial year ended 31 July 2024. This was largely attributed to higher demand for our services.

Interest income increased by 65% or RM2.7 million, following higher placement of fixed deposits at higher interest rates.

Other income increased by 46% or RM2.4 million, mainly due to higher net gain on disposal of machinery and test equipment by RM2.2 million.

Consumables used increased by 7% or RM1.4 million, to support higher revenue.

Employee benefits expense decreased by 2% or RM1.8 million, reflecting lower variable compensation.

Depreciation of property, plant and equipment was higher by 21% or RM8.3 million, as additional machinery and test equipment were commissioned for use in the production.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs increased by RM2.2 million, following increased borrowings as compared to that of the preceding year's corresponding period.

Other expenses increased by 5% or RM4.3 million, mainly attributable to higher utility costs due to increase in electricity rates, and management fees.

Consequently, the Group turnaround with a reported profit before tax of RM3.3 million in the current financial year, from the loss before tax of RM2.2 million in the preceding year.

REVIEW OF FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Property, plant and equipment was lower by 9% or RM15.7 million, from RM179.6 million as at 31 July 2023 to RM163.9 million as at 31 July 2024. The decrease was primarily due to depreciation charge of RM48.0 million, offset by additions of RM32.0 million.

Deferred tax assets increased by 11% or RM0.6 million, from RM5.5 million to RM6.1 million, as a result of higher deductible temporary differences arising from unutilised tax benefits.

Total trade and other receivables were lower by 19% or RM10.0 million, from RM53.5 million to RM43.5 million. This was due to lower sales in the reporting quarter under review as compared to the previous fourth quarter ended 31 July 2023, as well as improved sales collections.

Prepayments decreased by 65% or RM2.8 million, from RM4.3 million to RM1.5 million, mainly as a result of subsequent deliveries of newly purchased machinery and test equipment and lower prepaid system maintenance services.

Investment securities were higher by 33% or RM3.6 million, from RM10.8 million to RM14.3 million, as a result of net additions of RM1.9 million and net fair value gain on investment securities of RM1.7 million.

Cash and short-term deposits increased by 4% or RM8.5 million, from RM223.9 million to RM232.5 million. This increase represented the net cash generated from operating activities that was partly used to repay loans and borrowings and to fund capital expenditure.

Trade and other payables were higher by 21% or RM5.2 million, from RM25.2 million to RM30.4 million, primarily due to increased payables for the purchases of machinery and test equipment; partially offset by reduced accrued operating expenses and sundry payables.

The Group's loans and borrowings decreased by 22% or RM20.5 million, from RM93.7 million to RM73.3 million, primarily due to net decrease in bank loans of RM23.2 million; partially offset by net increase in lease liabilities of RM2.7 million.

Deferred tax liabilities increased by 11% or RM0.7 million, from RM6.3 million to RM7.0 million, as a result of higher taxable temporary differences arising from the utilisation of capital allowances.

OPERATIONS REVIEW

KESMI continues to lead in providing essential burn-in and test services that ensure the reliability of semiconductors, including microprocessors, microcontrollers, and sensors—critical components in automotive, industrial, consumer, and commercial products. Serving clients across the USA, Europe, and the Asia Pacific, our extensive customer base underscores our significant global reach and influence.

FY2024 was a year of resilience and adaptation for KESMI, characterised by both challenges and strategic progress. The global semiconductor industry faced considerable uncertainties due to ongoing geopolitical tensions and economic headwinds. These factors, combined with fluctuating demand and supply chain disruptions, impacted our operations. Nevertheless, we remained committed to operational excellence and continued to support our customers across all sectors.

Despite the broader industry challenges, the demand for automotive semiconductors remained relatively robust. KESMI's focus on burn-in and test services for automotive chips provided stability, even as other segments experienced volatility. This strategic emphasis on the automotive market allowed us to maintain a solid operational footing.

A cornerstone of our success is our unwavering commitment to continuous improvement through extensive training programs. By prioritising ongoing education and skill enhancement for all employees, we remain at the forefront of industry advancements. Our focus on service excellence, combined with the right attitude, is what sets us apart and enables us to consistently deliver the best results for our clients.

Sustainability remains a cornerstone of our strategy, and we are devoted to integrating green practices throughout our operations. Reflecting this commitment, KESMI achieved a rating of 3 out of 4 in the FTSE4Good index, highlighting our efforts in environmental responsibility and corporate governance.

Looking ahead, KESMI remains steadfast in its commitment to innovation, sustainability, and operational excellence. By continuously advancing our technologies and refining our processes, we are well-equipped to navigate the challenges of an evolving industry. Our unwavering focus on delivering high-quality burn-in and test services ensures we meet the growing demands of our global customers, while our dedication to sustainability and efficiency lays the foundation for long-term success. With a clear vision and a solid strategy, we are confident in our ability to drive value for our stakeholders and maintain our leadership in the semiconductor industry.

MANAGEMENT DISCUSSION AND ANALYSIS

RISKS

The global semiconductor industry in FY2024 faces a range of emerging risks, compounded by the ongoing challenges from the previous years. These factors are anticipated to have a profound impact on KESMI's operations and strategic decision-making.

After a challenging 2023, the semiconductor sector is forecasted to see a modest recovery in 2024, with growth rates potentially reaching up to 17%. However, this rebound unfold amid a backdrop of global economic uncertainty, characterised by fluctuating demand, persistent supply chain disruptions, and inflationary pressures. These conditions are particularly concerning for the capital-intensive semiconductor industry, presenting significant risks to revenue stability and growth for KESMI.

The automotive semiconductor market, which remains a key focus for KESMI, is projected to grow by 11% in 2024. Despite this positive outlook, the growth is tempered by concerns over a potential slowdown in electric vehicle ("EV") demand and ongoing supply chain imbalances. Given KESMI's significant reliance on the automotive segment, any volatility or shifts in consumer demand could directly impact the Group's financial performance.

Geopolitical tensions, especially between the USA and China, continue to present substantial risks to global trade and technology supply chains. With operations in both Malaysia and China, KESMI is particularly vulnerable to these disruptions. Potential challenges include operational setbacks, tariff impacts, and restrictions on technology transfers—all of which could hinder KESMI's growth and operational efficiency.

The semiconductor industry remains highly competitive, with established players and new entrants striving for market share. This intense competition, coupled with ongoing pricing pressures, could lead to reduced profit margins for KESMI. The company's ability to continuously innovate and optimise costs will be crucial to maintaining its market position and ensuring long-term success in this demanding environment.

Moreover, the semiconductor industry's cyclical and capital-intensive nature, combined with rapid technological advancements that can render products obsolete, further accentuates the risks KESMI faces. These dynamics create an environment of heightened uncertainty, where shifts in demand and technology can swiftly alter market conditions.

The Group's financial strength and operational agility enable it to respond swiftly to market changes and adapt strategies as needed. By maintaining this flexibility, KESMI is confident in its ability to manage risks effectively and steer the Group through this period of volatility, positioning itself for sustained growth in a rapidly evolving industry.

The road ahead for KESMI will require careful navigation of these multifaceted risks to sustain growth and stability. With a clear focus on innovation, cost optimisation, and strategic agility, KESMI is prepared to meet the challenges continue its leadership in the semiconductor industry.

PROSPECTS & OUTLOOK

In FY2024, KESMI navigated a landscape marked by both challenges and opportunities. Despite the headwinds, we're now seeing a shift towards brighter prospects in EVs and Power Management devices. Through diligent collaboration with our customers and strategic partnerships with suppliers, KESMI has stayed nimble, resilient and agile, ensuring we're well-positioned to adapt to an ever-evolving market.

The broader economic environment remains tough, with weak demand in the end-market electronics sector dampening growth across consumer and business segments alike. This stagnation has particularly affected the personal computer, tablet, and smartphone markets. However, amid these challenges, the automotive and industrial semiconductor sectors stand out as bright spots, poised for continued expansion. According to various market research, the automotive semiconductor market alone is expected to climb to USD61.58 billion in 2024, and projected to reach USD88 billion by 2027. This growth is being fuelled by the industry's rapid embrace of electrification and autonomous driving technologies, both of which demand increasingly sophisticated semiconductor solutions like power management ICs, sensors, and microprocessors.

Moreover, as vehicles become more connected and infotainment systems grow more advanced, the need for semiconductors that can handle seamless communication and complex data processing within vehicles is on the rise. Looking ahead, innovations in vehicle connectivity will likely spur even greater demand for cutting-edge semiconductor technologies, setting the stage for KESMI to capitalise on these emerging opportunities.

Additionally, the growing demand for advanced power management chips is spurred by rapid advancements in AI. As AI continues to emerge as the defining technology of this decade, it is driving transformative changes across industries, creating significant opportunities for semiconductor manufacturers. According to various statistics, the AI market is set for substantial growth, with projections indicating a valuation of approximately USD279.22 billion by 2024, potentially exceeding USD1.34 trillion by 2030. This unprecedented growth positions KESMI to play a pivotal role in shaping the future of AI-driven semiconductor technologies, further solidifying our commitment to innovation and industry leadership.

DIVIDEND POLICY

KESMI does not have a stated dividend policy. However, we have a track record of paying a proportion of our sustainable earnings as dividends. Such payments are dependent on a number of factors, such as earnings, cash requirements, capital commitments, general economic and industry environments which are reviewed and considered by the Board.

BOARD OF DIRECTORS



**MR SAMUEL
LIM SYN SOO**

Aged 70, Male, Singaporean Executive Chairman and Chief Executive Officer*



**MR KENNETH
TAN TEOH KHOON**

Aged 67, Male, Singaporean Executive Director*

Mr Samuel Lim has been on the Board since 6 September 1986 and was last re-elected on 11 January 2024.

Mr Lim is Founder, Executive Chairman and Chief Executive Officer of the Company and Sunright Limited in Singapore, a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited. He led the Company to become the world's largest independent provider of burn-in and testing services.

A fifty year veteran of the local semiconductor industry, he has been credited with 3 joint patents for testing of devices.

He holds a Diploma in Industrial Engineering (Canada). Prior to the establishing of KESM Industries Berhad, Mr Lim held senior positions including engineering, manufacturing and marketing in U.S. multinational companies based in Asia and USA.

Mr Lim also sits on the Board of several other private companies in Singapore, Malaysia, Taiwan, Philippines and USA.

Mr Lim's holdings in the securities of the Company are as follows: -

	Direct Holdings	Indirect Holdings
Ordinary Shares	Nil	20,825,000 (Deemed interest by virtue of his substantial interest in Sunright Limited)

Mr Kenneth Tan was first appointed to the Board on 20 January 1992 and was last re-elected on 12 January 2023.

Mr Tan is responsible for the Group's strategic direction, corporate affairs, investor relations and oversees the financial management of the Group.

Prior to joining the Group in 1987, he worked in an international accounting firm, a major property group in Singapore and subsequently in a diversified multinational group in the manufacturing and packaging industries.

Mr Tan is currently an executive director of Sunright Limited and also sits on the Boards of several other private limited companies in Singapore, Malaysia, Taiwan, China, Philippines and USA.

Mr Tan holds a Bachelor of Accountancy degree from the National University of Singapore and is a Fellow Member of the Institute of Singapore Chartered Accountants.

* also key senior management

BOARD OF DIRECTORS



MS LIM MEE ING

Aged 73, Female, Singaporean
Non-Independent
Non-Executive Director

Ms Lim was first appointed to the Board on 19 February 1990 and was last re-elected on 12 January 2023. She is also a member of the Audit Committee and Nominating Committee.

Ms Lim holds a Diploma from the Institute of Bankers, and has more than 18 years of working experience in the banking profession before her retirement in 1990. From 1973 to 1990, she worked with the Singapore Branch of Barclays Bank PLC in various senior positions. Prior to her exit, she was responsible for marketing the global securities and custodian services of the bank. Ms Lim was also a director of Barclays Bank (S) Nominees Pte Ltd from September 1982 to March 1990. She was a member of the Committee on Securities Industry of the Association of Banks in Singapore from September 1987 to March 1990.



MR KUA CHOH LEANG

Aged 60, Male, Malaysian
Senior Independent
Non-Executive Director

Mr Kua was first appointed to the Board on 1 May 2023 and was last re-elected on 11 January 2024. He is the Senior Independent Director and Chairman of the Audit Committee and Nominating Committee.

Mr Kua began his career in 1984 with Ernst & Young, Malaysia, holding various positions and was a partner from 2009 till his retirement in 2019. His 35 years of experience saw him auditing and providing business advisory to many companies in various industries.

He currently sits on the Board of BGMC International Ltd, a company listed on the stock exchange of Hong Kong.

Mr Kua is a member of Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

BOARD OF DIRECTORS



**DATO' DR. SUHAZIMAH
BINTI DZAZALI**

Aged 61, Female, Malaysian
Independent Non-Executive
Director

Dato' Dr. Suhazimah was first appointed to the Board on 1 May 2023 and was last re-elected on 11 January 2024. She is a member of the Audit Committee and Nominating Committee.

Dato' Dr. Suhazimah has over 35 years of working experience in public services related to Information and Communications Technology ("ICT"). She held senior and top management positions throughout her career, notably her position as Deputy Director-General (ICT) which carries the responsibility of the Government Chief Information Officer (GCIO) in the Malaysian Administrative Modernization and Management Planning Unit (MAMPU) at the Prime Minister's Department from 2014 and retired from public service in October 2020.

Dato' Dr. Suhazimah currently sits on the Board of Pertama Digital Berhad, a Main Market Listed Company and Cyber Security Malaysia, which is the National Cyber Security Specialist agency under the purview of the Ministry of Communication and Digital. She is also an Honorary Member of Business Continuity Institute.

Dato' Dr. Suhazimah graduated with a Master of Science and a Bachelor of Science in Computer Science from Northrop University, California, USA, as well as a Doctorate in Information Security Management from University of Malaya. She obtained the Certified Disaster Recovery Professional qualification from the EC Council, USA, in 2010. In 2013, she received the Special Award on Cyber Security Professional of the Year, from CSM-ACE 2013, coordinated by MOSTI, Cyber Security Malaysia and National Security Council.

OTHER INFORMATION ON DIRECTORS

1. FAMILY RELATIONSHIP

None of the Directors has any family relationship with other Directors and/or substantial shareholders of the Company except for Ms Lim Mee Ing, who is the spouse of Mr Samuel Lim Syn Soo.

2. CONFLICT OF INTEREST

The Group has entered into recurrent related party transactions with parties in which certain Directors of the Company, namely Samuel Lim Syn Soo, Kenneth Tan Teoh Khoon and Lim Mee Ing have direct or indirect interest in these parties. Please refer to the disclosures under Note 23(i) in the accompanying financial statements and in the Circular to Shareholders dated 25 October 2024 which is despatched together with this Annual Report. Save as disclosed, none of the other Directors have any conflict of interest with the Company or its subsidiaries.

3. CONVICTION OF OFFENCES

None of the Directors has been:

- (i) convicted of any offences within the past five (5) years (other than traffic offence); or
- (ii) imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2024.

4. DETAILS OF ATTENDANCE AT BOARD MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 JULY 2024

Name of Directors	No. of Meetings Attended	Percentage %
Mr Samuel Lim Syn Soo	5 out of 5	100
Mr Kenneth Tan Teoh Khoon	5 out of 5	100
Ms Lim Mee Ing	5 out of 5	100
Mr Kua Choh Leang	5 out of 5	100
Dato' Dr. Suhazimah Binti Dzazali	4 out of 5	80

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Samuel Lim Syn Soo
(Executive Chairman & Chief Executive Officer)

Mr Kenneth Tan Teoh Khoon
(Executive Director)

Ms Lim Mee Ing
(Non-Independent Non-Executive Director)

Mr Kua Choh Leang
(Senior Independent Non-Executive Director)

Dato' Dr. Suhazimah Binti Dzazali
(Independent Non-Executive Director)

AUDIT COMMITTEE

Mr Kua Choh Leang *(Chairman)*

Dato' Dr. Suhazimah Binti Dzazali *(Member)*

Ms Lim Mee Ing *(Member)*

NOMINATING COMMITTEE

Mr Kua Choh Leang *(Chairman)*

Dato' Dr. Suhazimah Binti Dzazali *(Member)*

Ms Lim Mee Ing *(Member)*

COMPANY SECRETARY

Ms Leong Oi Wah
(MAICSA 7023802)

REGISTERED OFFICE

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47301 Petaling Jaya
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Fax: 603-7806 1387
Email: oiwah@epsilonas.com

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
(Registration No. 199601006647 (378993-D))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
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46200 Petaling Jaya
Selangor Darul Ehsan
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Tel: 603-7890 4700
Fax: 603-7890 4670
Email: BSR.Helpdesk@boardroomlimited.com

AUDITORS

Ernst & Young PLT
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
MALAYSIA

PLACE OF INCORPORATION

Malaysia

COMPANY REGISTRATION NO.

197201001376 (13022-A)

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

STOCK NAME

KESM

STOCK CODE

9334

SECTOR

Technology

SUB-SECTOR

Semiconductors

WEBSITE

www.kesmi.com

OTHER INFORMATION

During the financial year under review,

1. UTILISATION OF PROCEEDS RAISED FROM ANY CORPORATE PROPOSAL

there were no proceeds raised from corporate proposal.

2. AUDIT AND NON-AUDIT FEES

the amount of audit and non-audit fees incurred for services rendered to the Group and the Company by the External Auditors is disclosed in Note 8 of the audited financial statements included in this Annual Report. The non-audit fees mainly paid or payable to affiliates of Ernst & Young Malaysia, were for the guidance on sustainability reporting.

3. MATERIAL CONTRACTS

there were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 31 July 2024 or entered into since the end of the previous financial year.

SUSTAINABILITY REPORT

ABOUT KESM INDUSTRIES BERHAD

[GRI 2-1, 2-6]

Headquartered in Malaysia with operating facilities within Asia, KESM Industries Berhad and its subsidiaries (“KESMI” or the “Group”) offer top-notch burn-in, testing and electronic manufacturing services to the semiconductor industry. Listed on the Main Market of Bursa Malaysia Securities Berhad, KESMI provides high quality service excellence to our customers.

Principally involved in assuring the reliability and functionality of integrated circuits (“IC”) by eliminating defects that occur during semiconductor manufacturing process, KESMI offers seamless and complete burn-in and test solutions for semiconductor manufacturers. KESMI provides innovative and value-adding solutions to our customer products whilst our customers focus on their core competencies. We also adopt internationally recognised certifications and quality standards in our manufacturing processes, thus providing equivalent outcomes required by our customers end markets.

ABOUT THE REPORT

[GRI 2-2, 2-3]

Our seventh annual Sustainability Report covers the sustainability policies and practices of KESMI entities in Malaysia¹ and China², from the period of 1 August 2023 to 31 July 2024 (“FY2024”). Where applicable, historical performance data is also included for comparative purposes³.

This report has been prepared with reference to the Global Reporting Initiative (“GRI”) Standards 2021. The GRI Sustainability Reporting Standards have been considered most suitable for KESMI’s sustainability reporting framework as the standards are recognised globally and are the most widely adopted global standards for sustainability reporting.

This year, using a phased approach, KESMI is disclosing its second Task Force on Climate-related Financial Disclosures (“TCFD”) Report to embrace the TCFD recommendations and better manage climate risks and opportunities.

STATEMENT OF ASSURANCE

[GRI 2-5]

Assurance undertaken

In strengthening the credibility of the Sustainability Report, selected aspects/parts of this Sustainability Report for the period from 1 August 2023 to 31 July 2024, have been subjected to an internal review by outsourced internal auditor and have been approved by KESMI’s Audit Committee.

¹ KESM Industries Berhad, KESP Sdn. Bhd. and KESM Test (M) Sdn. Bhd.

² KESM Industries (Tianjin) Co., Ltd

³ Our comparative data includes performance data from electronic manufacturing services (“EMS”) which was scaled down in FY2022.

SUSTAINABILITY REPORT

Subject matter

The subject matters covered by the internal review include the following indicators:

Sustainability matters	Indicators
Anti-corruption	<ul style="list-style-type: none"> Total number and percentage of employees who have received trainings and communicated on anti-corruption by employee category Total number of business partners who have communicated on anti-corruption policies
Supply chain management	<ul style="list-style-type: none"> Proportion of spending on local suppliers
Health and safety	<ul style="list-style-type: none"> Number of work-related injuries and ill-health, including fatalities
Labour practices and standards	<ul style="list-style-type: none"> Total and average hours of training by gender and employee category
Economic performance	<ul style="list-style-type: none"> Economic value generated, distributed and retained
Energy management	<ul style="list-style-type: none"> Total energy consumption
Emissions management	<ul style="list-style-type: none"> Scope 1 and 2 emissions in tonnes of CO₂e
Water management	<ul style="list-style-type: none"> Total water consumption in megalitres

Scope

The boundary of the internal review includes all companies within the Group's operational control.

External assurance has not been sought for this report. However, KESMI will consider seeking external assurance for its sustainability report as its sustainability reporting process matures over time. We welcome feedback that would help improve our sustainability efforts. Please direct any feedback to sustainability@sunright.com.

OUR SUSTAINABILITY COMMITMENT AND GOVERNANCE

[GRI 2-12, 2-13, 2-14, 2-16, 2-17, 2-22]

KESMI is firmly committed to sustainability, a commitment that guides our business. This dedication to sustainability is integrated throughout all levels of the Group, influencing both our business conduct and our responses to the evolving risks and opportunities in the semiconductor and electronics manufacturing industry.

Our established sustainability governance structure helps facilitate the management and oversight of this agenda. The Board and Executive Directors of KESMI are responsible for reviewing and approving KESMI's direction for sustainability policy and programmes, and ensuring that sustainability is integrated into the strategic direction of the Group and its operations. To achieve this, the Board continuously ensures an effective governance framework for sustainability within the Group.

The Board sets up a sustainability committee, comprising the Group Controller and Chief Operating Officer, to drive and implement the sustainability policies and practices of KESMI, champion sustainability KPIs, monitor its sustainability-related performance and eventually provide periodic updates to the Board for review and approval.

To ensure effective integration of sustainability across the Group, the Board is committed to reviewing and assessing material information, enhancing their knowledge and ability to provide quality and professional reviews, and ensuring that sustainability risks and opportunities are incorporated into KESMI's strategic directions. Likewise, senior management is guided by sustainability KPIs benchmarked against industry practices, considering economic, environmental, social, and governance-related risks and opportunities, where applicable.

KESMI recognises that it is of utmost importance for board members to have sufficient understanding and knowledge of sustainability issues to effectively discharge the above duties and carry out their role of sustainability governance. Directors attend sustainability-related trainings to equip themselves with knowledge on enhanced sustainability reporting requirements and sustainability matters such as corporate sustainability, climate risks and human rights. These ongoing trainings help widen their sustainability knowledge and keep abreast with the latest regulatory development and any emerging topics.




SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT




[GRI 2-29]

KESMI values the relationships we have built with our key stakeholders. We recognise the need to understand their concerns and expectations. Using various platforms, we continue to maintain regular engagement with stakeholders, especially those who are identified to cause significant impacts or those who could potentially be significantly affected by KESMI's operations.

Table 1: KESMI's approach towards stakeholder engagement

	Purpose of engagement	Key areas of concern	Engagement platforms	Frequency of management
SHAREHOLDERS				
	<ul style="list-style-type: none"> Provide regular and timely updates about KESMI's performance to enable key shareholders, to make informed investment decisions. 	<ul style="list-style-type: none"> KESMI's financial health and industry reputation Sustainability performance 	<ul style="list-style-type: none"> Press releases Announcements Media conference Annual report Annual general meeting Analyst/investor meetings 	<ul style="list-style-type: none"> Periodic Quarterly As necessary Annual Annual As necessary
CUSTOMERS				
	<ul style="list-style-type: none"> Maintain international certifications and standards to ensure the quality, safety and efficiency of products, services and systems (e.g. ISO 9001:2015 certification, ISO 14001:2015 certification, IATF 16949:2016 certification) 	<ul style="list-style-type: none"> Service and product quality Timely delivery 	<ul style="list-style-type: none"> Industry forums Customer satisfaction surveys and scorecards Customer visits to our plants 	<ul style="list-style-type: none"> Frequent Periodic As necessary
EMPLOYEES AND OUTSOURCED WORKERS				
	<ul style="list-style-type: none"> Implement non-discriminatory Human Resources ("HR") policies Provide deserving remuneration, welfare and benefits Provide relevant trainings (safety and job specific) 	<ul style="list-style-type: none"> Fair employment and well-being Occupational health and safety Training and development 	<ul style="list-style-type: none"> Electronic updates and newsletters Annual performance appraisals Company events and staff bonding sessions Trainings 	<ul style="list-style-type: none"> Periodic Annual Periodic Periodic

SUSTAINABILITY REPORT

	Purpose of engagement	Key areas of concern	Engagement platforms	Frequency of management
CONTRACTORS AND SUPPLIERS				
	• Conduct fair suppliers' screening process	• Business opportunities	• Project tenders	• As necessary
	• Conduct regular suppliers' evaluation process	• Feedback on performance	• Suppliers' evaluation meetings	• Periodic
REGULATORS				
	• Keeping abreast with the latest regulatory requirements	• Compliance to regulatory requirements	• Statutory reporting • On-site inspections	• Periodic • As necessary
LOCAL COMMUNITY				
	• Participate in CSR activities	• Corporate Social Responsibility ("CSR") initiatives	• CSR programmes	• Periodic
	• Provide employment opportunities through our business	• Employment opportunities	• Teaming with local technical institutions for job training and internship opportunities	• Annual

MATERIALITY ASSESSMENT

[GRI 3-1, 3-2]

On an annual basis, KESMI reviews the material matters to ensure their continued relevance amidst global and industry's environmental, social and governance ("ESG") trends. In FY2024, the Board has determined that all material matters continue to be relevant to the business. KESMI also remains conscious of potential sustainability matters that may be of investor concern due to their significant environmental and social impacts. For matters currently not deemed material to KESMI, we have strict management systems and internal controls that enable us to carry out our ongoing commitment to enhancing our ESG impacts and reducing environmental footprint where practicable.

Figure 1: KESMI's Materiality Assessment Process

1	Identification A preliminary list of potential sustainability matters was identified through review of KESMI's business strategy, market landscape, regulatory requirements and leading sustainability practices.
2	Prioritisation Through an unbiased and anonymous voting exercise, these sustainability matters were prioritised based on the significance of the impact of each issue, considering both the perspectives of internal and external stakeholders.
3	Validation The results of the exercise were mapped into a materiality matrix, which was approved by the Board.
4	Assessment/Review In FY2024, a review of the material matters was conducted. It was concluded that the existing six identified material matters remained relevant for reporting. KESMI will continue to conduct annual reviews of its material matters to ensure that it continues to consider critical sustainability matters relevant to its business across the years.

SUSTAINABILITY REPORT

Figure 2: KESMI's Sustainability Matters and Corresponding GRI Topics



	Material Matters	Description	Corresponding GRI
1	Corporate governance and business ethics	Adherence to responsible business practices in terms of anti-corruption and corporate governance	GRI 205: Anti-corruption
2	Regulatory compliance	Compliance with all regulatory requirements, including environmental, labour, health and safety regulations	GRI 2-27: Compliance with Laws and Regulations
3	Economic performance	Sustaining economic growth through responsible supply chain management and contribution of economic value	GRI 201: Economic Performance GRI 204: Procurement Practices
4	Energy and carbon footprint	Efficient use of energy to minimise carbon footprint from our operations	GRI 302: Energy GRI 305: Emissions
5	Occupational health and safety	Protecting the physical and mental well-being of all employees and workers	GRI 403: Occupational Health and Safety
6	Fair employment practices	Equal opportunities and treatment for all employees and workers	GRI 401: Employment GRI 404: Training and Education GRI 405: Diversity and Equal Opportunity GRI 406: Non-discrimination

SUSTAINABILITY REPORT

BUILDING AN ETHICAL CULTURE

[GRI 3-3, 2-23, 2-24, 205-1, 205-2, 205-3]

Prioritising ethical conduct and strong corporate governance practices not only establishes long-term partnerships and confidence among stakeholders such as investors, customers, and employees, but also contributes to environmental protection and social development.

Conversely, inadequate corporate governance and ethical failures can result in reputational harm, legal ramifications, and harmful effects on the environment and society. Pursuing ethical excellence is critical for KESMI to be a responsible corporate citizen and positively contribute to the larger global community.

KESMI understands that long-term success is directly tied to its integrity and the ethical foundations of its business. We integrate our values and ethical beliefs throughout our value chain and our operations. To our reputation as well as the trust earned from our stakeholders, KESMI implements a zero-tolerance policy for any form of unethical business practices, including fraud, bribery and corruption.

Our Code of Conduct (the “Code”) contains the business policies that govern our approach to ethics, outlined within it are our values, principles, and expectations. The Code takes reference from the Responsible Business Alliance (“RBA”) Code of Conduct, and has been approved by the Board. It also undergoes regular review by the management to ensure that the policies within remain relevant and aligned with our ethical principles. More information on our governance approach with regards to the Code can be found in our Corporate Governance Overview Statement.

In FY2024, we further strengthened our commitment to strong business ethics by enhancing our Non-discrimination Policy to promote equality, prevent discrimination, and ensure fair treatment of all individuals. In addition, we implemented a Workforce Risk Management Policy to proactively manage potential workforce-related risks.

In FY2024, a total of 709 (85%) employees received training and communications on anti-corruption policies across Malaysia and China. Separately, all employees will receive communication on anti-corruption policies upon joining the company.

Responsible Business Alliance (“RBA”) Code of Conduct





The RBA Code of Conduct is a set of globally-recognised social, environmental and ethical industry standards. These standards ensure employees are provided fair working conditions where they are treated with respect and dignity, while business operations are conducted in an environmentally and ethically responsible manner.

As the Code is designed to be a total supply chain initiative, at a minimum, KESMI shall require its next tier suppliers to implement the Code.

Management will monitor and review the Code on a regular basis to ensure its continued applicability and effectiveness.

SUSTAINABILITY REPORT

Table 2: KESMI's policies relating to Business Ethics and Anti-corruption

Name of Policy	Policy Description
<p>Whistleblower Policy</p> 	<p>KESMI has in place a Whistleblower Policy, which applies to all directors and employees as well as third parties such as suppliers, contractors, sub-contractors, and agents. This policy, alongside internal controls, operating procedures and governance policies intended to detect and prevent or deter improper conduct, is intended to encourage employees to report any potential improprieties (e.g. wrongdoing or misconduct), as well as protect their identity.</p> <p>The objectives of the policy are as follows:</p> <ul style="list-style-type: none"> • To encourage employees to confidently raise genuine concerns about possible improprieties • Provide ways for employees to raise concerns and receive feedback on any actions taken as a result • Reassure employees that they will be protected from possible reprisals or victimisation
<p>Grievance Handling Policy</p> 	<p>The Grievance Handling Policy and the accompanying grievance mechanism procedure were formulated to strengthen industrial efficiency and stability in performance. They ensure that grievances are handled at the lowest corporate level possible. Grievances can include any violations or threats on fair and humane treatment such as prohibition of sexual harassment, abuse (mental, physical or verbal), coercion, corporal punishment etc.</p>
<p>Business Ethics Policy</p> 	<p>KESMI's Business Ethics Policy ensures our integrity and reliability as an organisation. To minimise conflicts of interest or coercion of any kind from external sources, our employees are prohibited from associating with illegal cartel activities, illicit price-fixing, deception and undesirable social behaviour, as well as from dealing with customers or vendors that offer rebates, commissions, and other forms of illegal remuneration.</p> <p>Employees are required to fully disclose any circumstances likely to give rise to conflicts of interest, and disallowed from giving or accepting any gifts, which might improperly influence the normal business relationship with any supplier or customer. All company business dealings are based on 'fair deal' basis. All employees shall impress upon business partners on the high business ethics, and refrain from providing or accepting bribes and kickbacks.</p>
<p>Purchasing Policy</p> 	<p>The Purchasing Policy sets clear guidelines on maintaining ethical relations with vendors and suppliers while acting with integrity throughout all procedures related to the purchasing activities of the company.</p>

SUSTAINABILITY REPORT

Table 3: Number of active employees and business partners who received communication and training on anti-corruption policies by employee category and region

FY2024		Employee Category		
		Direct Labour	Exempt/ Non-Exempt	Manager
Total number required to receive communication and training		220	561	53
Total number and percentage of employees who were communicated on policies		170 (77%)	488 (87%)	49 (92%)
Total number and percentage of employees who received training		170 (77%)	488 (87%)	49 (92%)
Malaysia	Communicated to	152	373	35
	Received training	152	373	35
China	Communicated to	18	115	14
	Received training	18	115	14

FY2023		Employee Category		
		Direct Labour	Exempt/ Non-Exempt	Manager
Total number required to receive communication and training		238	573	56
Total number and percentage of employees who were communicated on policies		206 (87%)	532 (93%)	56 (100%)
Total number and percentage of employees who received training		206 (87%)	532 (93%)	56 (100%)
Malaysia	Communicated to	187	409	42
	Received training	187	409	42
China	Communicated to	19	123	14
	Received training	19	123	14

FY2022		Employee Category		
		Direct Labour	Exempt/ Non-Exempt	Manager
Total number required to receive communication and training		228	539	54
Total number and percentage of employees who were communicated on policies		228 (100%)	539 (100%)	54 (100%)
Total number and percentage of employees who received training		47 (21%)	196 (36%)	18 (33%)
Malaysia	Communicated to	208	410	41
	Received training	27	67	5
China	Communicated to	20	129	13
	Received training	20	129	13

SUSTAINABILITY REPORT

	Business Partners ⁴		
	FY2022	FY2023	FY2024
Total number of business partners who were communicated on policies	118	103	130
Percentage of key business partners⁵ who were communicated on policies⁶	-	-	33%
Malaysia	34	19	46
China	84	84	86

All directors representing the governance body of KESMI have received communications on the organisation's anti-corruption policies and attend ad-hoc trainings as and when deemed necessary. During the year, some directors attended sustainability-related training that covered anti-corruption.

Our operations across Malaysia and China have been assessed for risks related to corruption. During the year, there were no cases of corruption brought against KESMI or its employees, a record we have consistently maintained to date and will continue to uphold.

Focus Area	Perpetual Target	FY2024 Performance
Ethical Business Conduct	0 confirmed cases of corruption within KESMI	Achieved

DATA PRIVACY AND SECURITY

[GRI 418-1]

In an era where technology is continually evolving and enhancing our workplace dynamics, fostering efficient and effective collaboration, it is paramount that we, at KESMI, steadfastly tackle the escalating threats and potential risks posed by cyber-attacks. KESMI is committed to protect the private information and personal data of our customers, suppliers, and employees.

Our cybersecurity measures are meticulously designed to ensure legal and appropriate sharing of information. We treat all data with extreme care, ensuring its confidentiality and upholding its integrity at all times.

The following outlines the key controls for safeguarding data privacy:

- Protect our technology resources and assets with encryption, firewalls and antivirus software.
- Sign non-disclosure agreements between KESMI and its contractors, suppliers and customers.
- Regularly communicate to all employees to reinforce their understanding and foster consistent compliance with the Personal Data Protection Act in Malaysia and the Personal Information Protection Law in China.

With regard to customer privacy and data protection, there were no fines or complaints received from outside parties or regulatory bodies. We have no record of instances concerning data breaches or complaints received from external stakeholders.

⁴ Business partners include customers, suppliers and contractors.

⁵ Key business partners include the ten most significant customers, suppliers and contractors in each respective KESMI entities in Malaysia and China.

⁶ This is a new disclosure effective FY2024. Hence, the Group is unable to obtain past year data due to data collection constraints from certain operations.

SUSTAINABILITY REPORT

ENSURING STRICT COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

[GRI 3-3, 2-27]

Ensuring compliance with all relevant laws and regulations is a key concern for KESMI. We respect the laws of all the countries in which we operate, including relevant environmental and socioeconomic regulations. Compliance with the laws and regulations is inextricably linked with the long-term success of KESMI's business, as it encourages stakeholder and investor trust, while also reflecting the long-term integrity and viability of our operations. Nonetheless, the failure to comply with the respective ESG regulations could also lead to negative consequences, including legal and financial penalties, environmental harm to ecosystems, and potential worker exploitation compromising human rights and ethical principles.

In line with our emphasis on compliance, our policies are constantly updated to reflect any changes in regulatory requirements. Furthermore, adherence to any standards of behaviour outlined in the Code is required by our employees.

Focus Area	Perpetual Target	FY2024 Performance
Regulatory Compliance	0 confirmed cases ⁷ of non-compliance with environmental laws and regulations	Achieved
	0 confirmed cases of non-compliance with socioeconomic laws and regulations	Achieved

SUSTAINING ECONOMIC PERFORMANCE

[GRI 3-3]

Ensuring a strong economic performance can positively impact the wider economy through the creation of job opportunities, stimulating industry growth, improving livelihoods of local communities and contributes to overall economic development. It can also lead to increased investments in research and development, fostering technological advancements and innovations in the sector. At the same time, it is important to also strive for responsible economic growth as too much emphasis on the financial performance may jeopardise employee rights or safety potentially resulting in human rights violations, or prioritising economic advantages over environmental considerations may result in environmental harm if not committed to sustainable practices.

Managing Supply Chains Responsibly

[GRI 2-6, 204-1]

Due to the nature of our services, KESMI regularly handles purchases with 3TG metals, which can sometimes be from controversial sources. Our engagement with suppliers that practise responsible management of sourcing greatly reduces our exposure to a supply chain with potential sustainability risks, such as exposure to human rights and environmental issues, including forced labour, child labour, corruption, and pollution. Through minimising the risks of such issues arising within its value chain, KESMI protects itself from possible litigation and remediation costs. Additionally, a robust and ethical supply chain ensures KESMI's ability to provide products and services with the high quality standards that we promise to our customers.

KESMI's Purchasing Policy and Procedures govern the screening, selection and management of our suppliers. Our robust Three-Step Supply Chain Management Process outlines the necessary steps for the sourcing and selection of new items, delivery follow-up, receiving, to inspection of goods and payments.

⁷ Confirmed cases refer to reported cases that have material impact to the operations of KESMI.

SUSTAINABILITY REPORT

Figure 3: Purchasing Policy and Procedures

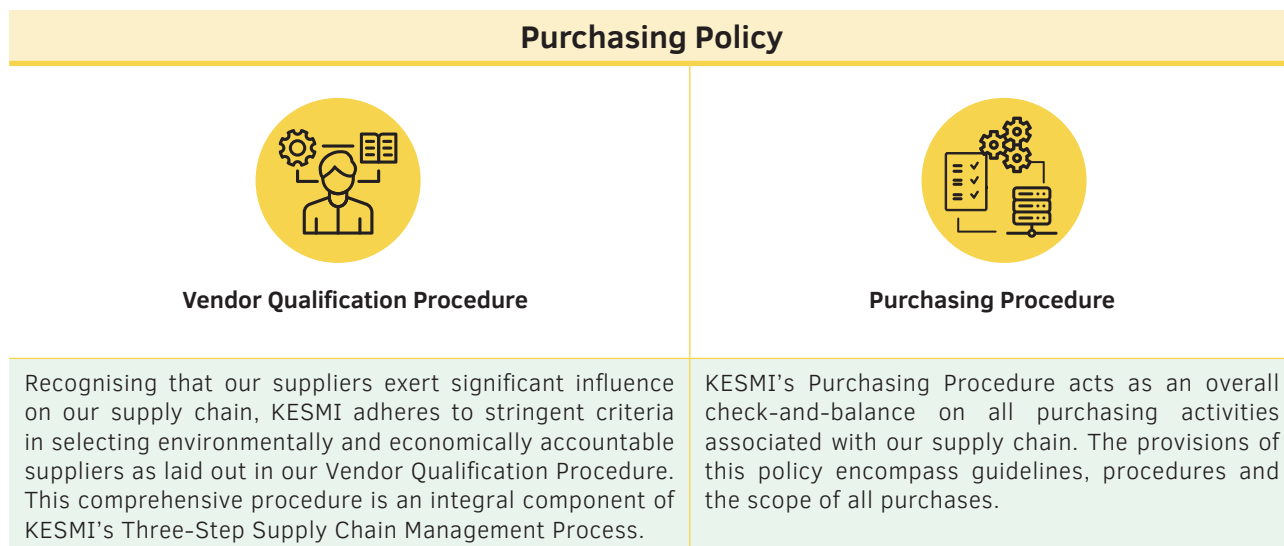
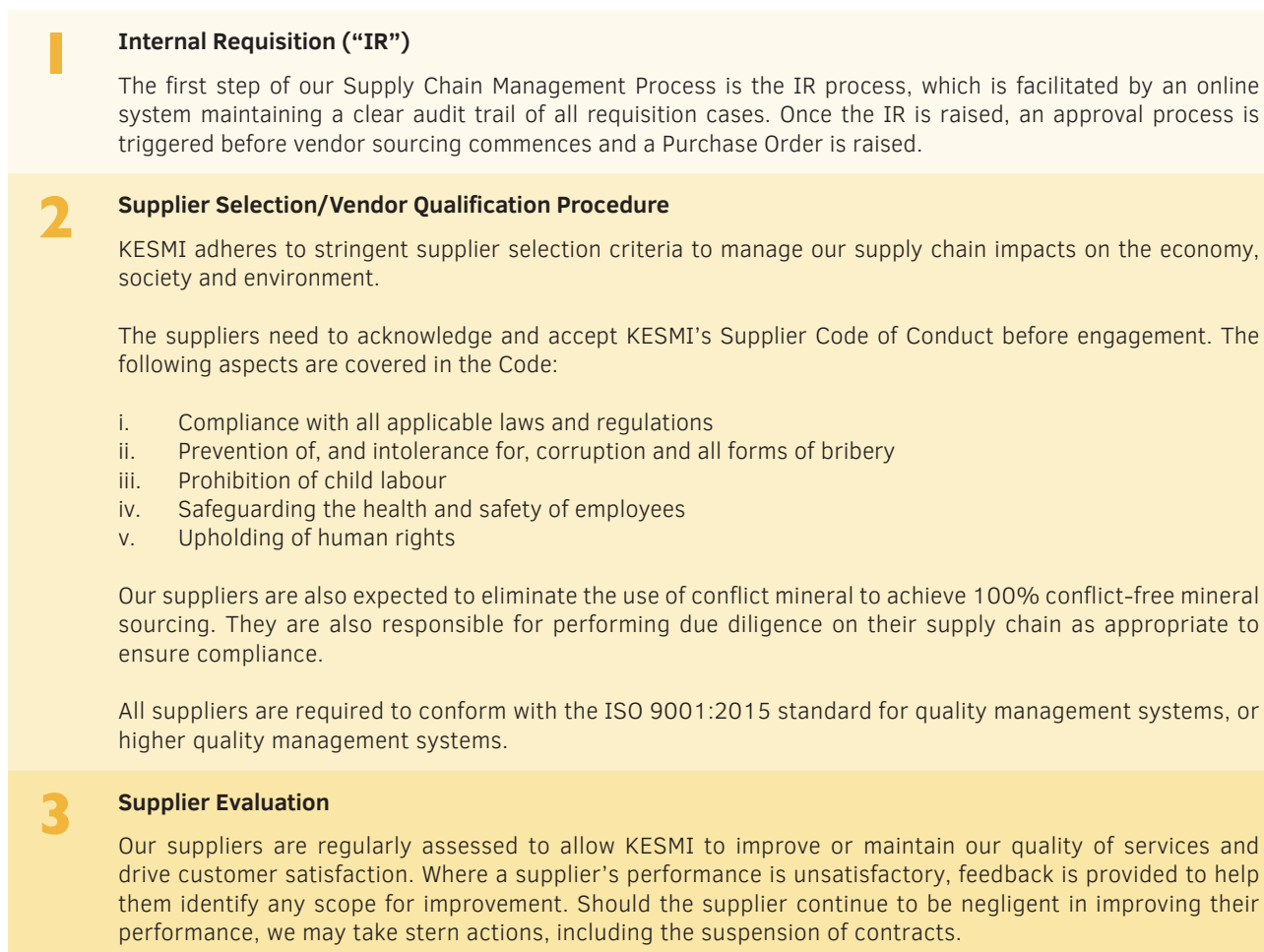


Figure 4: KESMI's Supply Chain Management Process



SUSTAINABILITY REPORT

One of the main ways for us to improve risk management and operating efficiency is the local sourcing of products and services. As such, local sourcing has become one of the pillars of our sustainability strategy. Obtaining products locally allows us to support economies, while also meeting our environmental and social objectives by minimising our carbon footprint.

As part of our sustainability efforts, KESMI has consistently ensured that at least 50% of its purchases are sourced locally. In FY2024, 88% of our procurement spending was used to purchase supplies locally in Malaysia and China, where we operate.

Focus Area	Perpetual Target	FY2024 Performance
Responsible Supply Chain Management	At least 50% of all purchases are sourced locally ⁸	Achieved

Contributing Direct Economic Value

[GRI 201-1]

In FY2024, KESMI generated approximately RM243 million in revenue, reflecting an improvement of RM15 million or 6.6%, from RM228 million in the previous financial year. The net economic value generation of RM30 million was mainly due to higher revenue attributed to higher demand for processing automotive and non-memory chips. However, the global economy remains under significant pressure from high inflation, high interest rates and increasing energy costs, which have increased our production cost.

Despite these challenges, we maintain a positive business outlook and continue to adapt to any challenges that arise by implementing relevant business continuity plans. KESMI looks towards improving our business resilience and recovery and maintain a strong market position.

Table 4: Economic Value Generated, Distributed and Retained from FY2022 to FY2024

	FY2022	FY2023	FY2024
Economic Value Generated (RM'million)			
Revenue	247	228	243
Other income from financial investments	6	12	11
Sales of assets	2	3	4
Economic Value Distributed (RM'million)			
Operating costs ⁹	(199)	(147)	(123)
Employee wages and benefits	(96)	(96)	(95)
Payments to providers of capital	(4)	(5)	(7)
Payments to governments	(3)	(1)	(3)
Economic Value Retained (RM'million)			
Net Economic Value Generated/(Distributed)	(47)	(6)	30

For further details on our economic performance, please refer to the following sections in our Annual Report: Financial Statements, Chairman's Statement and Management Discussion and Analysis.

⁸ Local purchases refer to purchases made (except for production machineries) from locally registered companies, which supply trade and non-trade goods and services.

⁹ Operating costs include cash payments made outside the organisation for material cost, purchase of property, plant and equipment and other expenses.

SUSTAINABILITY REPORT

Community Investment

KESMI is dedicated to fostering community development and support. In the reporting period, we donated RM2,000 in the community, specifically targeting beneficiaries who are external to our organisation. This investment has positively impacted 69 individuals, demonstrating our commitment to contributing to the well-being and growth of the communities in which we operate. Our efforts reflect our broader goal of creating shared value and supporting sustainable development.

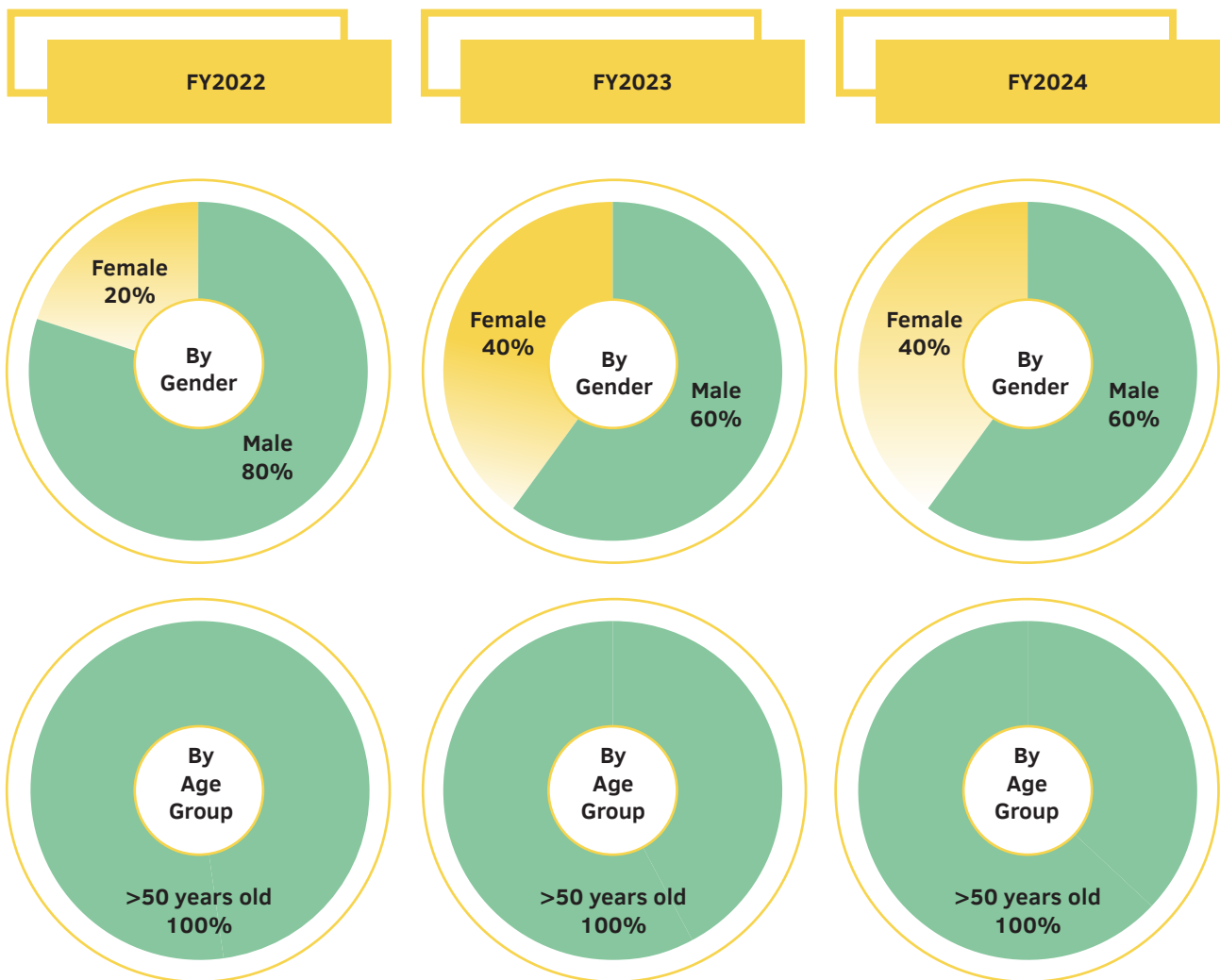
DEVELOP AN ENGAGED WORKFORCE AND FAIR WORKPLACE

KESMI's Board Profile

[GRI 405-1]

KESMI recognises that diversity in an organisation is a strength. The various different backgrounds of our employees afford them many different viewpoints, allowing them to bring new perspectives and viewpoints to our company. We also recognise that diversity has to be implemented at all levels, including at the highest level of governance: the Board as well as Senior Management.

Figure 5: KESMI's Board Composition



SUSTAINABILITY REPORT

Figure 6: KESMI's Senior Management Composition



For more information on board diversity and composition, please refer to our Corporate Governance Overview Statement.

KESMI's Employee and Worker Profile
 [GRI 2-7, 2-8, 401-1, 405-1]

In FY2024, KESMI's workforce comprised 834 employees and 1,167 workers across Malaysia and China, reflecting a 4% decrease and 0.1% increase from FY2023 respectively to better align with current business needs and optimise resource allocation.

KESMI remains committed to developing our employees to their fullest potential and we employ 100% of our employees on permanent contracts, and the majority of them are employed full-time. KESMI also places strong emphasis on maintaining diversity and inclusivity in our workforce, and ensuring fair gender representation in our workforce through a well-balanced ratio of male and female employees.

The following charts show our employee demographics by gender and region, as well as our worker demographics supporting KESMI's business activities.

SUSTAINABILITY REPORT

Figure 7: KESMI's Employee Demographics by Gender and Region

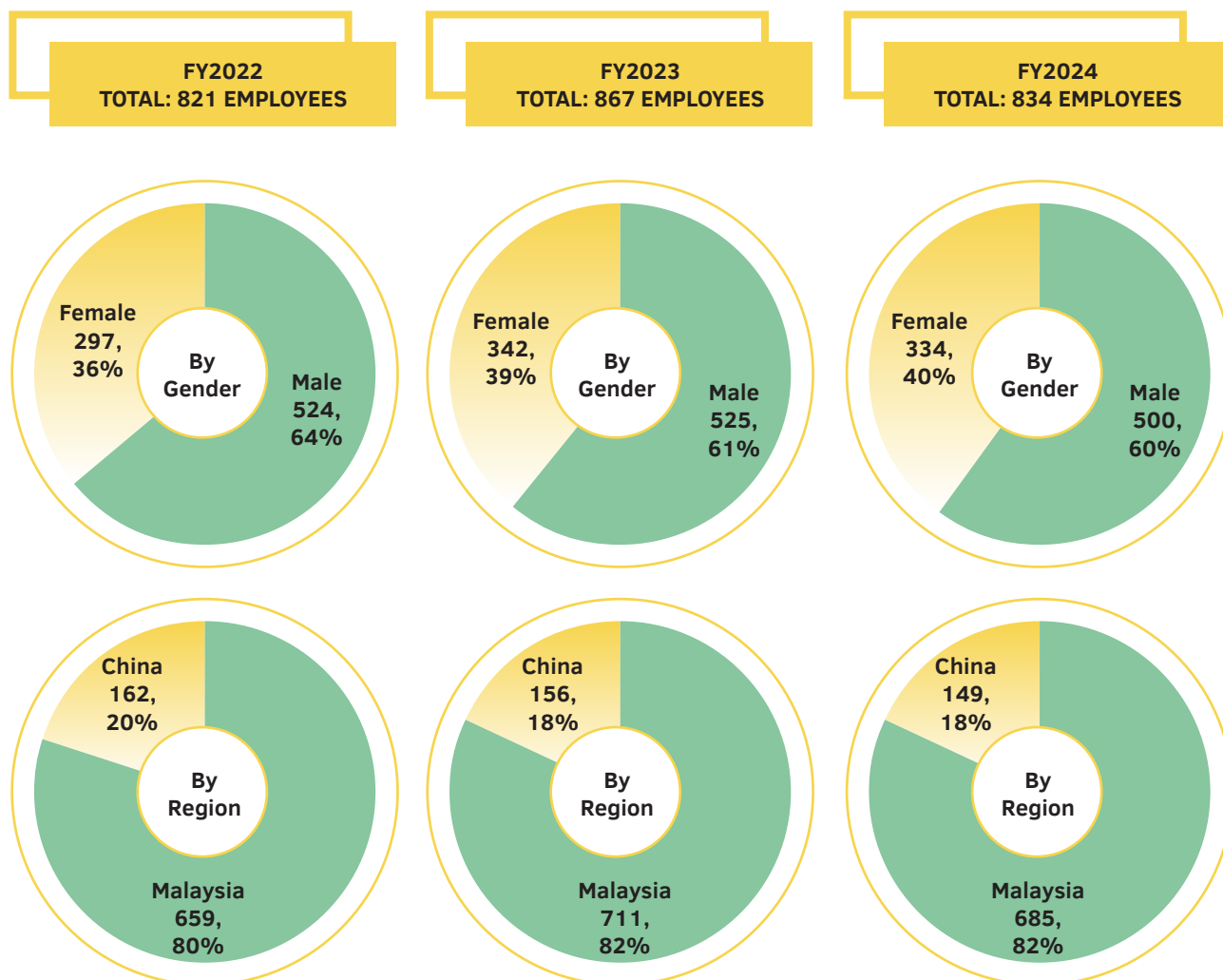


Table 5: Breakdown of employees by contract (permanent or temporary), gender and region

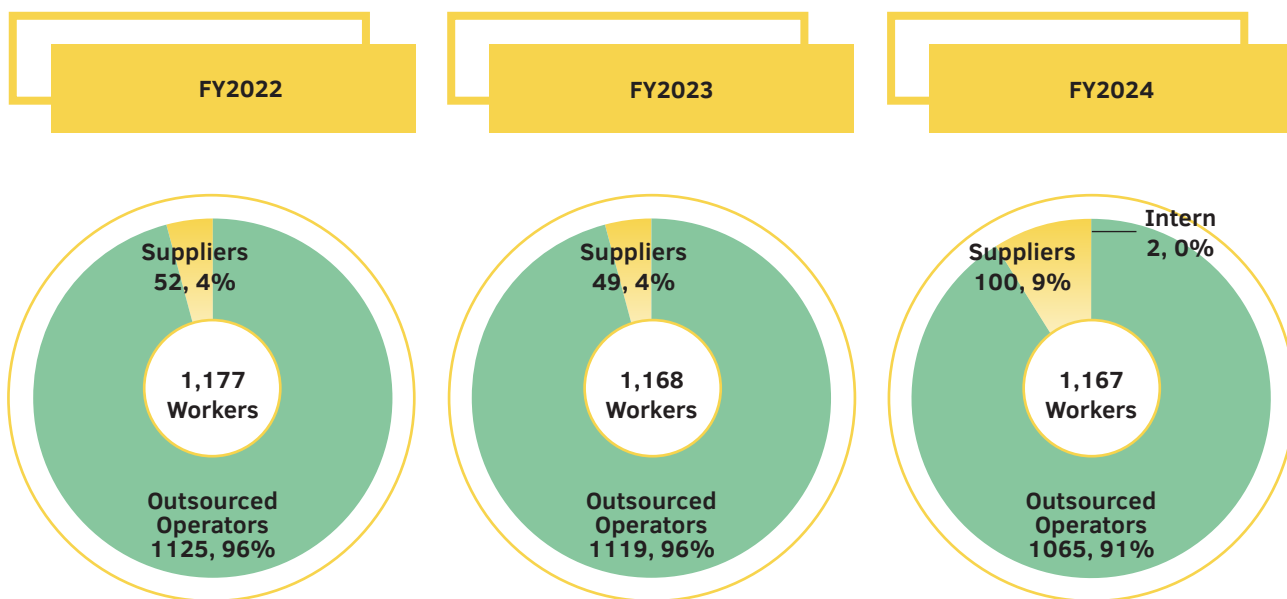
Region	FY2022					FY2023					FY2024				
	Employment Type				Total	Employment Type				Total	Employment Type				Total
	Permanent Contract		Temporary Contract			Permanent Contract		Temporary Contract			Permanent Contract		Temporary Contract		
	Male	Female	Male	Female		Male	Female	Male	Female		Male	Female	Male	Female	
Malaysia	416	225	-	18	659	423	288	-	-	711	401	282	2	-	685
China	108	54	-	-	162	102	54	-	-	156	97	52	-	-	149
Total	524	279	-	18	821	525	342	-	-	867	498	334	2	-	834
	803		18			867		-			832		2		

SUSTAINABILITY REPORT

Table 6: Breakdown of employees by employment type (full-time and part-time), gender and region

Region	FY2022					FY2023					FY2024				
	Employment Type				Total	Employment Type				Total	Employment Type				Total
	Full-time		Part-time			Full-time		Part-time			Full-time		Part-time		
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female			
Malaysia	416	231	-	12	659	423	288	-	-	711	403	282	-	-	685
China	108	54	-	-	162	102	54	-	-	156	97	52	-	-	149
Total	524	285	-	12	821	525	342	-	-	867	500	334	-	-	834
	809		12			867		-			834		-		

Figure 8: KESMI's Worker Demographics



SUSTAINABILITY REPORT

Table 7: Breakdown of employees by employee category, gender and age group

FY2024	Employee Category					
	Direct Labour		Exempt/Non-Exempt		Manager	
By Gender						
Male	55	25%	412	73%	33	62%
Female	165	75%	149	27%	20	38%
By Age Group						
< 30 years old	130	59%	150	27%	-	-
30-50 years old	84	38%	354	63%	34	64%
> 50 years old	6	3%	57	10%	19	36%

FY2023	Employee Category					
	Direct Labour		Exempt/Non-Exempt		Manager	
By Gender						
Male	78	33%	411	72%	36	64%
Female	160	67%	162	28%	20	36%
By Age Group						
< 30 years old	157	66%	169	29%	-	-
30-50 years old	76	32%	354	62%	39	70%
> 50 years old	5	2%	50	9%	17	30%

FY2022	Employee Category					
	Direct Labour		Exempt/Non-Exempt		Manager	
By Gender						
Male	111	49%	379	70%	34	63%
Female	117	51%	160	30%	20	37%
By Age Group						
< 30 years old	154	67%	173	32%	-	-
30-50 years old	72	32%	325	60%	37	69%
> 50 years old	2	1%	41	8%	17	31%

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In FY2024, we hired a total of 202 new employees, with a turnover of 235 employees. We recognised the continued unpredictability of the job market and will maintain a close watch on these trends.

Figure 9: Total Number of New Hires by Gender, Age Group and Region

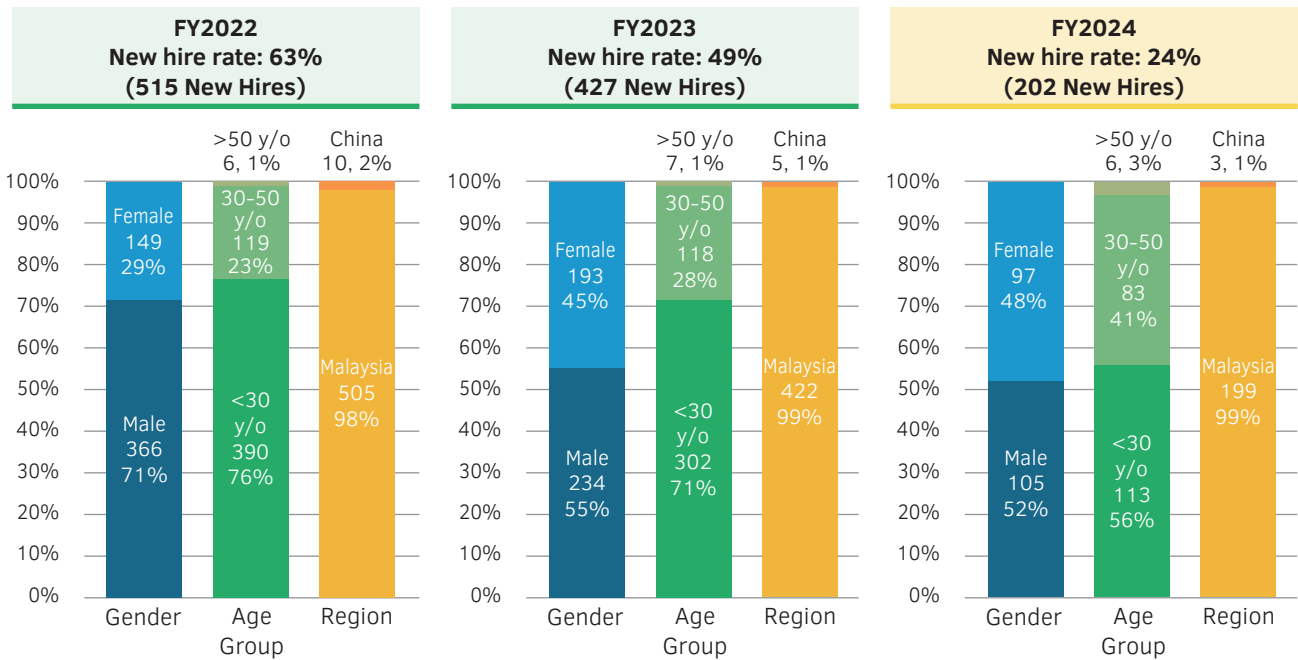
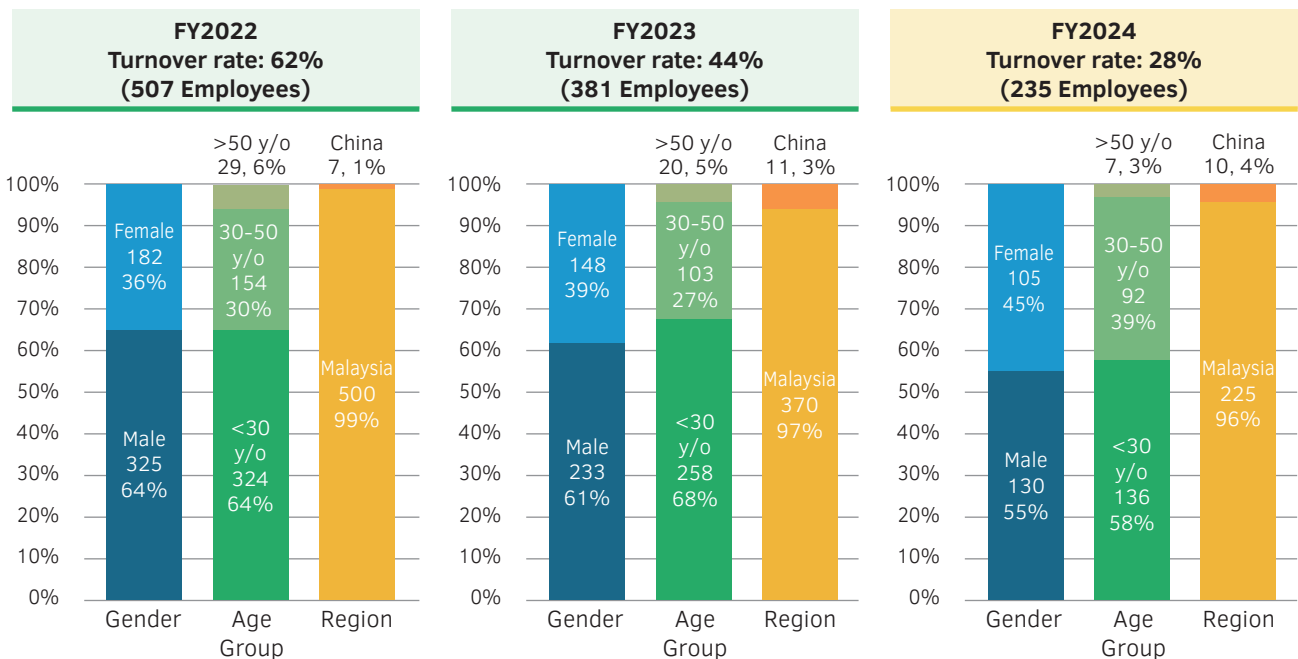


Figure 10: Total Number of Turnover by Gender, Age Group and Region



SUSTAINABILITY REPORT

Fair Employment Practices




[GRI 3-3, 2-23, 2-24, 2-25, 2-26, 406-1]

Prioritising fair and equitable treatment, equal opportunities, competitive wages and fostering a positive work environment can result in a more engaged and productive workforce while contributing to societal development and a positive company reputation. Conversely, unfair employment practices such as labour exploitation or discrimination may result in workforce dissatisfaction, legal and reputational risks, and violations of human rights. KESMI believes that fair employment practices are essential for the well-being of employees, the success of the company, and its positive contributions to the broader society.


KESMI acknowledges that our greatest asset is our human capital. Our employees and workers possess an accumulated pool of knowledge that is invaluable to us. As such, it is imperative for us to ensure good relations with our workforce. We strive to gather feedback from, and understand the needs of our employees, allowing us to develop measures and policies to ensure their continued physical and mental well-being. These policies are readily available and accessible to all employees in our organisation-wide shared folders.

KESMI also makes no compromise on fairness within our organisation. All decisions on advancement and compensation are made purely based on merit. We have zero tolerance for any instances of preferential treatment, and we take strong action in the case of any such occurrence.

Table 8: KESMI's policies on fair employment and well-being of employees and workers

Name of Policy	Policy Description
<p>Recruitment and Selection Policy</p> 	<p>KESMI's hiring practices are merit-based and non-discriminatory. Our recruitment policy covers the terms and conditions of the recruitment process, selection and placement of all qualified applications as well as current employees. We do not condone any form of discrimination and race, colour, religion, gender, age, sexual orientation, gender identity and expression, ethnicity or national origin, covered veteran status, protected genetic information, disability, pregnancy, political affiliation, union membership and marital status.</p>
<p>Grievance Procedures/ Mechanism</p> 	<p>In line with our commitment to understand employee concerns, all our employees are encouraged to voice their concerns through the feedback channels provided. KESMI also has in place a standardised grievance reporting mechanism that allows workers to report their grievances without fear of reprisal or retaliation. This mechanism covers both our employees and foreign workers, who are able to submit their concerns in their native language, and the HR department will seek the assistance of a translator for investigation and provision of solutions. Overall, this ensures that the case will be investigated promptly by our dedicated HR team that is specialised to deal with such matters.</p>
<p>Labour and Human Rights Standards</p> 	<p>Our commitment to ensure proper labour and human rights practices is in line with our CSR goals. We acknowledge the importance of ensuring a safe, conducive and healthy environment for our employees, customers, vendors and shareholders as part of our strategy and operating initiatives. We value the diversity of our workforce, freedom of expression and feedback provided by our employees. If employees have safety concerns regarding their work environment or they feel their workspace is not conducive for daily work and productivity, they are encouraged to immediately voice their concerns to their supervisor.</p> <p>KESMI has zero tolerance for racism, verbal abuse, discrimination and derogatory remarks. We expect the highest ethical standards from all our employees and will not hesitate to suspend, dismiss or report rogue employees to the relevant authorities. This policy is also available in Mandarin Chinese for the ease of understanding and benefit of employees at our China facility.</p> <p>In FY2024, there were no substantiated complaints concerning human rights violations.</p>

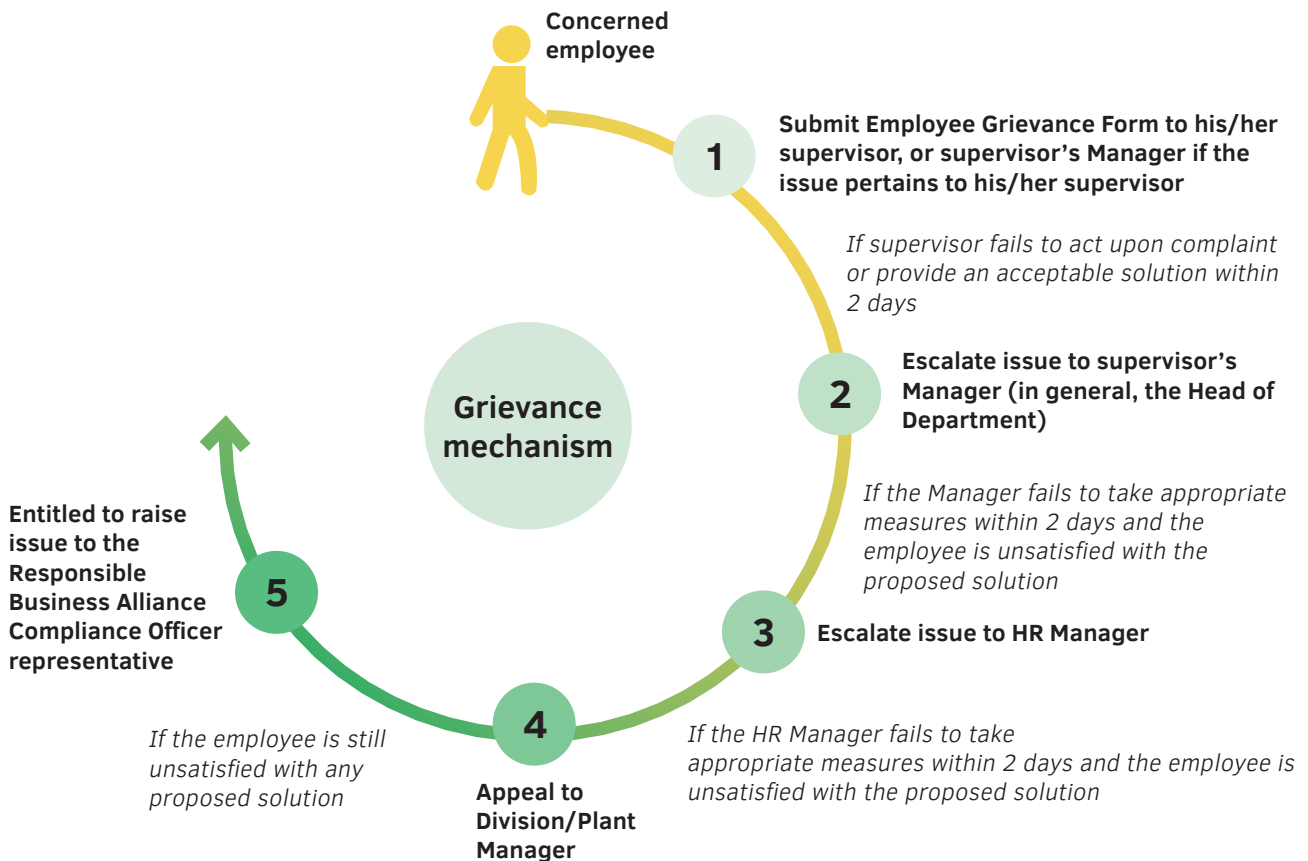
SUSTAINABILITY REPORT

Name of Policy	Policy Description
Benefits Policy 	We show appreciation to our employees by providing competitive pay, a healthy work-life balance and benefits. Our comprehensive benefits policy that is allotted to all our employees covers medical benefits, public holidays, service awards, annual salary review, gifts on occasions, etc.

KESMI’s fair employment practices extend throughout our operations, meaning we also practise fairness in our dealings with our outsourced workers. We conduct quarterly audits on any contractor that provides large numbers of outsourced workers to our operations; audits include a review of worker pay slips to ensure timely and fair compensation. Monthly audits are also conducted on the accommodations furnished to our foreign workers by external vendors, and audit reports will be provided to KESMI upon request. No significant findings have been raised from these audits to date.

As part of our commitment to build a culture of ongoing feedback in KESMI, the HR department conducts regular dialogue sessions to receive any grievances, concerns and feedback raised by our employees and workers. Furthermore, as part of our formalised employee grievance mechanism (see Figure 11) employees who feel unfairly treated or are experiencing any workplace discrimination to approach their supervisor or use our HR feedback channel, and these issues may be escalated as needed in order to ensure that they are fully resolved.

Figure 11: KESMI’s Employee Grievance Mechanism



In FY2024, no substantiated complaints were received from our employees regarding unfair or discriminatory employment practices within KESMI.

SUSTAINABILITY REPORT

Employee Engagement and Training

[GRI 404-1]

To improve employee welfare and well-being, KESMI has introduced measures and activities to demonstrate appreciation to our staff. Creating positive experiences at the workplace is likely to have a positive impact on employee productivity, work quality, and retention.

We continue the “perfect attendance incentive” programme, whereby any employee in the production area with perfect attendance record would be entered into a lucky draw for cash prizes and other rewards.

It is also important to us that our employees are allowed to upskill themselves and remain relevant. In FY2024, our employees underwent an average of 34.7 hours of training covering topics that develop their soft skills as well as technical topics on equipment and machinery safety, purchasing management and knowledge on the various ISO standards. The breakdown of the training hours can be found below.

Table 9: Breakdown of training hours by gender and employee category

	FY2022		FY2023		FY2024	
	Total training hours	Average training hours	Total training hours	Average training hours	Total training hours	Average training hours
By Gender						
Male	10,390	19.8	13,265	25.3	16,751	33.5
Female	10,163	34.2	9,008	26.3	12,216	36.6
By Employee Category						
Direct Labour	5,114	22.4	5,717	24.0	8,279	37.6
Exempt/ Non-Exempt	14,703	27.3	14,438	25.2	19,084	34.0
Manager	736	13.6	2,118	37.8	1,605	30.3

Our Training Department continues to hold training sessions for our operators and technicians. Ensuring the quality of our staff also helps to ensure that they deliver quality services to our customers.

Figure 12: Training sessions for employees

Focus Area	Perpetual Target	FY2024 Performance
Fair Employment Practices	0 complaints from employees to regulatory authorities pertaining to unfair or discriminatory employment practices	Achieved
Employee Engagement and Training	Maintain a minimum of 20 training hours per employee each year	Achieved



SUSTAINABILITY REPORT

FOSTERING A SAFETY CULTURE

[GRI 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9, 403-10]

Establishing effective management of occupational health and safety plays a pivotal role in promoting a safe and healthy working environment enhancing employee morale and job satisfaction, leading to increased productivity and efficiency. A safer workplace will also decrease the danger of work-related accidents, lessen the likelihood of employee absenteeism, and reduce turnover, resulting in a more stable and skilled staff, which can support the sector and company's economic growth. On the other hand, insufficient safety precautions could harm employees' health and well-being, raise the possibility of workplace accidents, and severely harm KESMI's reputation, affecting our ability to attract talent and do business.

KESMI has implemented a Health and Safety Policy, outlining our objectives and approach towards ensuring the health and well-being of our staff¹⁰ in the workplace. This policy includes the procedures, guidelines and best practices that all employees and workers must adhere to in order to mitigate health and safety risks in the workplace. Our Occupational Health and Safety Management System ("OHSMS") which the Group including its subsidiaries are required to comply with, is developed with reference to local safety regulations and covers all our employees and workers in our operating locations. This system ensures that employees and workers are provided with necessary health and safety protections aligned with industry standards.

Hazard Identification and Risk Assessment

Identifying and minimising hazards is a key part of our Health and Safety approach. Hazard identification is carried out through monthly safety walks, and any hazards identified along with any proposed mitigation measures, are then evaluated during the monthly safety meeting. KESMI's safety policies and guidelines contain a list of identified hazards, as well as steps and procedures for our staff, which when adhered to, minimise the risks posed to our staff. Some of the hazards identified include:

- Cuts from handling sharp blade edges
- Slip, trip or fall
- Fire risks
- Vehicles
- Slippery floors

Other identified risks include exposure to chemicals from airborne tin resulting from soldering activities as well as manual handling activities. While the risks from these sources are determined to be low, KESMI has still implemented monitoring systems in its facilities to ensure that any chemical exposure is kept to a minimum.

Our safety personnel are regularly trained and updated with the latest safety practices to ensure that risks are properly identified and controlled. Operators are briefed by the Head Supervisor before every work shift, to stress the importance of adhering to safety protocols. This contributes to the overall effectiveness of the OHSMS, which is essential in safeguarding the health of our staff.

¹⁰ Covering employees and workers.

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Figure 13 elaborates on the systematic process established to identify and eliminate hazards, towards continued improvement of the OHSMS.

Figure 13: Process of Hazard Identification, Risk Assessment and Improvement of OHSMS



Incident Investigation

In line with our Health and Safety approach, KESMI has implemented a systematic process that enables quick identification and remediation of hazardous situations that occur. Operators who discover a work hazard or believe that they have been placed in an unsafe working environment, are required to immediately voice their concerns to their supervisor.

Supervisors are then expected to assess the situation and rectify potential safety issues before allowing their operators to resume work. Once the hazard has been dealt with, the Safety, Health and Environment (“SHE”) committee will launch an investigation and generate a report of the incident. Follow-up actions will be taken by the relevant stakeholders.

KESMI’s Code of Conduct protects any staff who report hazards from receiving backlash in any form. This encourages constant mindfulness around safety and safeguards the collective health and safety of our staff.

Occupational Health Services and Promotion of Worker Health

KESMI has identified several related potential occupational health hazards present in our operating sites. As a supplement to the mandatory physical health check-up for all new employees, we provide specific occupational health services for each employee role and the specific related hazards; annual medical check-ups for employees and workers handling chemicals, as well as annual audiometric check-ups for those working at high noise areas.

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First aid treatment is provided for the affected personnel for any minor injuries that occur, and transportation to the nearest hospital is immediately arranged for more severe injuries. As part of our OHSMS, we engage only certified service providers who are required to comply with all international and national OHS standards and regulations. Bearing in mind that we operate in multiple jurisdictions, we have made the OHS readily available in several languages. We also engage our staff through surveys and rating systems that help us to evaluate the effectiveness of our OHSMS, which allows us to constantly improve the quality.

For the continued well-being of our staff, we provide services such as annual health screenings and consultations at company-approved clinics. Voluntary blood tests and indoor/outdoor activities are also organised for our staff with external providers during working hours. We collect feedback from our staff at the end of each activity so that we can gauge its success and find ways to improve our programmes for the following year.

Worker Participation and Training

The effectiveness of our OHS policies and programmes are enhanced by the active involvement of our staff. Our employees are provided with OHS training such as training for management staff, first aid and CPR training for designated workers, as well as safety training for all operations staff annually. For operators exposed to specific hazards (e.g. chemicals), they are given the appropriate hazard-specific training.

Figure 14: Safety training for managing chemical spillage



Table 10: Breakdown of employees trained on health and safety standards¹¹

	FY2023	FY2024
Malaysia	700	644
China	156	149
Total	856	793

A formal joint management-worker SHE committee has also been established to engage our workers in OHS consultation and communication process. The committee is involved in the development and regular review of the safety and health programmes, as well as in promoting safety awareness throughout the organisation.

Figure 15: Worker Participation, Consultation and Communication on OHS

Formal joint management-worker OHS committee

- Subcommittees include accident and fire prevention, first aid, publicity, and safety audit
- Roles include chairman, consultant, supervisors, department heads, plant manager and members

Workers' access to OHS information

- OHS requirements discussed during safety training
- Incident reports are regularly updated and published to all employees

Workers' involvement in OHSMS

- Committees and subcommittees made up of representatives from various departments and members drawn from all levels

¹¹ This is a new disclosure in FY2023. Hence, the Group is unable to obtain past year data due to data collection constraints from certain operations.

SUSTAINABILITY REPORT

KESMI has taken proactive steps, guided by government-mandated advisories, to protect the health and well-being of our stakeholders and employees, implementing relevant measures to ensure a safe workplace for all.

In FY2024, KESMI recorded zero fatalities among both employees and workers. There was one recordable injury attributed to an executive who suffered an abrasion on his left thumb nail when he used his hand to test whether the off-motor belt was still rotating. Corrective action has been taken, including the installation of warning signage on rotating parts and providing briefing to the facility team.

For each incident, we have conducted a root cause analysis investigation and with the finding, developed the necessary corrective actions and revised our preventative measures.

Table 11: Breakdown of work-related injuries for all employees and workers

EMPLOYEES	FY2022		FY2023		FY2024	
Number of man-hours worked	1,913,660		1,945,257		1,810,634	
Number and rate of fatalities as a result of work-related injuries	-	-	-	-	-	-
Number and rate of high-consequence work-related injuries	-	-	-	-	-	-
Number and rate of recordable work-related injuries	1	0.52	-	-	1	0.55
Lost time injury rate	0.52		-		0.55	
Main types of work-related injuries	Cut and lacerations from machinery		Not applicable		Abrasions from machinery	

WORKERS	FY2022		FY2023		FY2024	
Number of man-hours worked	3,199,339		2,879,744		2,919,007	
Number and rate of fatalities as a result of work-related injuries	-	-	-	-	-	-
Number and rate of high-consequence work-related injuries	1	0.31	-	-	-	-
Number and rate of recordable work-related injuries	-	-	-	-	-	-
Lost time injury rate	0.31		-		-	
Main types of work-related injuries	Cut and lacerations from machinery		Not applicable		Not applicable	

SUSTAINABILITY REPORT

Table 12: Breakdown of work-related ill-health for all employees and workers

EMPLOYEES	FY2022	FY2023	FY2024
Number of fatalities as a result of work-related ill-health	-	-	-
Number of recordable work-related ill-health	-	-	-
Main types of work-related ill-health	Not applicable	Not applicable	Not applicable

WORKERS	FY2022	FY2023	FY2024
Number of fatalities as a result of work-related ill-health	-	-	-
Number of recordable work-related ill-health	-	-	-
Main types of work-related ill-health	Not applicable	Not applicable	Not applicable

Focus Area	Perpetual Target	FY2024 Performance
Occupational Health and Safety	0 work-related fatalities and injuries	1 minor injury

PROTECTING THE ENVIRONMENT

Energy and Carbon Footprint

[GRI 2-4, 3-3, 302-1, 302-3, 305-1, 305-2, 305-3, 305-4]

Efforts to prioritise energy efficiency and carbon reduction not only benefit the company through cost savings and regulatory compliance but also contribute to environmental conservation, climate change mitigation and sustainable development. However, the lack of adequate measures to manage our carbon footprint could result in environmental problems, including air pollution, which can also negatively impact local communities and human health.

KESMI acknowledges our responsibility towards the environment. Now more than ever, with the rising global spotlight on climate issues, we view it as crucial to ensure the environmental sustainability of our business. Our operations are guided by the Environmental Management System (certified to ISO 14001:2015) as well as other relevant local Energy Policies. Our Code of Conduct also codifies our expectations regarding certain environmental standards such as resource conservation, dealing with hazardous substances, wastewater and solid waste, and air emissions.

In FY2024, total energy consumption comprised of fuel consumption and electricity consumption, amounted to 269,560 GJ, a 3% decrease from 278,927 GJ in FY2023. Of this total consumption, mobile combustion included mobile gasoline as the main fossil fuel used, along with a minimal amount of diesel, accounting for 394 GJ in FY2024, a decrease of 1% from the previous year due to reduced consumption. The electricity consumption decreased by 3% to 269,166 GJ primarily attributed to the reduction of production volume in China. As production levels have lowered, the energy associated with manufacturing process have reduced correspondingly.

SUSTAINABILITY REPORT

Figure 16: KESMI's Total Energy Consumption (GJ) and Intensity¹² by revenue (GJ/RM'000)

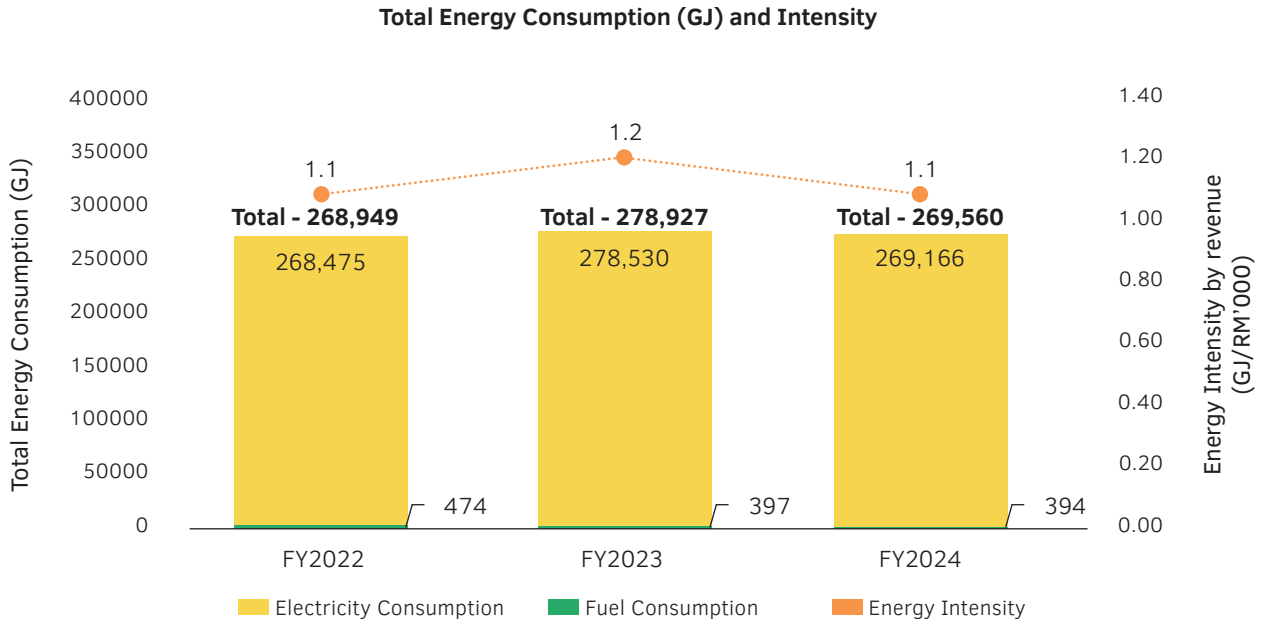


Figure 17: KESMI's Fuel Consumption from non-renewable sources

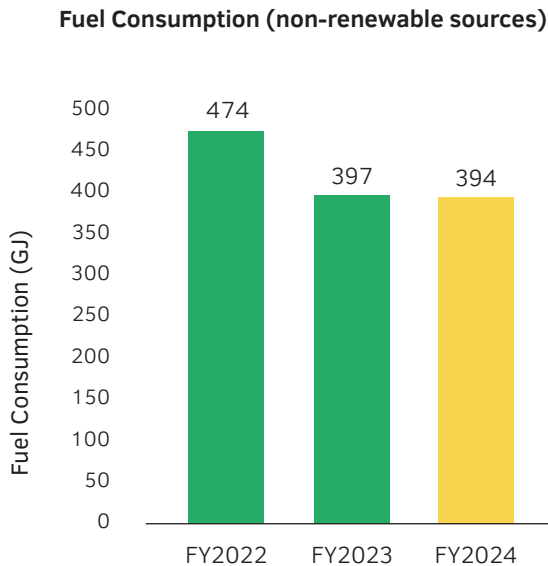
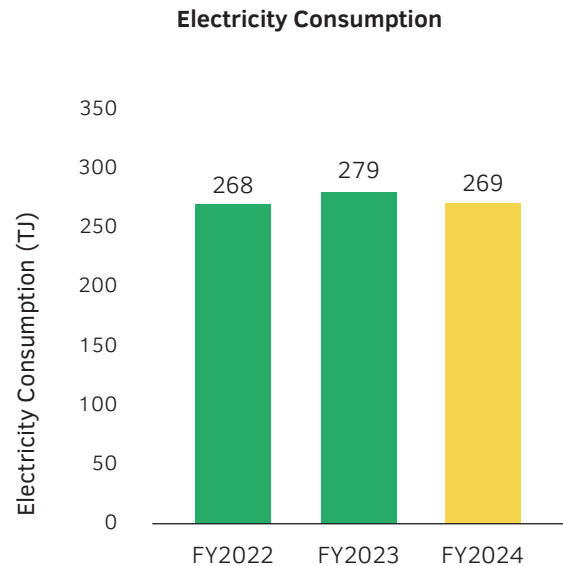


Figure 18: KESMI's Electricity Consumption



¹² We are transitioning the denominator from units of production to revenue and restating the energy intensity for the past two years. This change allows us to better understand and manage our energy consumptions in relation to the financial performance of our operations, offering a more comprehensive view of our environmental impact relative to revenue.

SUSTAINABILITY REPORT

Figure 19: KESMI's Scope 1 Emissions¹³ (tCO₂e) and Scope 1 Intensity¹⁴ by revenue (tCO₂e/RM'million)

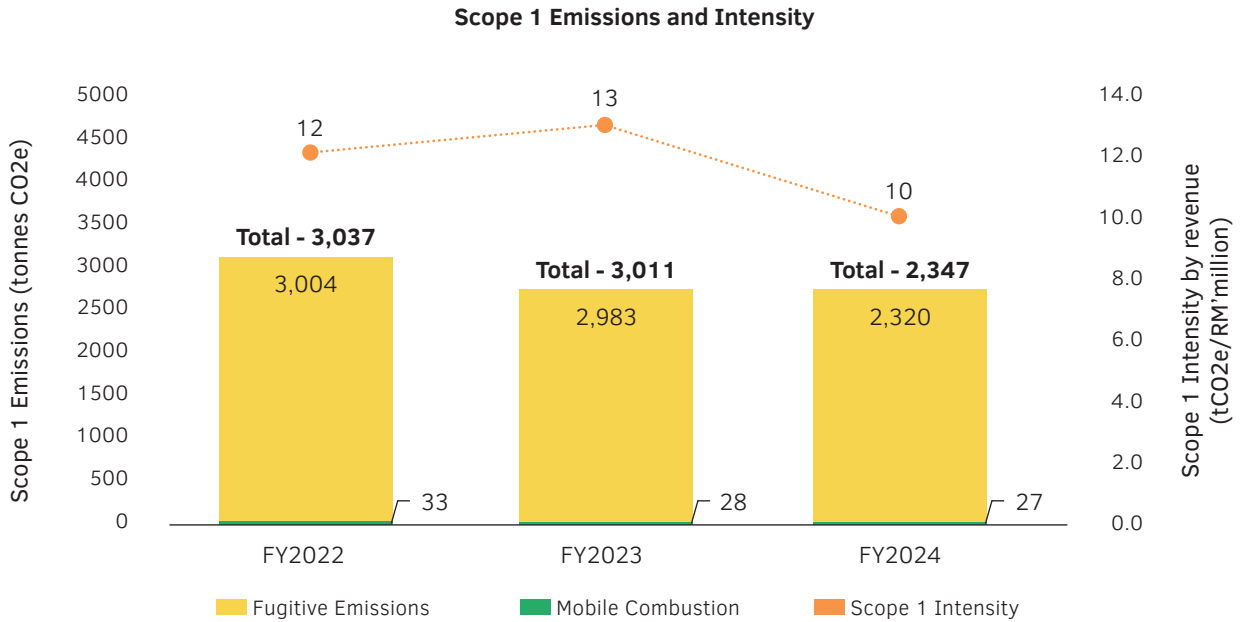
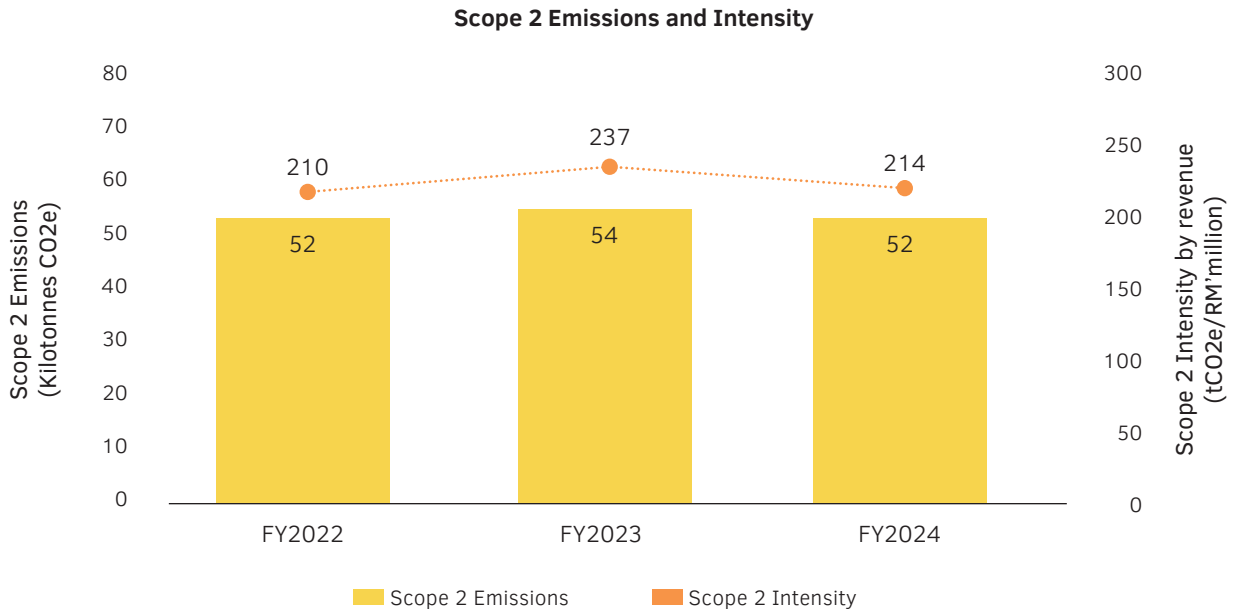


Figure 20: KESMI's Scope 2 (Indirect) Emissions (ktCO₂e) and Scope 2 Intensity¹⁴ by revenue (tCO₂e/RM'million)



¹³ Scope 1 fugitive emissions are due to leakage of other greenhouse gas from residential and commercial air conditioning including heat pumps, and medium and large commercial refrigeration. The data disclosed for FY2023 was restated due to improvements in data availability, which resulted in a 13% increase in emissions.

¹⁴ We are transitioning the denominator from units of production to revenue and restating the intensity of Scope 1 and 2 emissions for the past two years. This change allows us to better understand and manage our Scope 1 and 2 emissions in relation to the financial performance of our operations, offering a more comprehensive view of our environmental impact relative to revenue.

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Our Scope 1 emissions decreased slightly by 1% from FY2022 to FY2023, falling from 3,037 tonnes CO₂e to 3,011 tonnes CO₂e due to reduced consumption. In FY2024, there was a further 22% decrease, bringing emissions down to 2,347 tonnes CO₂e due to reduced production activities in China. Similarly, our Scope 2 emissions have decreased by 4% to 52 kilotonnes CO₂e as the electricity consumption associated with manufacturing process had reduced correspondingly. Furthermore, we observed a reduction in intensity values, largely due to higher revenue generated in Malaysia as compared to prior year which improved the overall energy efficiency and operational productivity.

In FY2024, KESMI commenced the process of developing its Scope 3 inventory in accordance with the GHG Protocol methodology. Scope 3 emissions encompass all indirect emissions resulting from both upstream and downstream activities within KESMI's value chain. By analysing these indirect value chain emissions, KESMI gains essential data that informs its decarbonisation efforts. This enables the company to identify the most significant emission sources within the value chain, prioritises areas for action, and develop targeted strategies for emission reduction.

This year, KESMI prioritised its Scope 3 inventorisation process by disclosing emissions under Category 6: Business Travel – Air and Road. This category includes emissions resulting from the combustion of fuels used for the transportation of KESMI's employees for business-related activities in aircraft and vehicles owned or operated by third parties. Examples include business flights between countries for client meetings and the use of taxis or ride-hailing services for transportation to client meetings.

In addition, KESMI disclosed emissions under Category 7: Employee Commuting. This category captures the emissions associated with employee commutes, determined by the mode of travel and commuting distance.

The total Scope 3 emissions for FY2024 from these two categories amounted to 551 tonnes CO₂e, as outlined in the table below. Moving forward, KESMI will continue to develop mechanisms to track and disclose other relevant Scope 3 categories.

Table 13: Breakdown of Scope 3 GHG emissions by category

Scope 3 GHG Emissions (tonnes CO ₂ e)	FY2024
Category 6: Business Travel	32
Category 7: Employee Commuting	519
Total	551

KESMI will continue to closely monitor our energy consumption, perpetually nurturing of a culture of electricity conservation and the implementation of initiatives, aimed at reducing our environmental footprint.

Focus Area	Perpetual Target	FY2024 Performance
Energy Consumption	2% reduction in year-on-year electricity consumption	Achieved 3% reduction

In addition to our commitment to reducing energy consumption, KESMI is actively exploring the potential of affordable renewable energy sources in the country where we operate.

During the year, KESMI procured 1,740 MWh of renewable energy for one of our facilities in Malaysia through the Green Electricity Tariff program, an initiative by the Malaysian Government aimed at offering the choice of green electricity derived from renewable energy sources.

SUSTAINABILITY REPORT

Water Management¹⁵

[GRI 303-1, 303-2, 303-5]

KESMI recognises the crucial relevance of water as a finite resource and the need to protect it for future generations. Our commitment to water management begins with the effective use of water in our operations and the promotion of a water-saving culture among our staff. We constantly monitor and analyse our water consumption in order to discover areas for improvement and to reduce our water impact.

Our operations are situated in regions where water stress is not a major concern. The water consumed within our operations in Malaysia and China, is primarily fresh water supplied by local water authorities. In FY2024, our total water consumption was 148 megalitres, with the water use intensity by revenue of 0.61 megalitres/RM'million.

The effluents discharged from our facilities typically include water used for cleaning and cooling. All of our facilities strictly adhere to the relevant local laws and regulations regarding effluent and wastewater discharge. We regularly send samples of the effluents discharged from our facilities to third-party laboratory for testing. During the financial year, we fully complied with all local regulatory requirements in Malaysia¹⁶ and China¹⁷.

METHODOLOGY

This section details definitions, methodologies and data boundaries otherwise not already specified, applied to the sustainability performance data disclosed in our sustainability report. They are made with reference to GRI Standards Glossary 2021, internationally recognised standards and the reporting guidance set out in the respective GRI topic-specific disclosures. The GRI topic-specific disclosures covered are listed out in the GRI Content Index of this report.

Employee and Worker

Employee is defined as an individual who is in an employment relationship with the Group, according to its national law. KESMI's employee profile can be broadly broken down by employee level as defined below:

Direct Labour: Operators and inspectors

Exempt/Non-Exempt: Technicians and executives

Manager: All levels of managers including senior management and above

Senior Management: Head of Departments and above

Worker is defined as an individual whose work, or workplace, is controlled by the Group. KESMI's workers include outsourced operators and suppliers (including outsourced service providers), such as cleaners, who are directly involved in daily production activities.

Employee New Hire and Turnover

The rate of new hires takes the total number of new hires over the total number of employees as at 31 July 2024, expressed as a percentage. Likewise, the rate of turnover takes the total number of turnovers over the total number of employees as at 31 July 2024, expressed as a percentage.

Training hours

Average training hours per employee takes the total training hours for the financial year over the total number of employees recorded as at 31 July 2024.

¹⁵ This is a new disclosure effective FY2024. Hence, the Group is unable to obtain past year data due to data collection constraints from certain operations.

¹⁶ Malaysia's Standard B under Environmental Quality (Industrial Effluents) Regulations 2009

¹⁷ China's Integrated Wastewater Discharge Standard (GB8978-1996)

SUSTAINABILITY REPORT

Occupational Health and Safety

According to the International Labour Organization, an occupational accident is an unexpected and unplanned occurrence, including acts of violence, arising out of or in connection with work which results in one or more workers incurring a personal injury, disease or death. The coverage for occupational accident cases includes employees and workers at all KESMI operations.

With reference to GRI 403: Occupational Health and Safety Standard, the different types of occupational accidents are defined as follows:

- High consequence work-related injuries are work-related injuries that result in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.
- Work-related injury is an injury that results in any of the following: death, days away from work, hospitalisation, medical treatment beyond first aid, or loss of consciousness.
- Work-related ill-health indicates damage to health and includes diseases, illnesses, and disorders.

Recordable work-related injury rates and recordable high consequence work-related injury rates are calculated based on 1,000,000 hours worked, using the formula of the total number of injuries divided by the number of hours worked multiplied by 1,000,000. Lost time injury rate accounts for incidents that resulted in at least one day of missed work calculated based on 1,000,000 hours worked. The number of hours worked refers to the total estimated working hours based on standard hours of work, taking into account entitlements to periods of paid leave of absence from work.

Non-compliance incidents

Such incidents refer to non-compliance with social, economic and environmental laws and/or regulations applicable to the Group, brought through dispute resolution mechanisms and/or resulting in:

- Significant fines
- Non-monetary sanctions

Energy consumption and Greenhouse Gas (“GHG”) emission data

Energy consumption and GHG emissions data covers operations in Malaysia and China. The total energy consumption is expressed in joule (“J”) or multiples while emissions are expressed in tonnes of carbon dioxide equivalents (“tonnes CO₂e” or “tCO₂e”) or multiples for Scope 1 and 2 emissions respectively. The unit of measurement for total energy consumption in performance data table from Bursa Malaysia ESG Reporting Platform is expressed in megawatts, calculated by dividing gigajoules with 3.6.

For petrol and diesel, CO₂, methane (“CH₄”) and nitrous oxide (“N₂O”) were included in the GHG calculation. Default emissions factors were sourced from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories while the global warming potential (“GWP”) values were sourced from the 2014 IPCC Fifth Assessment Report (“AR5”) and the 2007 IPCC Fourth Assessment Report (“AR4”) for relevant gases disclosed.

The Electricity Grid Emissions Factors (“GEF”) used in the calculation of Scope 2 emissions for FY2024, FY2023 and FY2022 have been obtained from the Institute for Global Environmental Strategies (“IGES”) database, at the time of publication.

The following table details the GEF values (in kgCO₂/kWh) used for the relevant geographies:

	FY2022	FY2023	FY2024	Source
Malaysia	0.6448	0.6448	0.6448	Institute for Global Environmental Strategies (“IGES”) 2024 database, last updated for 2017
China	0.9419	0.9419	0.9714	Institute for Global Environmental Strategies (“IGES”) 2024 database for China (North China Grid), last updated for 2021

SUSTAINABILITY REPORT

In FY2024, KESMI commenced the process of developing its Scope 3 inventory in accordance with the GHG Protocol methodology and has disclosed limited scope of Scope 3 categories due to current data availability. The definitions for the reported categories are:

- **Category 6 Business travel:** Emissions from the transportation of employees for business related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses, and passenger cars.
 - Methodologies used and assumptions made: Distance-based method for air travel and Spend-based method for road travel.
 - Source of emission factors:
 - For air travel: Greenhouse gas reporting: conversion factors 2023 (UK Government Department for Energy Security and Net Zero and Department for Business, Energy & Industrial Strategy)
 - For road travel: Supply Chain GHG Emission Factors for US Commodities and Industries v1.1.1 (U.S. Environmental Protection Agency, 2022).
- **Category 7 Employee commute:** Emissions from the transportation of employees between their homes and their worksites.
 - Methodologies used and assumptions made: Distance-based method. Distance travelled is assumed to be the distance between employees' homes and their worksites. Mode of transportation taken by employees is derived from an employee survey.
 - Source of emission factors: Greenhouse gas reporting: conversion factors 2023 (UK Government Department for Energy Security and Net Zero and Department for Business, Energy & Industrial Strategy)

Energy and GHG Emission Intensity Ratios

Energy and GHG emission intensity ratios are expressed in tCO₂e / revenue or multiples. The organisation-specific metric (the denominator) used was revenue. The type of energy included in the intensity ratio only includes fuel and electricity consumption within the organisation while the type of GHG emissions included in the intensity ratios only includes Scope 1 and 2 emissions.

Water Consumption

Water consumption data for KESMI covers our operations in Malaysia and China. The total water consumption is expressed in megalitres, while water consumption intensity is measured in revenue or multiples.

SUSTAINABILITY REPORT

PERFORMANCE DATA TABLE FROM BURSA MALAYSIA ESG REPORTING PLATFORM

Indicator	Measurement Unit	2022	2023	2024
Bursa (Anti-corruption)				
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category				
Manager	Percentage	33.00	100.00	92.00
Exempt/Non-Exempt	Percentage	36.00	93.00	87.00
Direct Labour	Percentage	21.00	87.00	77.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	100.00	100.00	100.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0	0	0
Bursa (Data privacy and security)				
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	-	0	0
Bursa (Supply chain management)				
Bursa C7(a) Proportion of spending on local suppliers	Percentage	77.00	82.00	88.00
Bursa (Community/Society)				
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	-	-	2,000.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	-	-	69
Bursa (Diversity)				
Bursa C3(a) Percentage of employees by gender and age group, for each employee category				
<i>Age Group by Employee Category</i>				
Manager under 30	Percentage	0.00	0.00	0.00
Manager between 30-50	Percentage	69.00	70.00	64.00
Manager above 50	Percentage	31.00	30.00	36.00
Exempt/Non-Exempt under 30	Percentage	32.00	29.00	27.00
Exempt/Non-Exempt between 30-50	Percentage	60.00	62.00	63.00
Exempt/Non-Exempt above 50	Percentage	8.00	9.00	10.00
Direct Labour under 30	Percentage	67.00	66.00	59.00
Direct Labour between 30-50	Percentage	32.00	32.00	38.00
Direct Labour above 50	Percentage	1.00	2.00	3.00

Internal assurance

External assurance

No assurance

(*)Restated

SUSTAINABILITY REPORT

Indicator	Measurement Unit	2022	2023	2024
<i>Gender Group by Employee Category</i>				
Manager Male	Percentage	63.00	64.00	62.00
Manager Female	Percentage	37.00	36.00	38.00
Exempt/Non-Exempt Male	Percentage	70.00	72.00	73.00
Exempt/Non-Exempt Female	Percentage	30.00	28.00	27.00
Direct Labour Male	Percentage	49.00	33.00	25.00
Direct Labour Female	Percentage	51.00	67.00	75.00
Bursa C3(b) Percentage of directors by gender and age group				
Male	Percentage	80.00	60.00	60.00
Female	Percentage	20.00	40.00	40.00
Under 30	Percentage	0.00	0.00	0.00
Between 30-50	Percentage	0.00	0.00	0.00
Above 50	Percentage	100.00	100.00	100.00
Bursa (Labour practices and standards)				
Bursa C6(a) Total hours of training by employee category				
Manager	Hours	736	2,118	1,605
Exempt/Non-Exempt	Hours	14,703	14,438	19,084
Direct Labour	Hours	5,114	5,717	8,279
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	2.19	0.00	0.24
Bursa C6(c) Total number of employee turnover by employee category				
Manager	Number	13	20	7
Exempt/Non-Exempt	Number	189	139	120
Direct Labour	Number	305	222	108
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	-	0	0
Bursa (Health and safety)				
Bursa C5(a) Number of work-related fatalities	Number	0	0	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.52	0.00	0.55
Bursa C5(c) Number of employees trained on health and safety standards	Number	-	856	793
Bursa (Energy management)				
Bursa C4(a) Total energy consumption	Megawatt	74,708.00	77,479.80	74,877.80
Bursa (Water)				
Bursa C9(a) Total volume of water used	Megalitres	-	-	148.000000
Internal assurance	External assurance	No assurance	(*)Restated	

SUSTAINABILITY REPORT

GRI CONTENT INDEX

Statement of use	KESMI has reported in accordance with the GRI Standards for the period from 1 August 2023 to 31 July 2024.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	No applicable sector standards

Disclosure		Reference(s) or Reasons for Omission
Material Topic: General Disclosures		
Organisational Profile		
2-1	Organisational details	About KESM Industries Berhad (page 14)
2-2	Entities included in the organisation's sustainability reporting	About the Report (page 14)
2-3	Reporting period, frequency and contact point	About the Report (page 14)
2-4	Restatements of information	Energy and Carbon Footprint (pages 39-42)
2-5	External assurance	Statement of Assurance (pages 14-15)
2-6	Activities, value chain and other business relationships	About KESM Industries Berhad (page 14) and Managing Supply Chains Responsibly (pages 23-25)
2-7	Employees	KESMI's Employee and Worker Profile (pages 27-31)
2-8	Workers who are not employees	KESMI's Employee and Worker Profile (pages 27-31)
2-9	Governance structure and composition	Corporate Governance Overview Statement (pages 62-71)
2-10	Nomination and selection of the highest governance body	Corporate Governance Overview Statement (pages 62-71)
2-11	Chair of the highest governance body	Corporate Governance Overview Statement (pages 62-71)
2-12	Role of the highest governance body in overseeing the management of impacts	Our Sustainability Commitment and Governance (page 15)
2-13	Delegation of responsibility for managing impacts	Our Sustainability Commitment and Governance (page 15)
2-14	Role of the highest governance body in sustainability reporting	Our Sustainability Commitment and Governance (page 15)
2-15	Conflicts of interest	Details on conflict of interest can be found in the Board Charter and Code of Conduct and Ethics publicly available on KESM Industries Berhad's website.
2-16	Communication of critical concerns	0 substantiated cases reported. Our Sustainability Commitment and Governance (page 15)
2-17	Collective knowledge of the highest governance body	Our Sustainability Commitment and Governance (page 15)
2-18	Evaluation of the performance of the highest governance body	Details can be found in the Corporate Governance Report publicly available on KESM Industries Berhad's website.

SUSTAINABILITY REPORT

Disclosure		Reference(s) or Reasons for Omission
2-19	Remuneration policies	Corporate Governance Overview Statement (pages 62-71) However, current remuneration policies do not incorporate the objectives and performance of governance bodies in relation to the management of the organisation's impacts on the economy, environment, and people.
2-20	Process to determine remuneration	Corporate Governance Overview Statement (pages 62-71)
2-21	Annual total compensation ratio	KESMI is unable to disclose the information due to confidentiality constraints.
2-22	Statement on sustainable development strategy	Our Sustainability Commitment and Governance (page 15)
2-23	Policy commitments	Building an Ethical Culture (pages 19-22) and Fair Employment Practices (pages 32-33)
2-24	Embedding policy commitments	Building an Ethical Culture (pages 19-22) and Fair Employment Practices (pages 32-33)
2-25	Processes to remediate negative impacts	Fair Employment Practices (pages 32-33)
2-26	Mechanisms for seeking advice and raising concerns	Fair Employment Practices (pages 32-33)
2-27	Compliance with laws and regulations	Ensuring Strict Compliance with Applicable Laws and Regulations (page 23)
2-28	Membership associations	Malaysian Employers Federation, The Free Trade Zone, Penang Companies' Association
2-29	Approach to stakeholder engagement	Stakeholder Engagement (pages 16-17)
2-30	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements. Nonetheless, our employees in China are covered under the All-China Federation of Trade Unions ("ACFTU"), a national federation of work organisations that represents the interests and safeguards the rights of workers in China. KESMI respects the rights of its employees to join or form a labour union.
Material Topic: Management Approach		
3-1	Process to determine material topics	Materiality Assessment (pages 17-18)
3-2	List of material topics	Materiality Assessment (pages 17-18)
Material Topic: Ethical Business Conduct		
Anti-corruption		
3-3	Management of material topics	Building an Ethical Culture (pages 19-22)
205-1	Operations assessed for risks related to corruption	Building an Ethical Culture (pages 19-22)
205-2	Communication and training about anti-corruption policies and procedures	Building an Ethical Culture (pages 19-22)

SUSTAINABILITY REPORT

Disclosure		Reference(s) or Reasons for Omission
205-3	Confirmed incidents of corruption and actions taken	Building an Ethical Culture (pages 19-22)
Material Topic: Regulatory Compliance		
General Disclosures - Compliance		
3-3	Management of material topics	Ensuring Strict Compliance with Applicable Laws and Regulations (page 23)
2-27	Compliance with environmental laws and regulations	Ensuring Strict Compliance with Applicable Laws and Regulations (page 23)
Material Topic: Economic Performance		
Economic Performance and Procurement Practices		
3-3	Management of material topics	Sustaining Economic Performance (page 23)
201-1	Direct economic value generated and distributed	Contributing Direct Economic Value (pages 25-26)
204-1	Proportion of spending on local suppliers	Managing Supply Chains Responsibly (pages 23-25)
Material Topic: Fair Employment Practices		
Employment and Non-discrimination		
3-3	Management of material topics	Fair Employment Practices (pages 32-33)
401-1	New employee hire and employee turnover	KESMI's Employee and Worker Profile (pages 27-31)
404-1	Average hours of training per year per employee	Employee Engagement and Training (page 34)
405-1	Diversity of governance bodies and employees	KESMI's Board Profile (pages 26-27) and KESMI's Employee and Worker Profile (pages 27-31)
406-1	Incidents of discrimination and corrective actions taken	Fair Employment Practices (pages 32-33)
Material Topic: Energy and Carbon Footprint		
Energy Consumption and Emissions		
3-3	Management of material topics	Energy and Carbon Footprint (pages 39-42)
302-1	Energy consumption within the organisation	Energy and Carbon Footprint (pages 39-42)
302-3	Energy intensity	Energy and Carbon Footprint (pages 39-42)
305-1	Direct (Scope 1) GHG emissions	Energy and Carbon Footprint (pages 39-42)
305-2	Energy indirect (Scope 2) GHG emissions	Energy and Carbon Footprint (pages 39-42)
305-3	Other indirect (Scope 3) GHG emissions	Energy and Carbon Footprint (pages 39-42)
305-4	GHG emissions intensity	Energy and Carbon Footprint (pages 39-42)

SUSTAINABILITY REPORT

Disclosure		Reference(s) or Reasons for Omission
Additional Topic: Water Management		
Water and Effluents (2018)		
303-1	Interactions with water as a shared resource	Water Management (page 43)
303-2	Management of water discharge-related impacts	Water Management (page 43)
303-5	Water consumption	Water Management (page 43)
Material Topic: Occupational Health and Safety		
Occupational Health and Safety (2018)		
3-3	Management of material topics	Fostering a Safety Culture (pages 35-39)
403-1	Occupational health and safety management system	Fostering a Safety Culture (pages 35-39)
403-2	Hazard identification, risk assessment, and incident investigation	Fostering a Safety Culture (pages 35-39)
403-3	Occupational health services	Fostering a Safety Culture (pages 35-39)
403-4	Worker participation, consultation, and communication on occupational health and safety	Fostering a Safety Culture (pages 35-39)
403-5	Worker training on occupational health and safety	Fostering a Safety Culture (pages 35-39)
403-6	Promotion of worker health	Fostering a Safety Culture (pages 35-39)
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Fostering a Safety Culture (pages 35-39)
403-9	Work-related injuries	Fostering a Safety Culture (pages 35-39)
403-10	Work-related ill-health	Fostering a Safety Culture (pages 35-39)
Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data Privacy and Security (page 22)

SUSTAINABILITY REPORT

Taskforce on Climate-related Financial Disclosures (“TCFD”) Content Index

KESMI extended efforts in environmental sustainability; addressing climate-related risks and opportunities in this year’s sustainability report. We strive to update disclosures with reference to the TCFD recommendations through a phased approach.

TCFD Recommendations	Our Approach	Page Reference
Governance: Disclose organisation’s governance around climate-related risks and opportunities		
Describe the Board’s oversight of climate-related risks and opportunities	The Board, assisted by the Audit Committee (“AC”) oversees the Group’s risk management and internal control systems, while the business unit management identifies and assesses the material risks faced by the Group as well as the design, implementation and monitoring of suitable internal controls to manage and mitigate these risks.	Our Sustainability Commitment and Governance (page 15)
Describe management’s role in assessing and managing climate-related risks and opportunities	The Board recognises its obligation to maintain a sound risk management framework and internal control systems, which includes developing an adequate risk management and control framework and periodically reviewing its effectiveness, appropriateness, and integrity.	Corporate Governance Overview Statement (pages 62-71)
	The Group has put in place a structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established, which provides for a documented and auditable trail of accountability. The Group’s internal control procedures also encompass a series of standard operating practice manuals and business process manuals, which serve as guidance for proper measures to be undertaken, and are subject to regular review, enhancement and improvement.	Statement on Risk Management and Internal Control (pages 72-74)
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning where such information is material		
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	KESMI has begun conducting and incorporating climate scenario analysis into its climate reporting framework. The analysis focuses on two climate pathways: the Net Zero Emissions Scenario and the Business-as-Usual Scenario. These scenarios primarily reference the IPCC’s Representative Concentration Pathways (RCPs) for physical risk assessment and the Shared Socioeconomic Pathways (SSPs) for transition risk assessment. The Net Zero and Business-as-Usual pathways were selected to provide KESMI with a comprehensive understanding of potential impacts, allowing the company to prepare for both best and worst-case outcomes related to physical and transition risks. The IPCC’s RCPs and SSPs are globally recognised and widely used for mapping potential climate pathways and socioeconomic developments. Through this qualitative climate scenario analysis, KESMI aims to assess the company’s resilience to climate change across the aforementioned time horizons, ensuring that it remains agile in addressing future climate challenges.	

SUSTAINABILITY REPORT

TCFD Recommendations	Our Approach	Page Reference																		
<p>Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning</p>	<p>Summary of the climate scenario analysis parameters used:</p> <table border="1" data-bbox="395 544 1273 1514"> <thead> <tr> <th></th> <th data-bbox="395 544 895 680">Net Zero Scenario</th> <th data-bbox="903 544 1273 680">Business-as-Usual</th> </tr> </thead> <tbody> <tr> <td></td> <td data-bbox="395 692 895 801"><i>Warming of 2°C or lower by the year 2100</i></td> <td data-bbox="903 692 1273 801"><i>Warming of >4°C by the year 2100</i></td> </tr> <tr> <td data-bbox="395 813 539 1249">Brief description of the scenarios</td> <td data-bbox="547 813 895 1249">In this scenario, the world actively addresses climate change by drastically reducing greenhouse gas emissions. This is achieved through widespread adoption of renewable energy, increased energy efficiency, and cutting-edge sustainable technologies. Countries collaborate to reach net zero emissions by the latter half of the century, ensuring a sustainable balance between the emissions produced and those removed from the atmosphere, leading to a more sustainable and climate-resilient world.</td> <td data-bbox="903 813 1273 1249">In this scenario, the world continues its current growth-focused path with a strong reliance on fossil fuels, leading to high greenhouse gas emissions. Technological progress and improvements in health and education occur, but these developments do not significantly reduce the environmental impact. This results in a sharp rise in atmospheric carbon dioxide levels, causing severe climate change with extreme weather, higher temperatures, and widespread ecological disruption, posing serious challenges to life on Earth.</td> </tr> <tr> <td data-bbox="395 1261 539 1361">Climate scenarios used</td> <td data-bbox="547 1261 895 1361"> <ul style="list-style-type: none"> • IPCC RCP 2.6 • IPCC SSP1-2.6 </td> <td data-bbox="903 1261 1273 1361"> <ul style="list-style-type: none"> • IPCC RCP 8.5 • IPCC SSP5-8.5 </td> </tr> <tr> <td data-bbox="395 1373 539 1473">Time horizons</td> <td colspan="2" data-bbox="547 1373 1273 1473"> <ul style="list-style-type: none"> • Short-term: 2025 • Medium-term: 2030 • Long-term: 2050 </td> </tr> <tr> <td data-bbox="395 1485 539 1514">Countries</td> <td colspan="2" data-bbox="547 1485 1273 1514">Malaysia and China</td> </tr> </tbody> </table> <p data-bbox="395 1563 1281 1682">The table below highlights the climate-related risks and opportunities most material to KESMI. A phased approach will be adopted to disclose more details and quantifiable impacts on the identified climate-related risks, opportunities, and relevant mitigation measures in subsequent reports.</p>		Net Zero Scenario	Business-as-Usual		<i>Warming of 2°C or lower by the year 2100</i>	<i>Warming of >4°C by the year 2100</i>	Brief description of the scenarios	In this scenario, the world actively addresses climate change by drastically reducing greenhouse gas emissions. This is achieved through widespread adoption of renewable energy, increased energy efficiency, and cutting-edge sustainable technologies. Countries collaborate to reach net zero emissions by the latter half of the century, ensuring a sustainable balance between the emissions produced and those removed from the atmosphere, leading to a more sustainable and climate-resilient world.	In this scenario, the world continues its current growth-focused path with a strong reliance on fossil fuels, leading to high greenhouse gas emissions. Technological progress and improvements in health and education occur, but these developments do not significantly reduce the environmental impact. This results in a sharp rise in atmospheric carbon dioxide levels, causing severe climate change with extreme weather, higher temperatures, and widespread ecological disruption, posing serious challenges to life on Earth.	Climate scenarios used	<ul style="list-style-type: none"> • IPCC RCP 2.6 • IPCC SSP1-2.6 	<ul style="list-style-type: none"> • IPCC RCP 8.5 • IPCC SSP5-8.5 	Time horizons	<ul style="list-style-type: none"> • Short-term: 2025 • Medium-term: 2030 • Long-term: 2050 		Countries	Malaysia and China		
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SUSTAINABILITY REPORT

TCFD Recommendations	Our Approach	Page Reference																																		
	<p><u>Transition Risks</u> Transition risks are generally associated to the transition to a low-carbon economy, which might involve governmental changes, disruptive technological advances, and changes in customer and investor preferences.</p> <table border="1" data-bbox="391 627 1268 1635"> <thead> <tr> <th data-bbox="391 627 502 840">Risk Type</th> <th data-bbox="510 627 646 840">Risk Description</th> <th data-bbox="654 627 853 840">Potential Impacts</th> <th colspan="2" data-bbox="861 627 1077 772">Time horizon & potential financial impact level across the climate scenario</th> <th data-bbox="1085 627 1268 840">Adaptation or Mitigation Measures</th> </tr> <tr> <td></td> <td></td> <td></td> <th data-bbox="861 784 965 840">Net Zero</th> <th data-bbox="973 784 1077 840">Business-as-Usual</th> <td></td> </tr> </thead> <tbody> <tr> <td data-bbox="391 840 502 1108">Policy and legal</td> <td data-bbox="510 840 646 1108">Current and emerging climate-reporting regulations for listed firms</td> <td data-bbox="654 840 853 1108">Increased resources and costs to implement processes to ensure compliance with climate-reporting regulations</td> <td data-bbox="861 840 965 952">Medium term</td> <td data-bbox="973 840 1077 952">Medium term</td> <td data-bbox="1085 840 1268 1108" rowspan="2">Continue to work closely with the stakeholders and consultants to keep abreast of all sustainability reporting developments and regulations.</td> </tr> <tr> <td></td> <td></td> <td></td> <td data-bbox="861 963 965 1108">Long term</td> <td data-bbox="973 963 1077 1108">Long term</td> </tr> <tr> <td data-bbox="391 1108 502 1635">Reputation</td> <td data-bbox="510 1108 646 1635">Increasing stakeholder expectations in relation to climate change and emissions</td> <td data-bbox="654 1108 853 1635">Failure to meet the increasing stakeholder expectations in relation to climate change and emissions may pose a reputational risk, potentially leading to diminished investor confidence, reduced company valuations, and challenges in retaining skilled workforce.</td> <td data-bbox="861 1108 965 1276">Medium term</td> <td data-bbox="973 1108 1077 1276">Medium term</td> <td data-bbox="1085 1108 1268 1635" rowspan="2">Engage key stakeholders, including customers and investors to understand and address their concerns to meet or exceed their ESG expectations.</td> </tr> <tr> <td></td> <td></td> <td></td> <td data-bbox="861 1288 965 1635">Long term</td> <td data-bbox="973 1288 1077 1635">Long term</td> </tr> </tbody> </table> <p data-bbox="391 1657 798 1724">Potential financial impact level: ■ Low ■ Medium ■ High</p>	Risk Type	Risk Description	Potential Impacts	Time horizon & potential financial impact level across the climate scenario		Adaptation or Mitigation Measures				Net Zero	Business-as-Usual		Policy and legal	Current and emerging climate-reporting regulations for listed firms	Increased resources and costs to implement processes to ensure compliance with climate-reporting regulations	Medium term	Medium term	Continue to work closely with the stakeholders and consultants to keep abreast of all sustainability reporting developments and regulations.				Long term	Long term	Reputation	Increasing stakeholder expectations in relation to climate change and emissions	Failure to meet the increasing stakeholder expectations in relation to climate change and emissions may pose a reputational risk, potentially leading to diminished investor confidence, reduced company valuations, and challenges in retaining skilled workforce.	Medium term	Medium term	Engage key stakeholders, including customers and investors to understand and address their concerns to meet or exceed their ESG expectations.				Long term	Long term	
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TCFD Recommendations	Our Approach	Page Reference																								
	<p><u>Physical Risks</u> Arising from the impact of weather events and widespread environmental changes, physical risks can include increased severity and variability of extreme weather events such as rising sea levels and changes in temperature and precipitation patterns.</p> <table border="1" data-bbox="391 627 1268 1937"> <thead> <tr> <th data-bbox="391 627 486 840" rowspan="2">Risk Type</th> <th data-bbox="494 627 630 840" rowspan="2">Risk Description</th> <th data-bbox="638 627 829 840" rowspan="2">Potential Impacts</th> <th colspan="2" data-bbox="837 627 1045 772">Time horizon & potential financial impact level across the climate scenario</th> <th data-bbox="1053 627 1268 840" rowspan="2">Adaptation or Mitigation Measures</th> </tr> <tr> <th data-bbox="837 784 941 840">Net Zero</th> <th data-bbox="949 784 1045 840">Business-as-Usual</th> </tr> </thead> <tbody> <tr> <td data-bbox="391 840 486 1019" rowspan="2">Acute</td> <td data-bbox="494 840 630 1019" rowspan="2">Increased intensity and frequency of storms and floods</td> <td data-bbox="638 840 829 1019" rowspan="2"> <ul style="list-style-type: none"> Physical damage or impairment of assets Increased insurance costs </td> <td data-bbox="837 840 941 952">Medium term</td> <td data-bbox="949 840 1045 952">Medium term</td> <td data-bbox="1053 840 1268 1019" rowspan="2"> <ul style="list-style-type: none"> Review insurance coverage Conduct regular maintenance and enhancement of infrastructure </td> </tr> <tr> <td data-bbox="837 952 941 1019">Long term</td> <td data-bbox="949 952 1045 1019">Long term</td> </tr> <tr> <td data-bbox="391 1019 486 1937" rowspan="2">Chronic</td> <td data-bbox="494 1019 630 1937" rowspan="2">Change in average temperature</td> <td data-bbox="638 1019 829 1937" rowspan="2"> <ul style="list-style-type: none"> Increased cooling demand for production facilities Potential disruptions to operations due to workforce absenteeism from heat-related health stresses </td> <td data-bbox="837 1019 941 1142">Medium term</td> <td data-bbox="949 1019 1045 1142">Medium term</td> <td data-bbox="1053 1019 1268 1937" rowspan="2"> <ul style="list-style-type: none"> Regular review of operational procedures to ensure staff are coping with the increasing temperatures by conducting work environment evaluation to identify areas that reduce heat exposures, health assessment, etc. Regular maintenance of air conditioning systems Explore additional measures to minimise heat absorption of buildings or more efficient air conditioning systems Integrate lush greenery around the production facilities to provide cooling shade </td> </tr> <tr> <td data-bbox="837 1142 941 1937">Long term</td> <td data-bbox="949 1142 1045 1937">Long term</td> </tr> </tbody> </table> <p data-bbox="391 1960 798 2027">Potential financial impact level: ■ Low ■ Medium ■ High</p>	Risk Type	Risk Description	Potential Impacts	Time horizon & potential financial impact level across the climate scenario		Adaptation or Mitigation Measures	Net Zero	Business-as-Usual	Acute	Increased intensity and frequency of storms and floods	<ul style="list-style-type: none"> Physical damage or impairment of assets Increased insurance costs 	Medium term	Medium term	<ul style="list-style-type: none"> Review insurance coverage Conduct regular maintenance and enhancement of infrastructure 	Long term	Long term	Chronic	Change in average temperature	<ul style="list-style-type: none"> Increased cooling demand for production facilities Potential disruptions to operations due to workforce absenteeism from heat-related health stresses 	Medium term	Medium term	<ul style="list-style-type: none"> Regular review of operational procedures to ensure staff are coping with the increasing temperatures by conducting work environment evaluation to identify areas that reduce heat exposures, health assessment, etc. Regular maintenance of air conditioning systems Explore additional measures to minimise heat absorption of buildings or more efficient air conditioning systems Integrate lush greenery around the production facilities to provide cooling shade 	Long term	Long term	
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TCFD Recommendations	Our Approach	Page Reference
	<p><u>Climate-related opportunities</u> KESMI acknowledges that with climate-related risks also come valuable opportunities. The company can capitalise on these opportunities by focusing on two key areas: energy efficiency and resource efficiency.</p> <p>By implementing energy management systems and adopting energy-efficient technologies, KESMI can significantly cut operational costs due to lower energy use, while also reducing greenhouse gas (GHG) emissions. This not only benefits the environment but also enhances the company's bottom line.</p> <p>Lastly, optimising the use of resources across the supply chain and within manufacturing processes can lead to emission reductions and heightened operational efficiency. Streamlining these processes using "Avoid-Reduce-Substitute" framework allows KESMI to decrease production costs and minimise waste, yielding better financial benefits.</p>	
<p>Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p>	<p>Qualitative climate scenario analysis offers KESMI a wide-ranging view of how climate change could affect their operations, considering various assumptions and projections.</p> <p>Due to the lack of comprehensive local climate change projection databases, KESMI has utilized the latest findings from Singapore's Third National Climate Change Study which provides relevant climate change projections for the Southeast Asia region, to aid in our analysis. The study predicts an increase in rainfall on annual and seasonal timescales under all climate scenarios. The largest projected increase is associated with the Business-as-Usual Scenario which indicates that the average annual total rainfall within the Southeast Asia region is projected to increase by up to 13.4%. On the other hand, the Net Zero Emissions Scenario suggests that the annual total rainfall within the Southeast Asia region is projected to increase by up to 5.5%.</p> <p>Transition risks, like carbon pricing, also vary by scenario. In Asia, prices could jump by 2030 and again by 2050 in a Net Zero Emissions Scenario, affecting operational costs. In contrast, the Business-as-Usual Scenario foresees a slower rise in carbon pricing, with a minimal cost impact.</p> <p>As KESMI advances towards detailed assessment, we aim to gain a clearer understanding of our business resilience in the face of diverse climate scenarios.</p>	

SUSTAINABILITY REPORT

TCFD Recommendations	Our Approach	Page Reference
Risk management: Describe how the organisation identifies, assesses, and manages climate-related risks		
Describe the organisation's processes for identifying and assessing climate-related risks	<p>The Group has an Enterprise Risk Management (“ERM”) framework that guides the identification, evaluation and management of significant risks faced by the Group in its current business environment including financial, operational, compliance and information technology risks.</p> <p>Based on the qualitative climate risk assessment conducted, identified climate-related issues were assessed based on the likelihood of occurrence and the severity of the potential impacts as guided by the Group’s risk assessment matrix across the selected climate scenarios and time horizons.</p>	Statement on Risk Management and Internal Control (pages 72-74)
Describe the organisation's processes for managing climate-related risks	<p>The prioritisation of risks also takes into account the Group’s resources, objectives, risk tolerance, control policies and mitigation measures. The respective business units responsible for the identified climate-related issues are also engaged to monitor the register to assess and provide insights on the risk rating and impact on their operations and business. The risk register is updated every quarter to evaluate the relevance and adequacy of the identified risks and its accompanying adaptation and mitigation measures. As part of our phased implementation approach, KESMI strives to improve its identification and review process in the subsequent years to better account for potential implications from the evolving nature of external factors such as existing and emerging regulatory requirements related to climate change.</p>	
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	<p>KESMI recognises that working towards our sustainability goals will necessitate the development of sustainability competencies throughout our organisation. As a result, we will work towards introducing training and development programs for staff and Board members to build awareness on the topic of climate-related risks and to prepare business units on the management of this topic.</p>	

SUSTAINABILITY REPORT

TCFD Recommendations	Our Approach	Page Reference
<p>Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</p>		
<p>Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process</p>	<p>In our sustainability report, we track, measure, and report on our environmental performance, including energy consumption and intensity, GHG emissions and intensity (for total, Scope 1, Scope 2 and selected Scope 3 categories). Monitoring and reporting these metrics assist us in identifying areas with high climate-related risks, allowing us to direct our efforts in those areas.</p>	<p>Energy and Carbon Footprint (pages 39-42)</p>
<p>Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (“GHG”) emissions, and the related risks</p>	<p>KESMI has measured and disclosed our Scope 1 and 2 emissions in total in this report. This year, we also begun with reporting Scope 3 emissions for the categories of Business Travel and Employee Commute. Moving forward, KESMI will continue to expand upon its reporting of Scope 3 categories most significant to the business.</p>	
<p>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</p>	<p>KESMI has set a perpetual target for electricity consumption to have 2% reduction in year-on-year electricity consumption. We will continue to monitor our performance and targets to evaluate if targets need to be reviewed whenever applicable and practicable.</p>	

AUDIT COMMITTEE'S REPORT

The Audit Committee ("the Committee") is pleased to present its report for the financial year ended 31 July 2024 ("FY2024").

COMPOSITION

The Committee members during FY2024 comprised of the following directors:-

Chairman	: Mr Kua Choh Leang	<i>Senior Independent Non-Executive Director</i>
Members	: Dato' Dr. Suhazimah Binti Dzazali	<i>Independent Non-Executive Director</i>
	Ms Lim Mee Ing	<i>Non-Independent Non-Executive Director</i>

KEY FUNCTIONS AND RESPONSIBILITIES

The Committee has clear written Terms of Reference ("TOR") defining its functions, qualifications for membership, scope of duties and responsibilities, regulations and procedures governing the manner in which the Committee is to operate and how decisions are to be taken.

The TOR is available on the Company's website at www.kesmi.com.

MEETINGS AND ATTENDANCE

The Committee met four (4) times in FY2024. Other Board members, corporate office staff and the company secretary attended the meetings upon invitation of the Committee. The representatives of the internal and external auditors were also present during deliberations which required their inputs and advice.

The meeting attendance record of the Committee members was as follows:

Name of Members	No. of Meetings attended
Mr Kua Choh Leang	4
Dato' Dr. Suhazimah Binti Dzazali	3
Ms Lim Mee Ing	4

SUMMARY OF THE WORK OF THE COMMITTEE

During FY2024, the Committee: -

Financial Reporting

1. reviewed with the external auditors their audit for the financial year ended 31 July 2023 ("FY2023") to ensure that the audited financial statements were prepared to give a true and fair view in compliance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016; and discussed their audit findings and significant accounting and audit issues arising from their audit together with their recommendations and Management's responses; and considered Management's handling of impairment assessment, corrected or uncorrected misstatements and unadjusted audit differences;

AUDIT COMMITTEE'S REPORT

2. was briefed by the external auditors on areas relating to Bursa Securities Malaysia Berhad's ("Bursa Securities") enhanced sustainability reporting requirements, financial reporting developments and tax legislations on transfer pricing;
3. reviewed and recommended the audited financial statements of the Company and of the Group for FY2023 to the Board's approval; and
4. reviewed the unaudited quarterly results of the Group and recommended to the Board for approval.

External Audit

1. reviewed the external auditors' report on the Statement on Risk Management and Internal Control in respect of FY2023 to ascertain that the disclosures are consistent with the Company's established systems of risk management and internal control prior to Board's approval;
2. assessed the independence, performance and competency of the external auditors;
3. considered Management's feedback on the service delivery of the external auditors and their audit fees and recommended their re-appointment to the Board;
4. reviewed the audit plan for FY2024 with the external auditors with focus on the audit engagement team, areas of audit emphasis and impairment assessment, key audit matters, audit scoping and audit timeline; and
5. met with the external auditors once in FY2024 without the presence of Executive Board members and senior management.

Internal Audit

1. reviewed the internal audit plan and was satisfied that the internal auditors employed a systematic and reasonable methodology to select suitable audit areas and the corresponding group companies targeted for audit review;
2. reviewed and discussed the internal auditors' reports which highlighted the risk profiles and assessments, their recommendations, management responses and actions;
3. reviewed and discussed with the internal auditors on their follow-up audit on prior year's audits to ensure management had carried out the agreed actions timely;
4. enquired with the internal auditors and was satisfied that they did receive full information and co-operation from management during their audit reviews; and
5. conducted annual assessment of the competency and effectiveness of the internal auditors and was satisfied that the audit team has the relevant qualifications, adequate expertise and experience to conduct the audit competently and they have also demonstrated to provide quality audit performance.

Related Party Transactions

1. reviewed the recurrent related party transactions ("RRPT") of the Group quarterly to:
 - (i) ascertain that they were entered in accordance to the Company's established guidelines and procedures, and within the mandated limits, on normal commercial terms and were not detrimental to the interest of the Company and its minority shareholders; and
 - (ii) monitored the aggregate value transacted to determine if the threshold had been breached to warrant immediate announcement to Bursa Securities.

AUDIT COMMITTEE'S REPORT

2. recommended the aforesaid RRPT to the Board for ratification and approval.
3. reviewed the Statement by Audit Committee in the Circular to Shareholders in relation to the proposed renewal of the existing shareholders' mandate for RRPT of a revenue or trading nature and recommended to the Board to include it in the Circular.

Others

1. prepared the Committee's report in respect of FY2023 and presented it to the Board for approval for inclusion in the Annual Report 2023.
2. developed the Conflict of Interest Policy for Directors and Key Senior Management and proposed it to the Board for adoption.
3. reviewed the Code of Conduct and Ethics Policy and proposed revisions to the Board for adoption.
4. reviewed the Whistle-Blower Policy and proposed revisions to the Board for adoption.

SUMMARY OF THE WORK OF INTERNAL AUDIT FUNCTION

During the financial year under review, the internal auditors:

1. presented the internal audit plan for the Committee's approval at the second meeting of the Committee;
2. conducted audit review in accordance to the approved audit plan, which covered the following business processes or areas:-
 - Human Resource Management
 - Occupational Safety, Health and Environment
 - Procurement Control Management for non-capital expenditure
 - Procurement Management
 - Facilities Managementand presented the audit reports to the Committee; and
3. carried out follow-up audit review on prior year's audits and presented the outcome of their review to the Committee.

The total cost incurred for the Group's internal audit function amounted to RM90,000.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) is committed to ensuring that good corporate governance practices are observed throughout the Company and its subsidiaries (“the Group”) as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the financial performance of the Group. Hence, the Board has subscribed to the principles and practices of good corporate governance practices (including the intended outcomes) as promulgated by the Malaysian Code on Corporate Governance 2021 (“MCCG”) in leading and managing the business and affairs of the Group in an effective and responsible manner, whilst promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value.

This Statement provides an overview of the corporate governance practices adopted by the Company in respect of the financial year ended 31 July 2024 (“FY2024”). It outlines the manner in which the Company has applied the principles and practices set out in the MCCG, in accordance with paragraph 15.25(1) and Practice Note 9 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). The applications of the principles and practices of the MCCG have also been set out, in greater detail, in the Corporate Governance Report (“CG Report”) prescribed by Bursa Securities. Accordingly, this Statement should be read together with the CG Report, which is available on the Company’s website: <http://kesmi.com/investor-relations/general-meetings/> as well as on Bursa Securities’ website at www.bursamalaysia.com, to obtain a comprehensive view of the adherence of the Company to the MCCG during FY2024.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board has the overall responsibility over the Company and the companies within the Group. In discharging its duties and responsibilities, the Board had set the strategies of the Group to ensure that the Group was led and managed in an effective and responsible manner so that the objectives and goals are met.

The Board was guided by the Board Charter that had been approved by the Board, as well as internal guidelines which set forth matters that require the Board’s approval. This assisted the Board in ensuring that its performance of its duties and responsibilities are in line with the Constitution, the Companies Act 2016, the MMLR and any applicable rules, laws and regulations.

Amongst the steps that had been taken by the Board to satisfy its functions and responsibilities were:

- i. reviewed, approved and adopted the overall strategic plan of the Group;
- ii. conducted periodical reviews of the Group’s strategies and business focus concurrently with the regular financial results reporting;
- iii. promoted sustainability strategies to support long term value creation, which also took into consideration economic, environmental and social considerations;
- iv. reviewed the adequacy and integrity of the Group’s internal control and Enterprise Risk Management, as well as the financial and non-financial reporting responsibilities;
- v. oversight of succession planning of senior management staff (“Senior Management”) by ensuring that they possess the necessary skills and experience; and
- vi. oversight of investor relations and shareholders communication.

Chairman of the Board

The Board is led by its Executive Chairman (“Chairman”), who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. To this end, the Chairman takes on the role of creating an environment that enables open, robust and effective discourse between the Board members, as well as between the Board and Senior Management, and with the stakeholders of the Company. He is supported by the Executive Director (“ED”), who is responsible for the execution of the decisions made by the Board and the day-to-day operations of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Role of Chairman and CEO

The Board Chairman is Mr Samuel Lim, who is also the Company's Chief Executive Officer ("CEO"). This single leadership appointment is a deviation under Practice 1.3 of the MCCG which recommends that each role should be held by different individuals to ensure accountability and facilitates division of responsibilities between them.

The Board has taken the view that given the nature and size of the Group's businesses, it is in the best interests of the Company to vest both roles on the same individual, Mr Samuel Lim. His deep knowledge of the products, experience of the business, wide contacts in the industry and visionary leadership; will ensure there is effective management and continued success of the Group in meeting its obligations and goals. The combined roles thus provide the Group with a strong and consistent leadership, and allows for more effective planning and expeditious execution of the business strategies.

To ensure compliance with the relevant principle in the MCCG, the Chairman/CEO always abstains from all deliberations and voting on matters, which he is directly or deemed interested, and the Board ensures that all related party transactions involving the Chairman/CEO are appropriately dealt with in accordance with the MMLR. Moreover, the Senior Independent Director is available to deal with any concerns regarding the Company where it would be a conflict for the Chairman/CEO to deal with.

Additionally, the Board comprises sufficient independent directors ("IDs") who are able to exercise their duties unfettered, and make judgements independently for the Board that are fair and objective, and ensures that the objectives and goals of the Company are met.

Furthermore, in view of Mr Samuel Lim's performance, professionalism and objectivity in discharging his responsibilities, the Board fully supports the retention of his combined roles as Board Chairman and CEO.

Currently the Board Chairman is not a member of any Board Committees. However, he has been invited to attend Board Committees' meetings as the Board Committees are of the view his presence is helpful to facilitate them to leverage on his deep knowledge and accumulated experience which will aid them in more productive and effective deliberations. His presence in such meetings has not affected their independent and objective functioning.

Role and Responsibilities of the Company Secretary

The Board is supported by a professionally qualified Company Secretary who is a Fellow Member of the Malaysian Institute of Chartered Secretaries and Administrators. She has more than 35 years of experience in handling corporate secretarial matters.

The Company Secretary is accountable to the Board on all matters connected with the proper functioning of the Board's responsibilities. To this end, during the FY2024, the Company Secretary (1) assisted the Chairman and chairmen of the Board Committees in developing agendas for meetings; (2) administered, attended and prepared the minutes of the meetings of the Board, Board Committees and shareholders; (3) advised on statutory and regulatory requirements, monitored the compliance thereof, and the resultant implication of the requirements on the Company and the Board; (4) advised on matters relating to corporate governance practices; (5) facilitated suitable training courses and arranged for Directors to attend such courses; and (6) ensured good information flow between Board members, the Board and its Committees, as well as between corporate management and the Directors.

Access to Information

All Directors have full and unrestricted access to timely information which is necessary for them to discharge their duties responsibly.

A Board meeting pack which contains the notice of meeting, the minutes of the previous meetings and relevant meetings papers comprising reports, financial statements and other information relating to the agendas, is circulated to the Board, and the Board Committees, a week or so prior to the meetings. In this manner, Directors are able to study and evaluate the matters to be discussed. Directors are also able to call for additional clarification and information to assist them in their decision-making.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Charter

The Board Charter sets out the Board structure and protocols, the Board's roles and responsibilities, including the roles of the individual Directors, and that of the Senior Independent Director, the divisions of the responsibilities and powers between the Board and Senior Management, and different Board Committees, and also between the Chairman and CEO, establishment of the Board Committees, remuneration of Directors, and processes and procedures for convening Board meetings.

The Board Charter is reviewed periodically, as and when the need arises to cater to the development and requirements of the Group, and changes to legislations and regulations.

The Board Charter is publicly available on the Company's website at www.kesmi.com.

Code of Conduct and Ethics and Whistle-Blower Policy

The Company has established a Code of Conduct and Ethics ("the Code") that provides an overview of the various policies, procedures and guidelines that have been adopted by the Company to steer acceptable employment practices, ethical values and conduct for behaviour of employees. The Company periodically reviews the Code and its adopted policies, standards and guidelines to ensure that the conduct and ethical values it promulgates are upheld in its highest regard in its day-to-day dealings, and are in compliance with all applicable laws, rules and regulations. The Code may be referred to on the Company's website at www.kesmi.com.

The Company also has in place a whistle-blower policy which provides a mechanism for employees and external parties to report, and raise in good faith and in confidence, any concern about possible improprieties in matters of financial reporting or other matters. The whistle-blower policy is publicly available on the Company's website at www.kesmi.com. There were no whistleblowing reports received during FY2024.

Governance of Sustainability

The Board maintains structural oversight over sustainability governance, including strategies, priorities and targets whilst Senior Management is responsible for operational execution. Stakeholders are informed of the Group's sustainability matters through the Sustainability Report included in this Annual Report. The Board also keeps itself apprised with sustainability developments through briefings provided by the Sustainability consultant.

II. Board Composition

The Company is led and managed, by an experienced Board, comprising members with a good mix of the necessary knowledge, skills and wide range of experiences relevant to the Group.

As at end of FY2024, the Board comprises five (5) directors, three (3) of whom are non-executive. Of the non-executive directors, 2 are independent. The profiles of each Director and other relevant information are set out in the "Board of Directors" and "Other Information on Directors" sections of this Annual Report.

Although the Board has not adopted the best practice of the MCG to have at least half of the Board to comprise of IDs, the Company has proven that the performance of the Group has not been compromised by a lack of majority of IDs in the composition of the Board. In fact, the success of the Company has not been in doubt due to the professional and knowledgeable contributions of the Executive Chairman and ED of the Company.

Overall, the Directors are bound by their respective fiduciary obligations to act in the best interests of the Company. The independent and diverse perspectives of each of the Board members' views and decisions have effectively contributed to the success of the Group. Nevertheless, Directors have always abstained from the decision-making process where they are deemed interested in a particular matter.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Tenure of Independent Director

Pursuant to paragraph 1.01(h) of the MMLR, the Nominating Committee (“NC”) and the Board have, subsequent to the FY2023, conducted annual independence assessment of the IDs and concluded that they meet all the criteria of being independence.

As at 31 July 2024, none of the IDs have served more than twelve (12) years.

Appointment and Assessment of Directors and Senior Management

The NC is charged with, amongst others, sourcing, selecting and shortlisting suitable potential new Board candidates, for the Board’s consideration. Some of the key responsibilities of the NC are:

- (a) reviewing the character, experience, integrity, commitment, competency, probity, qualification and track record of the proposed candidate for appointment or re-election to the Board, and in the case of a proposed nomination of an independent non-executive director, to evaluate the nominee’s ability to discharge such responsibilities/functions as expected of an independent non-executive director;
- (b) reviewing the structure, size and composition of the Board (including evaluating the mix and balance of skills, knowledge, experience and diversity), and making recommendations to the Board with regard to any changes deemed necessary; and
- (c) monitoring and evaluating the effectiveness of the Board and its committees, and developing appropriate procedures for individual evaluations.

The Company has in place a Directors’ Fit and Proper Policy to ensure that any person to be appointed or re-elected as a Director shall possess the necessary quality and character, integrity, competency and commitment to discharge the responsibilities properly and effectively. The Policy is publicly available on the website of the Company.

The appointment of Senior Management, who are not Directors, is delegated to the EDs who determines the required skill sets, qualification, character, relevant experience, regardless of age or ethnicity. As part of its succession and talent retention initiatives, the Company will first identify suitable appointee from within the Group, failing which external sourcing via open advertisement or recruitment agencies would be employed to source for candidate that has the best match and fit for the vacancy.

In accordance with the Company’s Constitution, all Directors are required to submit themselves for re-election by rotation at least once in every three (3) years at each Annual General Meeting (“AGM”). Newly appointed directors shall hold office until the AGM following their appointment, and shall then be eligible for re-election by shareholders. In this regard, the NC and the Board have evaluated the eligibility of the retiring Directors, namely Mr Kenneth Tan Teoh Khoon and Ms Lim Mee Ing and nominated their re-election at the upcoming AGM.

Shareholders are provided with detailed information on the retiring Directors who are standing for re-election at the Company’s AGM via the Board of Directors’ profile. The Board’s statement relating to the reasons to support recommendation for their re-election are disclosed in the Explanatory Notes section of the Notice of AGM.

Board Diversity

The Board Diversity Policy is incorporated in the Board Charter. The diversity factors that the NC/Board will take into account amongst other factors when considering Board appointment are ethnicity, gender and age. Nonetheless, the final decision on selection of Board candidates will be based on merit against the criteria set.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The table below gives an overview of the current diversity of the Board:

Diversity in:						
Gender	Male	60%	Female	40%		
Race/Ethnicity	Malay	20%	Chinese	80%		
Nationality	Malaysian	40%	Foreigner	60%		
Age Group	60 to 65 Years:	40%	66 to 70 Years:	40%	Above 70 Years:	20%
Core Competencies	Accounting, banking, business acumen, engineering, finance, general management, human resources, industry knowledge, legal, marketing, manufacturing, strategic development and information technology.					

Time Commitment

All Directors are made aware that they must commit adequate time to devote to his/her Board responsibilities in the Company. To this end, the Directors are informed that they:

- have to attend Board and Board Committee meetings physically, or otherwise via electronic means (where practicable) if such physical attendance is not possible;
- are to attend courses to update their knowledge and better equip themselves to discharge their duties as Directors; and
- shall, before accepting an invitation to serve on another Board,
 - ensure that he/she is not already serving on the Board of more than five (5) public listed companies; and
 - gives prior notification to the Chairman.

Board Meetings

The Board meets on a scheduled basis, at least five (5) times a year to approve quarterly and annual financial results, recurrent related party transactions, annual budgets and any other matters that require the Board's approval. Due notice is given for all scheduled meetings.

In the FY2024, the Board met a total of five (5) occasions. The commitment of each individual Director in carrying out their duties is reflected in their attendance of the Directors at the Board meetings held during the financial year as shown in the table under the "Other Information on Directors" section of this Annual Report. Deliberations of the Board, and the decisions made at the Board meetings, have been duly recorded by the Company Secretary.

The Board is fully aware and acts on its specifically reserved matters for decision to ensure that the direction of the Company is firmly in its hands. During the year under review, the Board also resolved and approved the Company's matters through circular resolutions. Board members are provided with sufficient detailed information to facilitate their approvals.

Directors' Training – Continuing Education Programmes

All the Directors had fulfilled his or her Mandatory Accreditation Programme ("MAP") Part I obligations prescribed in Practice Note 5 of the MMLR. With regards to MAP II relating to the sustainability and related roles of a Director, the following Directors: Mr Kua Choh Leang and Dato' Dr. Suhazimah Binti Dzazali had completed the training and the remaining Directors will be attending the training in the next financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Directors recognise the need to continue to receive continuous training to broaden their perspectives and keep abreast with the new statutory and regulatory requirements. The Board views that this can be achieved through a mix of in-house training programmes and external training programmes that are deemed appropriate to aid them in the discharge of their duties as directors. In this regard, the Directors have, from time to time during the normal proceedings of meetings, received updates and briefings, particularly regulatory and industry developments, relevant new laws and changes to the accounting standards, from the corporate management, company secretary and auditors.

During FY2024, all the Directors had attended the following in-house trainings (except for Dato' Dr. Suhazimah Binti Dzazali who was absent on 7 March 2024):

Course Title	Dates
Financial Reporting developments on amendments to Malaysian Financial Reporting Standards ("MFRS") 7, 16, 101, 107 and 112	21 September 2023
Bursa Malaysia's Enhanced Sustainability Reporting Requirements on the gap between financial and sustainability reporting, IFRS S1 and S2, and accounting for carbon credits	7 March 2024
Financial Reporting developments on amendments to MFRSs 7, 9, 10, 16, 17, 101, 108, 112, 121 and 128, as at 31 December 2023	7 March 2024
Provision of the Companies (Amendment) Act 2024 on Beneficial Ownership Reporting	28 May 2024

and some attended the following external trainings:

Course Title	Dates
Board Oversight of Climate Risks and Opportunities, organised by Asia School of Business	10 October 2023
MIA Webinar Series: ISA 500 & 501 Audit Evidence and Specific Considerations for Selected Items, organised by Malaysian Institute of Accountants	12 December 2023
Essentials of International Standard Quality Management (ISQM), organised by Malaysian Institute of Accountants	26 December 2023

Board Committees

Two (2) Board Committees have been established to assist the Board in fulfilling its duties and responsibilities.

Audit Committee

The composition, Terms of Reference ("TOR") and summary of activities of the Audit Committee ("AC") are set out in the "Audit Committee's Report" section of this Annual Report.

Nominating Committee

The NC members during FY2024 comprised of the following directors:

Chairman	:	Kua Choh Leang	<i>Senior Independent Non-Executive Director</i>
Members	:	Dato' Dr. Suhazimah Binti Dzazali	<i>Independent Non-Executive Director</i>
		Ms Lim Mee Ing	<i>Non-Independent Non-Executive Director</i>

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The NC has clear written TOR defining its functions, qualifications for membership, scope of duties, regulations and procedures governing the manner in which the Committee is to operate and how decisions are to be made. The TOR are available on the Company's website at www.kesmi.com.

The NC met two times in the FY2024, and had the full attendance of the NC, to:

- review the NC report in respect of FY2023 and presented it to the Board for approval;
- evaluate the eligibility of the retiring Directors and recommended to the Board for approval to table the resolutions for their re-election at the AGM;
- assess and confirm the independence of the IDs;
- undertake the necessary evaluations and assessments of the performance of Board, the Board Committees and the individual Directors' fitness and probity; and
- review the retirement age for EDs and recommended to the Board for approval.

The evaluation criteria used for the assessment of the Board comprised assessment of its structure, operation, mix of skill sets and experience, roles and responsibilities. The Board Committees were assessed based on their composition, contribution to the Board's effectiveness and discharge of their duties. As for the performance of the individual Directors, some factors used include contribution to interaction, attendance and participation at meetings and decision-making processes, quality of input, understanding of his/her role and responsibilities, as well as the declaration of fitness and probity by Directors.

From the results of the assessments, the NC was satisfied, and the Board similarly concurred with the NC's findings, that the Board is of the right size and is well balanced from the perspective of the mix skill set, experience, strength and independence, and diversity, as well as composes of Directors who fulfill the fit and proper criteria. The Board is of the view that the current size and composition suffice to enable the Board to operate effectively, and to meet the current and future needs of the Company.

III. Remuneration

Directors' and Senior Management Remuneration

The Board itself undertakes the review of remuneration matters of the Board and key Senior Management instead of establishing a separate Remuneration Committee ("RC").

The Board is guided by the Remuneration Policy for Directors and Senior Management, which is available on the Company's website, to review and recommend the remuneration of Directors and key Senior Management to the Board for consideration. The Policy lays down the governing principles, policies and procedures for determining remuneration of Directors and Senior Management of the Group.

The Board will periodically review the policy, with a view to ensuring that the Group's remuneration policies remain competitive and attractive to retain Directors and Senior Management of high calibre with the necessary skills and expertise required for effective management of the Group.

The details of the Directors' remuneration for FY2024 can be found in the Company's Corporate Governance Report under Practice 8.1.

Details on named basis of the top 5 Senior Management remuneration component in bands of RM50,000 have not been made as the Board views such disclosure to be commercially unviable in this very competitive industry for high calibre staff. Additionally, the Board is of the view that disclosing such sensitive information may compromise retainability of good management staff, which in turn will jeopardise the Group's successful management and operations of its businesses. Nonetheless, the aggregate amount of the remuneration paid to these top 5 staff (who are not the ED) of the Group is about RM3.0 million.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The AC is tasked by the Board to oversee the financial reporting process. This includes assessing the suitability, objectivity and independence of the external auditor, and being able to independently challenge and ask probing questions on the Company's financial reporting process, internal controls, risk management and governance.

As at the end of FY2024, the AC comprises of three Non-Executive Directors, majority of whom (including the chairman) are independent. The AC is chaired by the Senior Independent Director, who is not the Board Chairman. Each member of the AC is financially literate, and possess the necessary skills and experience to discharge their respective duties. The profiles of the AC members, as well as the training they attended during the FY2024 are provided under the section of "Board of Directors" of this Annual Report and the foregoing paragraph "Directors' Training – Continuing Education Programmes" respectively. A summary of the activities of the AC are set out in the "Audit Committee's Report" section of this Annual Report.

The Board has assessed the effectiveness of the AC in performing its duties pursuant to its TOR, and is satisfied that the AC has discharged its duties accordingly.

The TOR of the AC are made available on the Company's website at www.kesmi.com.

External Auditors

The Company has always maintained transparent relations with its external auditors in seeking their professional advice, and ensured compliance with the applicable approved accounting standards in Malaysia.

The AC has direct and unrestricted access to the external auditors. The role of the AC in relation to the external auditors is described in the "Audit Committee's Report" section of this Annual Report.

In considering the suitability, objectivity and independence of the external auditors, the AC, in consultation with the Board, had established a questionnaire form setting out the criteria that would be employed for the assessment. In addition, the AC has also obtained a written assurance from the external auditors, Ernst & Young PLT ("EY"), confirming their independence throughout the conduct of the audit engagement.

The AC had reviewed the suitability, objectivity and independence of EY based on the above-mentioned criterion, and had recommended their re-appointment as external auditors of the Company for the financial year ending 31 July 2025. The Board, having considered the AC's recommendation, is satisfied with the competency, performance and independence of EY, and had recommended their re-appointment as the Company's external auditors for shareholders' approval at the forthcoming AGM.

II. Risk Management and Internal Control Framework

The Board has in place a risk management and internal control framework, which the Board reviews to ensure its effectiveness, adequacy and integrity.

The Board oversees the Group's overall risk management and internal control systems, while the business unit management identifies and assesses the material risks faced by the Group as well as the design, implementation and monitoring of suitable internal controls to manage and mitigate these risks. The systems include organisational structure, strategic planning, risk management, financial management, operational control, regulatory and compliance controls to safeguard shareholders' investments, customers' interests and the Group's assets.

The AC also supports the Board in this role by overseeing the internal control systems, financials and governance matters.

The Statement on Risk Management and Internal Control included in this Annual Report provides an overview of the main features of the Company's risk management and internal control system.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Internal Audit

The Board recognises the importance of sound internal control for good corporate governance. As such, an internal audit function is independently undertaken to ensure that the work is conducted with impartiality, proficiency and due professional care.

The internal audit function of the Group was outsourced to Deloitte Business Advisory Sdn Bhd (“Deloitte”). Deloitte has conducted the necessary objectivity and independence checks, and has confirmed to the AC that its engagement is free from any relationships or conflicts of interests, which could impair its objectivity and independence. The key internal audit team comprises of three (3) members i.e. senior consultant, engagement manager and engagement partner.

The responsibilities of the internal auditors included planning the scope of internal audit and audit schedules in consultation with, but independently of, management, presenting the scope of audit reviews to the AC, conducting audits, submitting the audit reports to the AC on their findings and recommendations on the Group's systems of internal control.

Details of the work carried out by the internal auditors in the FY2024 are described in the “Audit Committee's Report” and “Statement on Risk Management and Internal Control” sections of this Annual Report.

Details of the AC's oversight of the internal auditors are outlined in the “Summary of the Work of the Committee” section of the “Audit Committee's Report” included in this Annual Report.

Financial Reporting

The Board is required to prepare financial statements in accordance with the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of financial position of the Group and of the Company, and of the results and cash flows of the Group and of the Company for a financial year under review.

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and applied them accordingly;
- made reasonable and prudent judgements and estimates; and
- ensured that all applicable accounting standards have been followed.

The Directors have ensured that the Company and its group companies have kept proper accounting and other records which disclose with reasonable accuracy the financial position of the Company and of the Group, and which would enable them to ensure that the financial statements are drawn up according to applicable laws, regulations and standards.

The Directors have also taken such steps as are reasonably necessary to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Corporate Disclosure and Stakeholders Communication

The Company maintains strong relationships with its stakeholders by engaging them on a regular basis through various engagement platforms to keep them informed of all major developments and performance of the Group, as well as to better understand and address their needs and concerns. The Sustainability Report included in this Annual Report provides information on the Company's approach in identifying material stakeholders and methods of engagement with them, which include announcements to Bursa Securities, press releases, general meetings, analyst/investor meetings, etc.

The Company's website also serves as an additional platform for stakeholders and members of the public in general to access up-to-date information about the Group and to reach out to the Company.

II. Conduct of General Meetings

The Company's general meetings are the principal forum in which shareholders will be able to dialogue and engage interactively with the Board by attending such meetings themselves or otherwise by appointing proxy or corporate representative to attend on their or its behalf respectively. Directors are required to attend the general meetings, unless any Director has a good reason not to. The external auditors are also present at the Company's AGMs to assist the Directors in addressing queries that shareholders may have regarding the audited financial statements.

Annually, shareholders are able to gain greater understanding of the annual financial results, operational performance and overall business outlook of the Group at the Company's AGM from the presentation made by the Executive Chairman/CEO at the meeting, as well as during the questions and answers session.

Shareholders were notified of the AGM through the notice announced to Bursa Securities and publication in a local newspaper and the Company's website. The Company generally provide shareholders with longer than the minimum notice period required. Shareholders were also given the necessary information pertaining to the agenda such as the Annual Report, Corporate Governance Report and the Circular to Shareholders in relation to the Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature via posting on the websites of the Company and Bursa Securities timely for their access.

The Company conducted its 52nd AGM held on 11 January 2024 in wholly physical format. Shareholders, proxies and corporate representatives were able to have direct two-way face-to-face interaction with the Directors during the questions and answers session as well as allowing them to perform "live" voting.

All the Directors, the Company Secretary, corporate management staff, including the external auditors were present at the 52nd AGM. Shareholders, proxies and corporate representatives were able to engage with the Board "live" to provide feedback and pose questions pertaining to the proposed resolutions. All pertinent questions posed "live" during the meeting were addressed by the EDs and the answers were subsequently posted on the Company's website. Electronic poll voting was conducted for all resolutions. Voting rules and procedures were explained at the beginning of the meeting. The independent scrutineer, Sky Corporate Services Sdn. Bhd., was also present to scrutinise the voting process and verify the poll results. The results of all votes cast for or against each resolution were displayed "live" on-screen at the meeting and also announced after the meeting to Bursa Securities.

This Statement was approved by the Board of Directors dated 19 September 2024.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“Board”) is pleased to present its Statement on Risk Management and Internal Control (“Statement”) made pursuant to Paragraph 15.26(b) and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. In making this Statement, the Board is guided by Part II of Principle B, Intended Outcome 10.0, Practices 10.1 and 10.2 read together with Guidance 10.1 and 10.2 of the Malaysian Code on Corporate Governance and the guidelines on the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers”.

The Statement gives an outline of the nature and scope of risk management and internal control practices of the Group in respect of the financial year ended 31 July 2024 (“FY2024”).

BOARD'S RESPONSIBILITY

The Board oversees the Group's risk management and internal control systems, while the business unit management identifies and assesses the material risks faced by the Group as well as the design, implementation and monitoring of suitable internal controls to manage and mitigate these risks. The systems include organisational structure, strategic planning, risk management, financial management, operational control, regulatory and compliance controls to safeguard shareholders' investments, customers' interests and the Group's assets.

The Board acknowledges its responsibility to maintain a sound risk management framework and internal control systems, which includes the establishment of an appropriate risk management and control framework as well as reviewing its effectiveness, adequacy and integrity. However, in view of the inherent limitations in any such system, the Board recognises that the system of risk management and internal control is designed to manage and mitigate risks rather than eliminate the risk of failure to achieve the Group's internal control objectives. Accordingly, it can only provide reasonable and not absolute assurance against material financial misstatement or loss.

The Board is supported in its risk management and internal control oversight responsibilities by:

- Business unit management – to identify, assess and implement suitable risk management and internal control systems;
- Executive Directors, assisted by corporate management, oversee and endorse risk management and internal control system implementation by business unit management; and
- Audit Committee – for oversight over internal control systems, financials and governance matters to provide reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Group's objectives is mitigated and managed.

RISK MANAGEMENT FRAMEWORK

The Group has in place an Enterprise Risk Management (“ERM”) framework (based on an internationally recognised risk management framework) which is designed to provide consistency in the management of risks across the Group. The ERM framework is embedded into the corporate culture, processes and structures of the Group.

The Board's responsibilities for the governance of risks and controls include:

- setting the tone and culture for effective risk management and internal control systems;
- ensuring risk management is embedded in all aspects of the Group's daily business and operational activities and processes;
- endorsing acceptable risk appetite and determining the nature and extent of significant risks which the Group is willing to take in achieving its strategic objectives; and
- reviewing the risk management framework, processes and responsibilities to ensure it provides reasonable assurance that risk management has been effective to keep it within tolerable levels.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group has in place a detailed risk management process, culminating in a Board review, which identifies the key risks facing each business unit. This information is reviewed by Executive Directors as part of the strategic review and periodical business performance process. ERM framework consists of the following key processes:

- policies, guidelines, procedures and documentation on strategic, financial, operational, compliance and information technology management;
- an established and structured process for identification, assessment, communication, treatment, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls within the business unit levels for their daily operating activities and processes, aided by self-assessment risk checklist and risk register compassing risk appetite and tolerance assessment;
- Executive Directors and corporate management, meet on quarterly basis, with the business units, to review on the Group's key risks and Group's risk register (which sets out the priority and focus on risk mitigation strategies based on risk categories and ratings), and the execution and management of the risk mitigation strategies;
- continuing assessments by the Group's internal auditors on the quality of risk management and control, and the reports to the Executive Directors and corporate management, and the Audit Committee on the status of specific areas identified for improvement; and
- assessment on the effectiveness of the risk management process in the Group during the financial year by the Executive Directors and subsequently by the Board.

The Group's customer base is concentrated amongst the top-tier semiconductor suppliers. To mitigate such risks, we align our business strategies with these customers' strategic plans. Notwithstanding this, we continue to avail our core competencies and competitive advantages to the markets that we serve.

INTERNAL CONTROL FRAMEWORK

The Board is committed to conducting its business in an ethical and honest manner, and will endeavour to ensure all its business relationship and dealings are conducted professionally and with high integrity. Accordingly, the Board establishes Code of Conduct and Ethics, Anti-Bribery and Anti-Corruption policy, and the Whistle-Blower policy to articulate the acceptable practices and to guide the behaviours of all directors, management and employees.

The Board acknowledges that internal control system inevitably is intertwined with the Group's operating activities. The Group's internal control framework is complementary to the ERM framework where internal control policies and procedures are designed to address key business risks, including corruption risks, prevention of asset and data loss. The key internal control structures the Group has in place are described below.

The Group's internal audit function is outsourced to a public accounting firm of international standing. The internal audit function facilitates the Board in its review and evaluation of the adequacy and integrity of the Group's internal control systems.

The internal auditors adopt a risk-based approach and prepare its audit strategy and plan based on the risk profiles of the business units of the Group. Audits are carried out according to the annual audit plan approved by the Audit Committee. The resulting reports from the annual audits undertaken are presented to the Audit Committee at its regular meetings. Board members are invited when the Audit Committee meets to review, discuss, and direct actions on matters pertaining to the reports, which among other matters, include findings relating to the adequacy and integrity of the internal control system of the Group. After the Audit Committee had deliberated on the reports, these are then forwarded to the business unit management for attention and necessary actions. The business unit management is responsible for ensuring recommended corrective actions on reported weaknesses were taken within the required time frame.

The annual internal audits therefore provide the Board with an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control systems in anticipating potential risk exposures over key business systems and processes and in controlling the proper conduct of business within the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Apart from internal audit, the Board has in place an organisation structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.

The monitoring and management of the Group is delegated to the Executive Directors and senior operational management. The Executive Directors through their day-to-day involvement in the business operations and regular attendance at senior management level meetings, manage and monitor the Group's financial performance, key business indicators, operational effectiveness and efficiency, discuss and resolve significant business issues and ensure compliance with applicable laws, regulations, rules, directives and guidelines. These senior management meetings serve as a two-way platform for the Board, through the Executive Directors, to communicate and address significant matters in relation to the Group's business and financial affairs and provide update on significant changes in the business and the external environment which result in significant risks.

The Group's internal control procedures are set out in a series of standard operating practice manuals and business process manuals, to serve as guidance for proper measures to be undertaken and are subject to regular review, enhancement and improvement.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed the Statement for inclusion in the Annual Report of the Group for the financial year. Their limited assurance review was performed in accordance with the *Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and *Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report*.

The Statement to be included in the Annual Report is properly prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers* nor is this Statement factually inaccurate.

Based on their review, nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the Group.

CONCLUSION

The Board has received assurance from Mr Samuel Lim Syn Soo, the Executive Chairman and Chief Executive Officer and Mr Kenneth Tan Teoh Khoon, the Executive Director that the Group's risk management and internal control system is operating adequately and effectively, in all material respects, based on the risk management model adopted by the Group.

The Board has reviewed the risk management and internal control framework and control procedures to ensure continual effectiveness and adequacy of the system of risk management and internal control of the Group.

The Board is of the opinion that the system of risk management and internal control that has been instituted throughout the Group was satisfactory and has not resulted in any material adverse impact that would require disclosure in the Group's Annual Report.

This Statement is made in accordance with the resolution of the Board of Directors dated 19 September 2024.

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 July 2024.

Principal activities

The principal activities of the Company are investment holding and provision of semiconductor burn-in services.

The principal activities and other details of the subsidiaries are disclosed in Note 13 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit/(loss) net of tax	188	(2,498)

There was no material transfer to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

	RM'000
In respect of the financial year ended 31 July 2023 as reported in the directors' report of that year: First and final tax exempt dividend of 6 sen per ordinary share, on 43,014,500 ordinary shares, approved on 11 January 2024 and paid on 8 February 2024	<u>2,581</u>

On 19 September 2024, the directors approved an interim tax exempt dividend in respect of the financial year ended 31 July 2024, of 7.5 sen on 43,014,500 ordinary shares, amounting to dividend payable of RM3,226,088. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 July 2025.

The directors do not recommend a final dividend for the financial year ended 31 July 2024.

Directors

The directors of the Company in office since the beginning of the financial year to the date of this report are:

Samuel Lim Syn Soo*
Kenneth Tan Teoh Khoon*
Lim Mee Ing
Kua Choh Leang*
Dato' Dr. Suhazimah Binti Dzazali*

* These directors are also directors of some of the Company's subsidiaries.

DIRECTORS' REPORT

Directors' interests

According to the register of directors' shareholdings, the interest of directors in office at the end of the financial year in shares in the Company were as follows:

	Number of ordinary shares			
	At 1.8.2023	Acquired	Sold	At 31.7.2024
<u>Deemed interest</u>				
Samuel Lim Syn Soo	20,825,000	–	–	20,825,000

By virtue of his interest in shares in the Company, Samuel Lim Syn Soo is also deemed interested in shares in all the Company's subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby directors might acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the directors or the fixed salary as a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Directors of the Company		
Executive:		
Fees	123	103
Salaries and other emoluments	1,614	1,614
	<u>1,737</u>	<u>1,717</u>
Non-executive:		
Fees	183	163
Allowances	27	27
	<u>210</u>	<u>190</u>
Total directors' remuneration	<u>1,947</u>	<u>1,907</u>

DIRECTORS' REPORT

Indemnity and insurance for the directors and officers

During the financial year, the total amount of indemnity coverage given to directors and officers of the Company pursuant to Director and Officer liability insurance is RM20,000,000.

Other statutory information

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to be realised their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
 - (i) which would render it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and
 - (iv) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors:
 - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

DIRECTORS' REPORT

Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remuneration of the Group and of the Company during the year are RM477,000 and RM181,000 respectively.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit for an unspecified amount. No payment has been made to indemnify Ernst & Young PLT during or since the end of the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 September 2024.

Samuel Lim Syn Soo

Kenneth Tan Teoh Khoon

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Samuel Lim Syn Soo and Kenneth Tan Teoh Khoon, being two of the directors of KESM Industries Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 86 to 139 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2024 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 September 2024.

Samuel Lim Syn Soo

Kenneth Tan Teoh Khoon

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Kenneth Tan Teoh Khoon, being the director primarily responsible for the financial management of KESM Industries Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 86 to 139 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing this declaration to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed Kenneth Tan Teoh Khoon
at Kelana Jaya, Selangor
on 19 September 2024

Kenneth Tan Teoh Khoon

Before me,
Najmi Dawami Bin Abdul Hamid @ Mohd Akib

INDEPENDENT AUDITORS’ REPORT

To the members of KESM Industries Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KESM Industries Berhad, which comprise the statements of financial position as at 31 July 2024 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 86 to 139.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 July 2024, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors’ responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of KESM Industries Berhad (Incorporated in Malaysia)

Key audit matters (cont'd)

Key audit matters in respect of the financial statements of the Group

Impairment assessment of property, plant and equipment

Refer to Note 3.2(ii) and Note 11 to the financial statements.

As at 31 July 2024, the Group's property, plant and equipment including right-of-use assets amounted to RM163,915,000, representing 35% of its total assets.

The Group is required to perform impairment test of the cash generating units ("CGUs") whenever there is an indication that the CGU may be impaired by comparing the carrying amounts with its recoverable amounts.

The Group has then estimated the recoverable amounts of the CGUs based on the higher of the fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). In determining the recoverable amounts using VIU method involves estimating the future cash inflows and outflows that will be derived from the CGUs, and discounting them at an appropriate rate. In determining the recoverable amounts using FVLCD method, management has engaged independent valuers to determine the fair value of certain property, plant and equipment at the reporting date.

We have identified this is an area of audit focus given the significance of property, plant and equipment to the Group and the Company and the estimates involved in the assessment of the recoverable amounts.

In determining the recoverable amounts based on VIU, our procedures included amongst others, the following:

- a) We obtained an understanding of the methodology adopted by the management in estimating the VIU;
- b) We assessed the robustness of management's budgeting process by comparing the actual results achieved against previous budgets;
- c) We evaluated the reasonableness of key assumptions such as sales volume and prices, including and where relevant, comparing them against the historical data and by corroborating with plant's utilisation reports, industry outlook and analyst reports, and existing sales invoices on price forecasts;
- d) We evaluated the key assumptions applied in respect of residual value of certain plant and equipment applied in estimating VIU to the recent comparable sales transactions of similar assets;
- e) We assessed the reasonableness of the discount rate and the appropriateness of the methodology used in deriving the VIU calculations, with the support of our valuation experts; and
- f) We performed sensitivity analysis on the key assumptions to understand the impact that alternative assumptions would have had on the overall recoverable amounts.

For the components audited by other component auditors, we have performed review of their results of the procedures performed.

In determining the recoverable amounts based on FVLCD, our procedures included amongst others, the following:

- a) We obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of certain property, plant and equipment;
- b) We had discussions with the independent valuers to obtain an understanding of the inputs used, amongst others, the recent market transactions and assessed the reasonableness of the inputs used; and
- c) We considered the competence, capabilities and objectivity of the independent valuers.

In addition, we evaluated the adequacy of the disclosures in the notes to the financial statements.

INDEPENDENT AUDITORS' REPORT

To the members of KESM Industries Berhad (Incorporated in Malaysia)

Key audit matters (cont'd)

Key audit matter in respect of the financial statements of the Company

Impairment assessment of investment in subsidiaries

Refer to Note 3.2(iii) and Note 13 to the financial statements.

As at 31 July 2024, the Company's investment in subsidiaries amounted to RM79,250,000, representing 44% of its total assets. The Company is required to estimate the recoverable amounts of its investment in subsidiaries when there is an indication that such investments may be impaired. Management performed an impairment assessment and estimated the recoverable amounts of the investment in subsidiaries using VIU and FVLCD methods.

In determining the recoverable amounts using VIU method, management estimates the future cash inflows and outflows that will be derived from the investment and discounting them at an appropriate rate. As part of determination of the recoverable amounts using FVLCD method, management has engaged independent valuers to determine the fair value of certain property, plant and equipment at the reporting date.

We have identified this is an area of audit focus given the significance of investment in subsidiaries to the Company and the estimates involved in the assessment of the recoverable amounts.

In determining the recoverable amounts based on VIU, our procedures included amongst others, the following:

- a) We obtained an understanding of the methodology adopted by the management in estimating the VIU;
- b) We assessed the robustness of management's budgeting process by comparing the actual results achieved against previous budgets;
- c) We evaluated the reasonableness of key assumptions such as sales volume and prices, including and where relevant, comparing them against the historical data and by corroborating with plant's utilisation reports, industry outlook and analyst reports, and existing sales invoices on price forecasts; and
- d) We assessed the reasonableness of the discount rate and the appropriateness of the methodology used in deriving the VIU calculations, with the support of our valuation experts.

In determining the recoverable amounts based on FVLCD, our procedures included amongst others, the following:

- a) We obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of certain property, plant and equipment;
- b) We had discussions with the independent valuers to obtain an understanding of the inputs used, amongst others, the recent market transactions and assessed the reasonableness of the inputs used; and
- c) We considered the competence, capabilities and objectivity of the independent valuers.

In addition, we evaluated the adequacy of the disclosures in the notes to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT

To the members of KESM Industries Berhad (Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (cont'd)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT

To the members of KESM Industries Berhad (Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 13 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Liew Foo Shen
No. 03349/01/2026 J
Chartered Accountant

Kuala Lumpur, Malaysia
19 September 2024

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 July 2024

	Note	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Revenue	4	243,025	228,283	62,637	59,576
Other items of income					
Interest income	5	6,867	4,156	1,321	1,281
Dividend income		382	331	382	331
Other income		7,461	5,097	4,821	5,389
Items of expenses					
Consumables used		(19,626)	(18,272)	(1,279)	(1,439)
Employee benefits expense	6	(94,558)	(96,386)	(33,776)	(33,008)
Depreciation of property, plant and equipment	11	(47,973)	(39,649)	(6,552)	(7,164)
Finance costs	7	(4,239)	(2,070)	(178)	(369)
Other expenses		(88,040)	(83,708)	(29,834)	(27,527)
Profit/(loss) before tax	8	3,299	(2,218)	(2,458)	(2,930)
Income tax (expense)/credit	9	(3,111)	(912)	(40)	690
Profit/(loss) net of tax, attributable to owners of the Company		188	(3,130)	(2,498)	(2,240)
Other comprehensive loss:					
Item that will not be reclassified to profit or loss					
Remeasurement loss arising from net defined benefit liabilities, net of tax	22	(77)	(47)	-	-
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation gain/(loss)		402	(1,855)	-	-
Other comprehensive income/(loss) for the year, net of tax, attributable to owners of the Company		325	(1,902)	-	-
Total comprehensive income/(loss) for the year, net of tax, attributable to owners of the Company		513	(5,032)	(2,498)	(2,240)
Earnings/(loss) per share attributable to owners of the Company					
- Basic	10	0.4 sen	(7.3 sen)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 July 2024

	Note	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	163,915	179,574	23,422	26,718
Investment in subsidiaries	13	–	–	79,250	79,250
Deferred tax assets	20	6,082	5,461	3,969	3,365
Other receivables	15	628	269	372	269
		<u>170,625</u>	<u>185,304</u>	<u>107,013</u>	<u>109,602</u>
Current assets					
Inventories	14	1,584	1,488	43	137
Trade and other receivables	15	42,835	53,234	12,123	15,799
Derivatives	24(ii)	104	–	–	–
Prepayments		1,495	4,304	326	1,885
Investment securities	25(ii)	14,318	10,767	14,318	10,767
Tax recoverable		5,578	6,026	972	907
Cash and short-term deposits	16	232,461	223,928	46,939	54,402
		<u>298,375</u>	<u>299,747</u>	<u>74,721</u>	<u>83,897</u>
Total assets		<u>469,000</u>	<u>485,051</u>	<u>181,734</u>	<u>193,499</u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	43,678	43,678	43,678	43,678
Reserves	18	308,999	311,067	128,166	133,245
Total equity		<u>352,677</u>	<u>354,745</u>	<u>171,844</u>	<u>176,923</u>
Non-current liabilities					
Loans and borrowings	19	34,201	56,450	1,319	1,670
Defined benefit liabilities	22	5,662	2,553	–	–
Deferred tax liabilities	20	6,954	6,256	–	–
		<u>46,817</u>	<u>65,259</u>	<u>1,319</u>	<u>1,670</u>
Current liabilities					
Trade and other payables	21	30,447	25,236	7,031	10,690
Loans and borrowings	19	39,059	37,261	1,540	4,216
Defined benefit liabilities	22	–	2,550	–	–
		<u>69,506</u>	<u>65,047</u>	<u>8,571</u>	<u>14,906</u>
Total liabilities		<u>116,323</u>	<u>130,306</u>	<u>9,890</u>	<u>16,576</u>
Total equity and liabilities		<u>469,000</u>	<u>485,051</u>	<u>181,734</u>	<u>193,499</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 July 2024

		← Attributable to owners of the Company →							
		Non-distributable			Distributable		← Non-distributable →		
Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital (Note 17) RM'000	Retained earnings (Note 18) RM'000	Other reserves, total RM'000	Foreign currency translation reserve (Note 18) RM'000	Capital reserve (Note 18) RM'000	Statutory reserve fund (Note 18) RM'000	
Group									
As at 1 August 2022		362,358	362,358	43,678	298,238	20,442	13,573	2,240	4,629
Loss for the year		(3,130)	(3,130)	–	(3,130)	–	–	–	–
Other comprehensive loss for the year, net of tax		(1,902)	(1,902)	–	(47)	(1,855)	(1,855)	–	–
Total comprehensive loss for the year		(5,032)	(5,032)	–	(3,177)	(1,855)	(1,855)	–	–
Transaction with owners									
Dividends on ordinary shares		29	(2,581)	(2,581)	–	(2,581)	–	–	–
As at 31 July 2023		354,745	354,745	43,678	292,480	18,587	11,718	2,240	4,629
As at 1 August 2023		354,745	354,745	43,678	292,480	18,587	11,718	2,240	4,629
Profit for the year		188	188	–	188	–	–	–	–
Other comprehensive income for the year, net of tax		325	325	–	(77)	402	402	–	–
Total comprehensive income for the year		513	513	–	111	402	402	–	–
Transaction with owners									
Dividends on ordinary shares		29	(2,581)	(2,581)	–	(2,581)	–	–	–
As at 31 July 2024		352,677	352,677	43,678	290,010	18,989	12,120	2,240	4,629

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 July 2024

	Note	Non-distributable ← Non-distributable →				Merger relief reserve (Note 18) RM'000
		Equity, total RM'000	Share capital (Note 17) RM'000	Retained earnings (Note 18) RM'000	Distributable Other reserves, total RM'000	
Company						
As at 1 August 2022		181,744	43,678	136,851	1,215	1,215
Total comprehensive loss for the year		(2,240)	–	(2,240)	–	–
Transaction with owners						
Dividends on ordinary shares	29	(2,581)	–	(2,581)	–	–
As at 31 July 2023		176,923	43,678	132,030	1,215	1,215
As at 1 August 2023		176,923	43,678	132,030	1,215	1,215
Total comprehensive loss for the year		(2,498)	–	(2,498)	–	–
Transaction with owners						
Dividends on ordinary shares	29	(2,581)	–	(2,581)	–	–
As at 31 July 2024		171,844	43,678	126,951	1,215	1,215

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 July 2024

	Note	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Operating activities					
Profit/(loss) before tax		3,299	(2,218)	(2,458)	(2,930)
<u>Adjustments for:</u>					
Depreciation of property, plant and equipment	11	47,973	39,649	6,552	7,164
Net gain on disposal of property, plant and equipment	8	(3,797)	(1,587)	(2)	(71)
Property, plant and equipment written off	8	17	–	17	–
Net fair value gain on investment securities	8	(1,700)	(1,818)	(1,700)	(1,818)
Unrealised exchange loss		357	262	4	25
Unrealised gain on derivatives	24(ii)	(104)	–	–	–
Write-back of inventories	8	(77)	(747)	–	–
Impairment of trade receivables	8	–	95	–	–
Dividend income		(382)	(331)	(382)	(331)
Interest income	5	(6,867)	(4,156)	(1,321)	(1,281)
Finance costs	7	4,239	2,070	178	369
Operating cash flows before changes in working capital		42,958	31,219	888	1,127
<u>Changes in working capital:</u>					
(Increase)/decrease in inventories		(19)	1,126	94	(41)
Decrease/(increase) in prepayments and receivables		13,117	(5,446)	5,162	(3,561)
(Decrease)/increase in payables		(4,352)	(2,187)	(3,730)	3,845
Cash flows from operations		51,704	24,712	2,414	1,370
Income taxes (paid)/received, net		(2,569)	(620)	(709)	271
Interest paid		(4,022)	(1,769)	(178)	(369)
Interest received		6,240	3,924	1,267	1,248
Net cash flows from operating activities		51,353	26,247	2,794	2,520

STATEMENTS OF CASH FLOWS

For the financial year ended 31 July 2024

	Note	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Investing activities					
(Increase)/decrease in short-term deposits with maturity more than three months		(33,500)	(30,000)	(10,000)	25,000
Purchase of investment securities		(5,762)	(4,125)	(5,762)	(4,125)
Proceeds from disposal of investment securities		3,911	7,585	3,911	7,585
Dividend received		382	331	382	331
Purchase of property, plant and equipment	11	(15,400)	(44,813)	(1,964)	(3,307)
Proceeds from disposal of property, plant and equipment		3,797	2,539	2	281
Net cash flows (used in)/from investing activities		(46,572)	(68,483)	(13,431)	25,765
Financing activities					
Repayment of principal portion of lease liabilities	19	(3,804)	(3,913)	(2,802)	(2,967)
Repayment of bank loans	19	(34,168)	(15,195)	(1,443)	(2,586)
Proceeds from bank loans	19	11,000	82,303	–	–
Dividends paid on ordinary shares		(2,581)	(3,226)	(2,581)	(3,226)
Net cash flows (used in)/from financing activities		(29,553)	59,969	(6,826)	(8,779)
Net (decrease)/increase in cash and cash equivalents		(24,772)	17,733	(17,463)	19,506
Effect of exchange rate changes on cash and cash equivalents		(195)	(658)	–	–
Cash and cash equivalents at beginning of the year		99,428	82,353	41,402	21,896
Cash and cash equivalents at end of the year	16	74,461	99,428	23,939	41,402

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

1. Corporate information

KESM Industries Berhad (“the Company”) is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 802, 8th Floor, Block C, Kelana Square, No. 17, Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The principal activities of the Company are investment holding and provision of semiconductor burn-in services. There have been no significant changes in the nature of these activities during the year. The principal activities and other details of the subsidiaries are disclosed in Note 13.

The principal place of business of the Company is located at Lot 4, Jalan SS8/4, Sungei Way Free Industrial Zone, 47300 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

Following the adoption of MFRS 10: Consolidated Financial Statements and MFRS 127: Separate Financial Statements, the Company and its subsidiaries are considered to be *de facto* subsidiaries of Sunright Limited (“Sunright”). In this connection, the ultimate holding company of the Company is Sunright, which is incorporated in Singapore. Sunright is listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

2. Material accounting policy information

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies as below.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousand (“RM’000”) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that on 1 August 2023, the Group and the Company adopted the following amendments to standards mandatory for annual financial periods beginning on or after 1 January 2023.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101 and MFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules	1 January 2023

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

2. Material accounting policy information (cont'd)

2.2 Changes in accounting policies (cont'd)

Adoption of the above amendments to standards did not have any material effect on the financial statements of the Group and of the Company, other than:

Disclosure of Accounting Policies - Amendments to MFRS 101 and MFRS Practice Statement 2

The amendments to MFRS 101 and MFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's and the Company's financial statements.

2.3 Standards issued but not yet effective

The amendments to standards and new standards that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 16: Lease liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Non-current liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025
Amendments to MFRS 9 and MFRS 7: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
MFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above amendments to standards and new standards will have no material impact on the financial statements in the period of initial application.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. A list of the Company's subsidiaries is shown in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

2. Material accounting policy information (cont'd)

2.4 Basis of consolidation (cont'd)

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

2.5 Functional and foreign currency

The consolidated financial statements are presented in RM, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

(ii) Consolidated financial statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at the average exchange rates for the reporting year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Right-of-use assets are included within the same line item as that within corresponding underlying assets would be presented if they were owned and are accounted for in accordance with Note 2.12. Subsequent to recognition, all items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

2. Material accounting policy information (cont'd)

2.6 Property, plant and equipment (cont'd)

Depreciation, except for right-of-use assets which is depreciated in accordance with Note 2.12, is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings	10 - 20 years
- Renovation	5 years
- Plant, machinery and test equipment	5 years
- Motor vehicles	5 years
- Office equipment, furniture and fittings and computers	3 - 10 years

Freehold land has an unlimited useful life and therefore is not depreciated. Certain assets are stated at cost and are not depreciated as these assets are not available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at the end of each reporting year, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group and the Company base their impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's and of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of four years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fourth year.

Impairment losses are recognised in profit or loss. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

2. Material accounting policy information (cont'd)

2.8 Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Financial assets at amortised cost (debt instruments)

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

The Group's and the Company's financial assets at amortised cost include trade and other receivables (excluding prepayments), cash and short-term deposits.

Financial assets at fair value through profit or loss ("FVPL")

FVPL include financial assets held for trading. The Group's and the Company's investment securities acquired principally for the purpose of selling or repurchasing them in the near term.

The Group also 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. Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to the profit or loss for the year. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

2. Material accounting policy information (cont'd)

2.8 Financial instruments (cont'd)

(i) Financial assets (cont'd)

Subsequent measurement (cont'd)

Financial assets at fair value through profit or loss ("FVPL") (cont'd)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at FVPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVPL are recognised separately in profit or loss as part of other expenses or other income.

The Group classifies its investment securities and derivative assets under this category.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. The Group and the Company determine the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not at FVPL, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. On derecognition, the difference between the carrying amounts and consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

2. Material accounting policy information (cont'd)

2.8 Financial instruments (cont'd)

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.9 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a '12-month ECL'). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a 'lifetime ECL').

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company may consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and deposits with banks, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, with a maturity of three months or less.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank deposits with maturity more than three months.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

2. Material accounting policy information (cont'd)

2.11 Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(iii) Defined benefit plan

The Group's obligations under the defined benefit plan are estimated and determined based on the amount of benefit that eligible employees have earned in return for their service in the current and prior years. That benefit is discounted using the projected unit credit method in order to determine its present value. The discount rate is the market yield at the reporting date on high quality corporate bonds or government bonds. The amount recognised in the statement of financial position represents the present value of the defined benefit obligations.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the service costs in the net defined benefit obligations under 'Employee benefits expense' and net interest under 'Finance costs' in profit or loss.

2.12 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

2. Material accounting policy information (cont'd)

2.12 Leases (cont'd)

(i) As a lessee (cont'd)

Right-of-use assets (cont'd)

Depreciation of right-of-use assets is computed on a straight-line basis over the estimated useful lives or lease terms of assets as follows:

- Buildings	3 - 5 years
- Leasehold land	60 - 99 years
- Plant, machinery and test equipment	5 years

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.7. The Group's and the Company's right-of-use assets are disclosed in Note 12.

Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of assets (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) As a lessor

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.13.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

2. Material accounting policy information (cont'd)

2.13 Revenue

Revenue is measured based on the consideration to which the Group and the Company expect to be entitled in exchange for rendering promised services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group and the Company satisfy a performance obligation by rendering a promised service to the customer, which is when the customer accepts the performance of service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(i) Rendering of services

Revenue is recognised when the performance obligation is satisfied at a point in time, that is upon the performance of services to the customers, which coincides with their acceptance.

The amount of revenue recognised is based on the estimated transaction price. Based on the Group's and the Company's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group and the Company do not provide variable element in consideration and obligation for refunds.

(ii) Others

(a) Interest income

Interest income is recognised using the effective interest method.

(b) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

(c) Rental income

Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the statements of profit or loss and other comprehensive income due to its operating nature.

2.14 Taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group and the Company operate and generate taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

2. Material accounting policy information (cont'd)

2.14 Taxes (cont'd)

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Sales and service tax ("SST")

Revenues, expenses and assets are recognised net of the amount of SST except:

- (a) where the SST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the SST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (b) receivables and payables that are stated with the amount of SST included.

The net amount of SST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.15 Segment reporting

For management purposes, the Group is organised into one operating segment based on their services (i.e. burn-in and testing services) which are independently managed by the respective plant managers for the performance of the respective locations under their charge. The plant managers report directly to the key management who regularly review the location results in order to allocate resources to the locations and to assess the performance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

3. Significant accounting estimates and judgements

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

There are no significant judgements made by management in the application of accounting policies of the Group and of the Company that have a significant effect on the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below. The Group and the Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group and of the Company. Such changes are reflected in the assumptions when they occur.

(i) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available in the future to recover these deferred tax assets. Significant management estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, including expectations for future market outlooks. The Group has recognised the deferred tax assets as it is probable that the Group will generate sufficient taxable profits in future which the deferred tax assets can be utilised. The carrying amounts of the Group's and the Company's deferred tax assets at reporting date were RM6,082,000 (2023: RM5,461,000) and RM3,969,000 (2023: RM3,365,000) respectively. Further details are disclosed in Note 20.

(ii) Impairment of property, plant and equipment

The Group is required to perform impairment test of the cash generating units ("CGUs") whenever there is an indication that the CGU may be impaired by comparing the carrying amounts with its recoverable amounts.

When recoverable amounts are determined based on value in use calculations, the discounted cash flow model with certain key parameters, such as sales volume and prices, discount rate and residual value of certain plant and equipment, are used. Management believes that the aforesaid variables are unlikely to materially result in the carrying amount of property, plant and equipment exceeding their recoverable amounts. In determining the recoverable amounts using the fair value less costs of disposal method, management has engaged independent valuers to determine the fair value of certain property, plant and equipment at the reporting date. The carrying amount of the Group's property, plant and equipment at the reporting date is disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

3. Significant accounting estimates and judgements (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(iii) Impairment of investment in subsidiaries

The Company is required to estimate the recoverable amounts of its investment in subsidiaries when there is an indication that such investments may be impaired. For investment in subsidiaries with indicators of impairment, management performed impairment assessment and estimated the recoverable amounts of the investment in subsidiaries using value in use or fair value less costs of disposal methods.

When recoverable amounts are determined based on value in use calculations, the discounted cash flow model is used with certain key parameters, such as sales volume and prices, are used. Management believes that the aforesaid variables are unlikely to materially result in the carrying amount of the subsidiaries exceeding its recoverable amounts.

In determining the recoverable amounts using the fair value less costs of disposal method, management has engaged independent valuers to determine the fair value of certain property, plant and equipment at the reporting date.

The carrying amount of the Company's investment in subsidiaries at the reporting date was RM79,250,000 (2023: RM79,250,000).

4. Revenue

Disaggregation of revenue

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Types of goods and services				
Rendering of services	243,025	228,283	62,637	59,576
Geographical markets				
Malaysia	143,296	154,918	50,218	56,184
People's Republic of China ("PRC")	41,667	51,509	–	–
Singapore	38,801	13,314	8,975	–
Others*	19,261	8,542	3,444	3,392
	243,025	228,283	62,637	59,576

* Others include countries such as United States of America and European countries.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

5. Interest income

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Deposits with licensed banks	6,840	4,141	1,305	1,266
- Others	27	15	16	15
	6,867	4,156	1,321	1,281

6. Employee benefits expense

	Note	Group		Company	
		2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Employee benefits expense (including directors):					
- Wages, salaries and bonuses		80,550	82,205	31,243	30,656
- Contributions to defined contribution plan		3,195	3,030	1,238	1,193
- Social security contributions		6,072	6,439	210	198
- Defined benefit obligations	22	303	246	-	-
- Other benefits		4,438	4,466	1,085	961
		94,558	96,386	33,776	33,008

7. Finance costs

	Note	Group		Company	
		2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Interest expense on:					
- Bank loans		3,687	1,609	21	121
- Lease liabilities	12	373	291	157	248
- Defined benefit obligations	22	179	170	-	-
		4,239	2,070	178	369

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

8. Profit/(loss) before tax

	Note	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Profit/(loss) before tax is arrived at:					
<u>After charging:</u>					
Audit fees paid to:					
- Auditors of the Company		318	296	181	153
- Other auditors		159	109	-	-
Non-audit fees paid to:					
- Auditors of the Company		6	6	6	6
- Other auditors		137	168	137	168
Directors' remuneration		1,947	1,894	1,907	1,854
Lease expenses	12	403	414	283	291
Utilities		39,990	37,830	15,944	14,644
Repairs and maintenance		24,445	24,481	3,406	3,236
Impairment of trade receivables		-	95	-	-
Property, plant and equipment written off		17	-	17	-
Net foreign exchange loss		-	208	-	54
Net derivatives loss		210	-	-	-
<u>and crediting:</u>					
Net gain on disposal of property, plant and equipment		3,797	1,587	2	71
Net fair value gain on investment securities		1,700	1,818	1,700	1,818
Write-back of inventories		77	747	-	-
Rental income from a subsidiary		-	-	1,701	1,651
Net foreign exchange gain		505	-	95	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

8. Profit/(loss) before tax (cont'd)

Information on directors' remuneration is as follows:

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Directors' remuneration				
In respect of the Company's directors:				
Executive:				
- Fees	123	123	103	103
- Salaries and other emoluments	1,614	1,550	1,614	1,550
	<u>1,737</u>	<u>1,673</u>	<u>1,717</u>	<u>1,653</u>
Non-executive:				
- Fees	183	192	163	172
- Allowances	27	29	27	29
	<u>210</u>	<u>221</u>	<u>190</u>	<u>201</u>
Total directors' remuneration	<u>1,947</u>	<u>1,894</u>	<u>1,907</u>	<u>1,854</u>

9. Income tax expense/(credit)

The major components of income tax expense/(credit) for the years ended 31 July 2024 and 2023 are:

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Current income tax:				
- Malaysian income tax	2,970	1,111	591	465
- Under provision in prior years	47	-	53	-
	<u>3,017</u>	<u>1,111</u>	<u>644</u>	<u>465</u>
Deferred tax (Note 20):				
- Origination and reversal of temporary differences	83	(166)	(553)	(1,132)
- Under/(over) provision in prior years	11	(33)	(51)	(23)
	<u>94</u>	<u>(199)</u>	<u>(604)</u>	<u>(1,155)</u>
Income tax expense/(credit) recognised in profit or loss	<u>3,111</u>	<u>912</u>	<u>40</u>	<u>(690)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

9. Income tax expense/(credit) (cont'd)

The reconciliation between tax expense and product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 July 2024 and 2023 is as follows:

	Group	
	2024 RM'000	2023 RM'000
Profit/(loss) before tax	3,299	(2,218)
Tax at Malaysian statutory tax rate of 24% (2023: 24%)	792	(532)
Adjustments:		
Effect of different tax rate in other country	(46)	(31)
Income not subject to tax	(137)	(207)
Non-deductible expenses	330	372
Deferred tax assets not recognised	2,114	1,343
Under provision of income tax expense in prior years	47	–
Under/(over) provision of deferred tax in prior years	11	(33)
Income tax expense recognised in profit or loss	3,111	912
	Company	
	2024 RM'000	2023 RM'000
Loss before tax	(2,458)	(2,930)
Tax at Malaysian statutory tax rate of 24% (2023: 24%)	(590)	(703)
Adjustments:		
Income not subject to tax	(92)	(224)
Non-deductible expenses	296	260
Deferred tax assets not recognised	424	–
Under provision of income tax expense in prior years	53	–
Over provision of deferred tax in prior years	(51)	(23)
Income tax expense/(credit) recognised in profit or loss	40	(690)

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2023: 24%) of the estimated assessable profit/(loss) for the year.

Taxation for other jurisdiction is calculated at the prevailing rate of the respective jurisdictions. The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

10. Earnings per share

Basic earnings/(loss) per 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 financial year.

	Number of shares	
	2024 '000	2023 '000
Weighted average number of ordinary shares for basic earnings/(loss) per share calculation	43,015	43,015
Basic earnings/(loss) per share	0.4 sen	(7.3 sen)

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

There has been no other transaction involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

11. Property, plant and equipment

Group	Buildings RM'000	Freehold land RM'000	Leasehold land RM'000	Renovation RM'000	Plant, machinery and test equipment* RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings and computers RM'000	Total RM'000
At 31 July 2024								
At cost								
At 1 August 2023	33,496	1,111	7,775	38,293	952,269	1,157	12,036	1,046,137
Additions	6,610	-	-	338	24,729	-	362	32,039
Disposals	(4,734)	-	-	-	(5,635)	(42)	-	(10,411)
Write off	-	-	-	-	(15)	(49)	(307)	(371)
Exchange differences	30	-	-	250	1,434	1	31	1,746
At 31 July 2024	35,402	1,111	7,775	38,881	972,782	1,067	12,122	1,069,140
Accumulated depreciation								
At 1 August 2023	25,924	-	2,185	36,281	791,055	1,157	9,961	866,563
Depreciation charge for the year	2,810	-	121	718	43,628	-	696	47,973
Disposals	(4,734)	-	-	-	(5,635)	(42)	-	(10,411)
Write off	-	-	-	-	(15)	(49)	(290)	(354)
Exchange differences	3	-	-	242	1,182	1	26	1,454
At 31 July 2024	24,003	-	2,306	37,241	830,215	1,067	10,393	905,225
Net carrying amount	11,399	1,111	5,469	1,640	142,567	-	1,729	163,915

* Included in the net carrying amounts of the Group's 'Plant, machinery and test equipment' of RM26,215,000, were assets which had not been depreciated as they were not available for use. Plant, machinery and test equipment were not available for use as they were under testing phase.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

11. Property, plant and equipment (cont'd)

Group	Buildings RM'000	Freehold land RM'000	Leasehold land RM'000	Renovation RM'000	Plant, machinery and test equipment* RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings and computers* RM'000	Total RM'000
At 31 July 2023								
At cost								
At 1 August 2022	34,173	1,111	7,775	38,701	918,515	1,598	11,842	1,013,715
Additions	3,332	-	-	1,087	45,113	-	784	50,316
Disposals	(3,833)	-	-	-	(3,272)	(436)	(8)	(7,549)
Write off	-	-	-	-	(21)	-	(10)	(31)
Exchange differences	(176)	-	-	(1,495)	(8,066)	(5)	(572)	(10,314)
At 31 July 2023	33,496	1,111	7,775	38,293	952,269	1,157	12,036	1,046,137
Accumulated depreciation								
At 1 August 2022	27,320	-	2,066	36,759	765,986	1,574	9,457	843,162
Depreciation charge for the year	2,580	-	119	994	35,237	28	691	39,649
Disposals	(3,833)	-	-	-	(2,320)	(436)	(8)	(6,597)
Write off	-	-	-	-	(21)	-	(10)	(31)
Exchange differences	(143)	-	-	(1,472)	(7,827)	(9)	(169)	(9,620)
At 31 July 2023	25,924	-	2,185	36,281	791,055	1,157	9,961	866,563
Net carrying amount	7,572	1,111	5,590	2,012	161,214	-	2,075	179,574

* Included in the net carrying amounts of the Group's 'Plant, machinery and test equipment' and 'Office equipment, furniture and fittings and computers' of RM33,218,000 and RM83,000 respectively, were assets which had not been depreciated as they were not available for use. Plant, machinery and test equipment were not available for use as they were under testing phase.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

11. Property, plant and equipment (cont'd)

Company	Buildings RM'000	Freehold land RM'000	Leasehold land RM'000	Renovation RM'000	Plant, machinery and test equipment* RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings and computers RM'000	Total RM'000
At 31 July 2024								
At cost								
At 1 August 2023	19,463	1,111	5,075	3,972	142,400	680	4,526	177,227
Additions	1,233	-	-	-	1,931	-	109	3,273
Disposals	(1,172)	-	-	-	-	(42)	-	(1,214)
Write off	-	-	-	-	(1)	(49)	(190)	(240)
At 31 July 2024	19,524	1,111	5,075	3,972	144,330	589	4,445	179,046
Accumulated depreciation								
At 1 August 2023	12,032	-	964	3,098	129,867	680	3,868	150,509
Depreciation charge for the year	1,746	-	56	273	4,289	-	188	6,552
Disposals	(1,172)	-	-	-	-	(42)	-	(1,214)
Write off	-	-	-	-	(1)	(49)	(173)	(223)
At 31 July 2024	12,606	-	1,020	3,371	134,155	589	3,883	155,624
Net carrying amount	6,918	1,111	4,055	601	10,175	-	562	23,422

* Included in the net carrying amounts of the Company's 'Plant, machinery and test equipment' of RM98,000, were assets which had not been depreciated as they were not available for use. Plant, machinery and test equipment were not available for use as they were under testing phase.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

11. Property, plant and equipment (cont'd)

Company	Buildings RM'000	Freehold land RM'000	Leasehold land RM'000	Renovation RM'000	Plant, machinery and test equipment* RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings and computers* RM'000	Total RM'000
At 31 July 2023								
At cost								
At 1 August 2022	19,964	1,111	5,075	3,754	140,299	975	4,337	175,515
Additions	3,332	-	-	218	2,892	-	189	6,631
Disposals	(3,833)	-	-	-	(789)	(295)	-	(4,917)
Write off	-	-	-	-	(2)	-	-	(2)
At 31 July 2023	19,463	1,111	5,075	3,972	142,400	680	4,526	177,227
Accumulated depreciation								
At 1 August 2022	14,149	-	910	2,765	125,586	961	3,683	148,054
Depreciation charge for the year	1,716	-	54	333	4,862	14	185	7,164
Disposals	(3,833)	-	-	-	(579)	(295)	-	(4,707)
Write off	-	-	-	-	(2)	-	-	(2)
At 31 July 2023	12,032	-	964	3,098	129,867	680	3,868	150,509
Net carrying amount	7,431	1,111	4,111	874	12,533	-	658	26,718

* Included in the net carrying amounts of the Company's 'Plant, machinery and test equipment' and 'Office equipment, furniture and fittings and computers' of RM2,177,000 and RM46,000 respectively, were assets which had not been depreciated as they were not available for use. Plant, machinery and test equipment were not available for use as they were under testing phase.

(i) Additions

Additions of property, plant and equipment during the financial year were made by the following means:

	Note	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Cash payments		15,400	44,813	1,964	3,307
Lease liabilities	12	6,525	3,282	1,218	3,282
Other payables	21	10,114	2,221	91	42
		32,039	50,316	3,273	6,631

(ii) Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

12. Leases

As a lessee

Buildings

The Group and the Company have lease contracts for offices and factories used in its operations, and accommodations for workers. These leases have contract terms of 3 to 5 years, and do not contain variable lease payments. The Group's and the Company's obligation under its leases are secured by the lessor's title to the leased assets.

Leasehold land

The Group and the Company have made upfront payments to secure the right-of-use assets of 60 to 99 years leasehold land, which are used for production purposes. There are no externally imposed covenant on these lease arrangements.

Plant, machinery and test equipment

These leases have contract terms of 2 to 3 years, and do not contain variable lease payments. The lease arrangements prohibit the Group and the Company from subleasing to third parties.

Short-term leases and leases of low-value assets

The Group and the Company have certain leases of accommodations for workers with lease terms of 12 months or less, and leases of plant, machinery and test equipment, and office equipment with low value. The Group and the Company apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(i) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets (classified within 'Property, plant and equipment') and the movements during the year:

Group	Buildings RM'000	Leasehold land RM'000	Plant, machinery and test equipment RM'000	Total RM'000
<u>At 31 July 2024</u>				
At 1 August 2023	3,175	5,590	2,178	10,943
Additions during the year	6,610	–	–	6,610
Depreciation	(2,563)	(121)	(549)	(3,233)
Transfer out upon lease expiry	–	–	(1,576)	(1,576)
Exchange differences	27	–	–	27
At 31 July 2024	7,249	5,469	53	12,771
<u>At 31 July 2023</u>				
At 1 August 2022	2,207	5,711	2,821	10,739
Additions during the year	3,332	–	–	3,332
Depreciation	(2,331)	(121)	(643)	(3,095)
Exchange differences	(33)	–	–	(33)
At 31 July 2023	3,175	5,590	2,178	10,943

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

12. Leases (cont'd)

As a lessee (cont'd)

(i) Right-of-use assets (cont'd)

Set out below are the carrying amounts of right-of-use assets (classified within 'Property, plant and equipment') and the movements during the year: (cont'd)

Company	Buildings RM'000	Leasehold land RM'000	Plant and machinery RM'000	Total RM'000
As at 31 July 2024				
As at 1 August 2023	3,034	4,111	2,106	9,251
Additions during the year	1,233	–	–	1,233
Depreciation	(1,499)	(56)	(530)	(2,085)
Transfer out upon lease expiry	–	–	(1,576)	(1,576)
As at 31 July 2024	2,768	4,055	–	6,823
As at 31 July 2023				
As at 1 August 2022	1,168	4,167	2,730	8,065
Additions during the year	3,332	–	–	3,332
Depreciation	(1,466)	(56)	(624)	(2,146)
As at 31 July 2023	3,034	4,111	2,106	9,251

(ii) Lease liabilities

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

	Note	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
As at 1 August		4,549	5,230	4,418	4,103
Additions		6,525	3,282	1,218	3,282
Accretion of interest		373	291	157	248
Payments		(4,177)	(4,204)	(2,959)	(3,215)
Exchange differences		(4)	(50)	–	–
As at 31 July		7,266	4,549	2,834	4,418
Current	19	2,433	2,884	1,515	2,773
Non-current	19	4,833	1,665	1,319	1,645
		7,266	4,549	2,834	4,418

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

12. Leases (cont'd)

As a lessee (cont'd)

(iii) Amounts recognised in profit or loss:

	Note	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Depreciation expense of right-of-use assets		3,233	3,095	2,085	2,146
Interest expense on lease liabilities	7	373	291	157	248
Lease expense relating to short-term lease		281	290	265	275
Lease expense relating to low-value assets		122	124	18	16
	8	403	414	283	291
Total amount recognised in profit or loss		4,009	3,800	2,525	2,685

The Group and the Company had total cash outflows for leases of RM4,580,000 and RM3,242,000 (2023: RM4,618,000 and RM3,506,000) respectively in the current financial year.

The Group and the Company have several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's and the Company's business needs. Management exercises judgement in determining whether these extension options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

	Within five years RM'000
2024	
Group	
Extension option expected not to be exercised	3,703
Company	
Extension option expected not to be exercised	3,641
2023	
Group	
Extension option expected not to be exercised	5,060
Company	
Extension option expected not to be exercised	4,999

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

12. Leases (cont'd)

As a lessor

(a) An immediate lessor

The Group and the Company lease out part of their owned buildings to third parties and one of its subsidiaries respectively, for monthly lease payments. These leases are classified as operating leases because the risk and rewards incidental to ownership of the assets are not substantially transferred.

(b) An intermediate lessor

The Company acts as an intermediate lessor under arrangement in which it subleases out the factory and accommodations for workers to one of its subsidiaries for monthly lease payments. The sublease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as operating leases.

Income from subleasing the factory and accommodations for workers recognised during the financial year was RM1,701,000 (2023: RM1,651,000).

13. Investment in subsidiaries

	Company	
	2024 RM'000	2023 RM'000
Unquoted shares, at cost	79,250	79,250

Composition of the Group

The Company has the following investments in subsidiaries:

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2024 %	2023 %
KESP Sdn. Bhd.*	Malaysia	Provision of semiconductor burn-in services and electronic manufacturing services	100	100
KESM Test (M) Sdn. Bhd.*	Malaysia	Provision of semiconductor testing services	100	100
KESM Industries (Tianjin) Co., Ltd [^]	PRC	Provision of semiconductor burn-in and testing services	100	100

* Audited by Ernst & Young PLT, Malaysia.

[^] Audited by Ernst & Young, China, for the purpose of Group consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

14. Inventories

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
At cost				
Consumables	1,584	1,488	43	137

During the financial year, the Group wrote back RM77,000 (2023: RM747,000) of inventories as these inventories were sold.

15. Trade and other receivables

	Note	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Non-current					
Other receivable					
Refundable deposits		628	269	372	269
Current					
Trade receivables					
Third parties		40,546	51,523	8,828	12,685
Less: Allowance for impairment		(100)	(98)	–	–
		40,446	51,425	8,828	12,685
Current					
Other receivables					
Refundable deposits		625	708	598	431
Sundry receivables		1,762	1,097	293	282
Amounts due from subsidiaries		–	–	2,403	2,400
Amounts due from related companies		2	4	1	1
		2,389	1,809	3,295	3,114
Total current trade and other receivables		42,835	53,234	12,123	15,799
Total trade and other receivables		43,463	53,503	12,495	16,068
Add: Cash and short-term deposits	16	232,461	223,928	46,939	54,402
Total financial assets carried at amortised cost		275,924	277,431	59,434	70,470

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

15. Trade and other receivables (cont'd)

(i) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2023: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's and of the Company's trade receivables are as follows:

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Neither past due nor impaired	37,659	49,214	8,677	12,592
Past due not impaired				
- 1 to 60 days	2,008	2,211	151	93
- more than 60 days	779	–	–	–
Impaired	100	98	–	–
	<u>40,546</u>	<u>51,523</u>	<u>8,828</u>	<u>12,685</u>

Receivables that are past due but not impaired

The Group's and the Company's trade receivables which are past due but not impaired, amounting to RM2,787,000 (2023: RM2,211,000) and RM151,000 (2023: RM93,000) respectively, are unsecured.

These amounts have been assessed as collectible as they are due from customers which are still in active trade with the Group and the Company.

Receivables that are impaired

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to a debtor who has defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The movement in allowance for impairment of trade receivables, are as follows:

	Note	Group	
		2024 RM'000	2023 RM'000
At beginning of the year		98	–
Charge to profit or loss	8	–	95
Exchange differences		2	3
At end of the year		<u>100</u>	<u>98</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

15. Trade and other receivables (cont'd)

(ii) Related company receivables

Amounts due from subsidiaries are non-trade in nature, unsecured, non-interest bearing and are repayable on demand.

Amounts due from related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand. Related companies refer to its ultimate holding company, Sunright Limited and its subsidiaries.

The carrying amounts of total trade and other receivables are denominated in the following currencies:

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
United States Dollar	11,727	11,483	509	1,303
Ringgit Malaysia	19,454	29,145	11,986	14,765
Renminbi	12,282	12,875	–	–
	43,463	53,503	12,495	16,068

16. Cash and short-term deposits

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Cash at banks and on hand	26,406	23,401	5,925	6,875
Deposits with licensed banks	206,055	200,527	41,014	47,527
Cash and short-term deposits	232,461	223,928	46,939	54,402
Less: Bank deposits with maturity more than three months	(158,000)	(124,500)	(23,000)	(13,000)
Cash and cash equivalents	74,461	99,428	23,939	41,402

Cash and short-term deposits are denominated in the following currencies:

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
United States Dollar	9,016	3,259	265	2,164
Ringgit Malaysia	211,351	211,318	46,674	52,238
Renminbi	12,094	9,351	–	–
	232,461	223,928	46,939	54,402

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

16. Cash and short-term deposits (cont'd)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits, other than those with maturity more than three months, are made for varying periods of between thirteen days and three months (2023: between seven days and three months), depending on the immediate cash requirements of the Group and of the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates of short-term deposits as at 31 July 2024 for the Group and the Company were 3.5% (2023: 3.4%) and 3.2% (2023: 3.2%) per annum respectively.

Cash and short-term deposits of RM12,553,000 (2023: RM9,351,000) held in PRC are subject to local exchange control restrictions. These regulations place restriction on the amount of currency being exported other than through dividends and trade-related transactions.

17. Share capital

	Group and Company			
	Number of ordinary shares		Amount	
	2024	2023	2024	2023
	'000	'000	RM'000	RM'000
Issued and fully paid ordinary shares:				
At beginning/end of the year	43,015	43,015	43,678	43,678

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

18. Reserves

	Note	Group		Company	
		2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Distributable:					
Retained earnings		290,010	292,480	126,951	132,030
Non-distributable:					
Foreign currency translation reserve	(i)	12,120	11,718	-	-
Statutory reserve fund	(ii)	4,629	4,629	-	-
Merger relief reserve	(iii)	-	-	1,215	1,215
Capital reserve	(iv)	2,240	2,240	-	-
		308,999	311,067	128,166	133,245

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

18. Reserves (cont'd)

(i) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operation whose functional currency is different from that of the Group's presentation currency.

(ii) Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the PRC, the subsidiary is required to make an appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

(iii) Merger relief reserve

Merger relief reserve represents the excess of consideration paid over the share capital of the acquired subsidiary.

(iv) Capital reserve

Capital reserve represents the shares of subsidiaries received by the Company arising from bonus issue.

19. Loans and borrowings

	Maturity years	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Current					
<u>Unsecured</u>					
Term loans	2025	36,626	34,377	25	1,443
<u>Secured</u>					
Lease liabilities (Note 12)		2,433	2,884	1,515	2,773
		39,059	37,261	1,540	4,216
Non-current					
<u>Unsecured</u>					
Term loans	2026 – 2027	29,368	54,785	–	25
<u>Secured</u>					
Lease liabilities (Note 12)		4,833	1,665	1,319	1,645
		34,201	56,450	1,319	1,670
Total loans and borrowings		73,260	93,711	2,859	5,886

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

19. Loans and borrowings (cont'd)

(i) Term loans

The term loans of the Group and the Company bore interest between 4.5% and 5.1% (2023: between 4.6% and 4.9%), and 5.1% (2023: 4.9%) per annum respectively.

(ii) Lease liabilities

The lease liabilities of the Group and the Company bore interest between 4.7% and 6.6% (2023: between 3.6% and 6.7%), and between 4.7% and 5.1% (2023: between 3.6% and 6.7%) per annum respectively.

A reconciliation of movement of liabilities to cash flows arising from financing activities is as follows:

	1 August 2023 RM'000	Cash flows RM'000	Non-cash items		31 July 2024 RM'000
			Addition RM'000	Others RM'000	
Group					
Term loans					
- Current	34,377	(34,168)	-	36,417	36,626
- Non-current	54,785	11,000	-	(36,417)	29,368
Lease liabilities					
- Current	2,884	(3,804)	-	3,353	2,433
- Non-current	1,665	-	6,525	(3,357)	4,833
Total	93,711	(26,972)	6,525	(4)	73,260
Company					
Term loans					
- Current	1,443	(1,443)	-	25	25
- Non-current	25	-	-	(25)	-
Lease liabilities					
- Current	2,773	(2,802)	-	1,544	1,515
- Non-current	1,645	-	1,218	(1,544)	1,319
Total	5,886	(4,245)	1,218	-	2,859

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

19. Loans and borrowings (cont'd)

A reconciliation of movement of liabilities to cash flows arising from financing activities is as follows: (cont'd)

	1 August 2022 RM'000	Cash flows RM'000	Non-cash items		31 July 2023 RM'000
			Addition RM'000	Others RM'000	
Group					
Term loans					
- Current	8,586	(15,195)	-	40,986	34,377
- Non-current	13,468	82,303	-	(40,986)	54,785
Lease liabilities					
- Current	3,304	(3,913)	-	3,493	2,884
- Non-current	1,926	-	3,282	(3,543)	1,665
Total	27,284	63,195	3,282	(50)	93,711
Company					
Term loans					
- Current	2,586	(2,586)	-	1,443	1,443
- Non-current	1,468	-	-	(1,443)	25
Lease liabilities					
- Current	2,395	(2,967)	-	3,345	2,773
- Non-current	1,708	-	3,282	(3,345)	1,645
Total	8,157	(5,553)	3,282	-	5,886

The 'Others' column relates to the reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time. Remaining amount relates to foreign exchange movement, if any.

The carrying amounts of total loans and borrowings are denominated in the following currencies:

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Renminbi	4,412	78	-	-
Ringgit Malaysia	68,848	93,633	2,859	5,886
	73,260	93,711	2,859	5,886

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

20. Deferred tax (assets)/liabilities

	Note	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
At beginning of the year		795	890	(3,365)	(2,210)
Recognised in profit or loss	9	94	(199)	(604)	(1,155)
Exchange differences		(17)	104	–	–
At end of the year		872	795	(3,969)	(3,365)
Presented after appropriate offsetting as follows:					
Deferred tax assets		(6,082)	(5,461)	(3,969)	(3,365)
Deferred tax liabilities		6,954	6,256	–	–
		872	795	(3,969)	(3,365)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 31 July 2022	6,831	1	6,832
Recognised in profit or loss	4,580	(1)	4,579
At 31 July 2023	11,411	–	11,411
Recognised in profit or loss	(2,704)	–	(2,704)
At 31 July 2024	8,707	–	8,707

Deferred tax assets of the Group

	Property, plant and equipment RM'000	Unabsorbed capital allowances RM'000	Others* RM'000	Total RM'000
At 31 July 2022	(94)	(2,083)	(3,765)	(5,942)
Recognised in profit or loss	94	(4,526)	(346)	(4,778)
Exchange differences	–	–	104	104
At 31 July 2023	–	(6,609)	(4,007)	(10,616)
Recognised in profit or loss	(2,096)	2,640	2,254	2,798
Exchange differences	(17)	–	–	(17)
At 31 July 2024	(2,113)	(3,969)	(1,753)	(7,835)
Net				872

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

20. Deferred tax (assets)/liabilities (cont'd)

Deferred tax liabilities of the Company

	Property, plant and equipment RM'000
At 31 July 2022/31 July 2023	24
Recognised in profit or loss	(24)
At 31 July 2024	–

Deferred tax assets of the Company

	Property, plant and equipment RM'000	Unabsorbed capital allowances RM'000	Others* RM'000	Total RM'000
At 31 July 2022	(94)	(1,948)	(168)	(2,210)
Recognised in profit or loss	94	(1,092)	(181)	(1,179)
At 31 July 2023	–	(3,040)	(349)	(3,389)
Recognised in profit or loss	–	(929)	349	(580)
At 31 July 2024	–	(3,969)	–	(3,969)
Net				(3,969)

* Others comprise other deductible temporary differences mainly relating to provisions.

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company
	2024	2023	2024
	RM'000	RM'000	RM'000
Property, plant and equipment	24,141	23,861	749
Unabsorbed capital allowances	5,422	4,050	320
Unutilised business losses	47,782	50,720	–
Other deductible temporary differences	2,811	2,625	697
	80,156	81,256	1,766

The availability of the above deductible temporary differences for offsetting against future taxable profits of the subsidiaries is subject to the tax laws and legislation of the countries in which the subsidiaries operate. The unutilised business losses of entities in PRC and Malaysia are allowed to be carried forward for a maximum period of five and ten years respectively. Upon expiry of the relevant periods, the unutilised business losses will be disregarded.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

20. Deferred tax (assets)/liabilities (cont'd)

Pursuant to relevant tax regulations, the unutilised business losses at the end of reporting period will be expired as follows:

	Group	
	2024 RM'000	2023 RM'000
Within five years	32,259	41,221
Within six to ten years	15,523	9,499
	<u>47,782</u>	<u>50,720</u>

21. Trade and other payables

	Note	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Trade payables					
Third parties		1,330	1,363	–	–
Other payables					
Accrued operating expenses		8,651	9,763	3,934	5,089
Sundry payables		7,508	8,689	1,728	2,969
Balance due for acquisitions of property, plant and equipment	11	10,114	2,221	91	42
Amounts due to ultimate holding company		2,827	2,486	1,278	1,245
Amounts due to subsidiaries		–	–	–	631
Amounts due to related companies		17	714	–	714
Total trade and other payables		<u>30,447</u>	<u>25,236</u>	<u>7,031</u>	<u>10,690</u>
Add: Loans and borrowings	19	<u>73,260</u>	<u>93,711</u>	<u>2,859</u>	<u>5,886</u>
Total financial liabilities carried at amortised cost		<u>103,707</u>	<u>118,947</u>	<u>9,890</u>	<u>16,576</u>

(i) Trade payables and sundry payables

Trade payables and sundry payables are non-interest bearing. They are normally settled on 30 to 90 days (2023: 30 to 90 days) terms.

(ii) Related companies payables

Amounts due to ultimate holding company and related companies are non-trade in nature, unsecured, non-interest bearing and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

21. Trade and other payables (cont'd)

The carrying amounts of total trade and other payables are denominated in the following currencies:

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
United States Dollar	7,402	2,478	39	1,395
Ringgit Malaysia	14,235	15,947	5,749	8,084
Renminbi	5,942	4,321	–	–
Others	2,868	2,490	1,243	1,211
	30,447	25,236	7,031	10,690

22. Defined benefit liabilities

The Group operates an unfunded defined benefit plan. The level of benefit provided depends on eligible employees' length of service and their salary in their final years leading up to retirement.

The amount included in the consolidated statement of financial position arising from the Group's liabilities in respect of its defined benefit plan is as follows:

	Group	
	2024 RM'000	2023 RM'000
Present value of defined benefit obligations, representing defined benefit liabilities		
- Non-current	5,662	2,553
- Current	–	2,550
	5,662	5,103

Changes in present value of the defined benefit obligations are as follows:

	Group	
	2024 RM'000	2023 RM'000
Balance at beginning of the year	5,103	4,640
Current service costs	303	246
Interest costs	179	170
Remeasurement loss on defined benefit liabilities		
- Remeasurement loss arising from changes in financial assumptions	77	47
Balance at end of the year	5,662	5,103

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

22. Defined benefit liabilities (cont'd)

The components of amounts recognised in the consolidated statement of profit or loss and other comprehensive income in respect of the defined benefit plan are as follows:

Reported in profit or loss

	Note	Group	
		2024 RM'000	2023 RM'000
Current service costs	6	303	246
Interest costs	7	179	170
		<u>482</u>	<u>416</u>

Reported in other comprehensive income

	Group	
	2024 RM'000	2023 RM'000
Remeasurement loss arising from changes in financial assumptions	<u>77</u>	<u>47</u>

The principal assumptions used in determining the liabilities for the defined benefit plan are shown below:

	Group	
	2024 %	2023 %
Discount rates	3.85 - 3.93	4.11 - 4.21
Expected rate of future salary increases	4.3	4.3

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit liabilities at the reporting date. Assuming all other assumptions were held constant, the Group's defined benefit liabilities will be higher/(lower) by:

	Increase/ (decrease)	Group	
		2024 RM'000	2023 RM'000
Discount rates	0.25%	(88)	(30)
	(0.25%)	89	31
Expected rate of future salary increases	0.25%	89	31
	(0.25%)	(88)	(31)

The duration of the defined benefit liabilities at the reporting date is 5 to 8 years (2023: 1 to 4 years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

23. Related party transactions

(i) Sales and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group, Company and related parties took place at terms agreed between the parties during the financial year.

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Transactions with Sunright Limited, ultimate holding company of the Company, and its subsidiaries				
Management fees charged by Sunright Limited	10,913	8,940	4,802	4,372
Dividend paid/payable to Sunright Limited	1,250	1,250	1,250	1,250
Rental received/receivable from:				
- KES Systems & Service (M) Sdn. Bhd.	-	18	-	-
Purchases from:				
- KES Systems & Service (1993) Pte Ltd	46	1,488	46	1,488
- KES Systems, Inc.	30	-	-	-
- KEST Systems and Service Ltd.	5	126	2	120

	Company	
	2024	2023
	RM'000	RM'000
Transactions with subsidiaries		
Rental income from a subsidiary	1,701	1,651
Commission income from a subsidiary	482	1,602
Purchase of equipment	-	647
Sale of equipment	-	282

Information regarding outstanding balances arising from related party transactions as at reporting date is disclosed in Notes 15 and 21.

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.

(ii) Compensation of key management personnel

The executive directors of the Group and of the Company are the key management personnel of the Group and the Company, whose remuneration are disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

24. Commitments

(i) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Property, plant and equipment				
Authorised and contracted for	3,816	12,805	29	943

(ii) Financial instruments

Derivatives included in the statement of financial position at 31 July are as follows:

	Note	2024	2023
		Assets RM'000	Assets RM'000
Group			
Forward currency contracts	25(ii)	104	–

The Group uses derivative financial instruments such as forward currency contracts to manage its risks associated with foreign currency fluctuations of its trade receivables. During the financial year, the Group undertake derivative arrangements with financial institution for managing foreign currency risk. As at 31 July 2024, the Group held thirteen forward currency contracts, with total outstanding notional amounts of RM11,272,000. The outstanding forward contracts mature within 3 months.

The Group does not apply hedge accounting.

25. Fair value of assets and liabilities

(i) Fair value hierarchy

The Group and the Company categorise fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group and the Company can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There has been no transfer between levels of fair value measurements during the financial years ended 31 July 2024 and 31 July 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

25. Fair value of assets and liabilities (cont'd)

(ii) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the reporting date:

	Quoted prices in active markets for identical instruments (Level 1) RM'000	Significant observable inputs other than quoted price (Level 2) RM'000
Group		
2024		
Financial assets/(liabilities) at fair value through profit or loss		
Investment securities (quoted)	14,318	–
Derivatives (Note 24(ii))	–	104
	<hr/>	<hr/>
2023		
Financial assets at fair value through profit or loss		
Investment securities (quoted)	10,767	–
	<hr/>	<hr/>
Company		
2024		
Financial assets at fair value through profit or loss		
Investment securities (quoted)	14,318	–
	<hr/>	<hr/>
2023		
Financial assets at fair value through profit or loss		
Investment securities (quoted)	10,767	–
	<hr/>	<hr/>

(iii) Assets and liabilities not measured at fair value and whose carrying amounts are reasonable approximation of fair value

Trade and other receivables (Note 15), cash and short-term deposits (Note 16), loans and borrowings (Note 19) and trade and other payables (Note 21)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are instruments that are priced to market interest rates on or near the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

26. Financial risk management objectives and policies

The Group's and the Company's overall risk management programme seeks to minimise potential adverse effects on financial performance of the Group and of the Company that these risks may expose.

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk, credit risk and market price risk. The Board of Directors reviews policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been, throughout the current and previous financial year, the Group's and the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risks arises primarily from their loans and borrowings. The Group and the Company obtain additional financing through bank borrowings and leasing arrangements.

The Group's and the Company's interest-bearing financial assets are mainly short-term in nature, where the surplus funds are placed with reputable licensed banks and financial institutions.

The Group's and the Company's policy is to obtain the most favourable interest rates available.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit before tax would have been RM194,000 (2023: RM139,000) and RM2,000 (2023: RM7,000) higher/lower respectively, arising mainly as a result of lower/higher interest expenses on floating rate loans.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company have transactional currency exposures arising from sales and purchases that are denominated in currencies other than the respective functional currencies of Group entities, primarily United States Dollar ("USD"). To manage its foreign currency risk, the Group has entered into forward contract arrangements with financial institutions as disclosed in Note 24(ii).

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies (Note 16) for working capital purpose.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

26. Financial risk management objectives and policies (cont'd)

(ii) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the increase/(decrease) in the Group's and the Company's profit before tax to a reasonably possible change in USD exchange rate against RM with all other variables held constant:

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
USD/RM				
- strengthened 1% (2023: 1%)	130	123	7	21
- weakened 1% (2023: 1%)	(130)	(123)	(7)	(21)

The Group is also exposed to currency translation risk arising from the Company's net investment in foreign operation, PRC. As at reporting date, it is estimated that Renminbi ("RMB") strengthened against RM by 1%, with other variables held constant, would decrease the Group's other comprehensive income by approximately RM311,000 (2023: RM353,000). A weakened RMB against RM by 1% would have had the equal but opposite effect on the aforesaid amount, on the basis that all other variables remain constant.

(iii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's cash and short-term deposits, operating cash flows, availability of banking facilities and debt maturity profile are actively managed to ensure adequate working capital requirements and that repayment and funding needs are met. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

26. Financial risk management objectives and policies (cont'd)

(iii) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The tables below summarise the maturity profile of the Group's and of the Company's financial assets used for managing liquidity risk and financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

2024	Note	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Group				
Financial assets				
Investment securities		14,318	–	14,318
Trade and other receivables	15	42,835	721	43,556
Cash and short-term deposits	16	232,461	–	232,461
Total undiscounted financial assets		<u>289,614</u>	<u>721</u>	<u>290,335</u>
Financial liabilities				
Trade and other payables	21	(30,447)	–	(30,447)
Loans and borrowings (exclude lease liabilities)		(38,863)	(30,124)	(68,987)
Lease liabilities		(2,743)	(5,175)	(7,918)
Total undiscounted financial liabilities		<u>(72,053)</u>	<u>(35,299)</u>	<u>(107,352)</u>
Total net undiscounted financial assets/(liabilities)		<u>217,561</u>	<u>(34,578)</u>	<u>182,983</u>
Company				
Financial assets				
Investment securities		14,318	–	14,318
Trade and other receivables	15	12,123	406	12,529
Cash and short-term deposits	16	46,939	–	46,939
Total undiscounted financial assets		<u>73,380</u>	<u>406</u>	<u>73,786</u>
Financial liabilities				
Trade and other payables	21	(7,031)	–	(7,031)
Loans and borrowings (exclude lease liabilities)		(25)	–	(25)
Lease liabilities		(1,620)	(1,366)	(2,986)
Total undiscounted financial liabilities		<u>(8,676)</u>	<u>(1,366)</u>	<u>(10,042)</u>
Total net undiscounted financial assets/(liabilities)		<u>64,704</u>	<u>(960)</u>	<u>63,744</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

26. Financial risk management objectives and policies (cont'd)

(iii) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

2023	Note	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Group				
Financial assets				
Investment securities		10,767	–	10,767
Trade and other receivables	15	53,234	304	53,538
Cash and short-term deposits	16	223,928	–	223,928
Total undiscounted financial assets		<u>287,929</u>	<u>304</u>	<u>288,233</u>
Financial liabilities				
Trade and other payables	21	(25,236)	–	(25,236)
Loans and borrowings (exclude lease liabilities)		(37,707)	(56,920)	(94,627)
Lease liabilities		(3,039)	(1,722)	(4,761)
Total undiscounted financial liabilities		<u>(65,982)</u>	<u>(58,642)</u>	<u>(124,624)</u>
Total net undiscounted financial assets/(liabilities)		<u>221,947</u>	<u>(58,338)</u>	<u>163,609</u>
Company				
Financial assets				
Investment securities		10,767	–	10,767
Trade and other receivables	15	15,799	304	16,103
Cash and short-term deposits	16	54,402	–	54,402
Total undiscounted financial assets		<u>80,968</u>	<u>304</u>	<u>81,272</u>
Financial liabilities				
Trade and other payables	21	(10,690)	–	(10,690)
Loans and borrowings (exclude lease liabilities)		(1,463)	(25)	(1,488)
Lease liabilities		(2,924)	(1,702)	(4,626)
Total undiscounted financial liabilities		<u>(15,077)</u>	<u>(1,727)</u>	<u>(16,804)</u>
Total net undiscounted financial assets/(liabilities)		<u>65,891</u>	<u>(1,423)</u>	<u>64,468</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

26. Financial risk management objectives and policies (cont'd)

(iv) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade with recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivable balances are monitored on an ongoing basis with the result that the Group's and the Company's exposure to bad debts is not significant.

Trade receivables

The Group and the Company provide for lifetime ECLs for all trade receivables using a provision matrix. The provision rates are determined based on the Group's and the Company's historical observed default rates analysed in accordance to days past due by customers. The ECLs also incorporate forward looking information.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group and the Company determine concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and of the Company's trade receivables at the reporting date is as follows:

	2024		2023	
	RM'000	% of total	RM'000	% of total
Group				
By country				
Malaysia	22,282	55	31,675	62
Others*	18,164	45	19,750	38
	40,446	100	51,425	100

* Others include countries such as PRC, United States of America, European countries and other Asian countries.

	2024		2023	
	RM'000	% of total	RM'000	% of total
By industry sectors				
Burn-in and testing	40,446	100	51,425	100

At the reporting date, approximately 81% (2023: 77%) of the Group's trade receivables were due from four (2023: three) major customers who are in the semiconductor industry.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

26. Financial risk management objectives and policies (cont'd)

(iv) Credit risk (cont'd)

Credit risk concentration profile (cont'd)

Company

94% (2023: 90%) of the Company's trade receivables are located in Malaysia.

Financial assets that are either past due or impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group and the Company. Cash and short-term deposits, and investment securities are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding financial assets that are either past due or impaired is disclosed in Note 15.

(v) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to market price risk arising from its investments in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Bursa Malaysia Securities Berhad. These instruments are classified as held for trading. The Group and the Company do not have exposure on commodity price risk.

The Group's and the Company's objective is to manage investment returns and market price risk by investing in companies operating mainly in Malaysia which are publicly traded.

Sensitivity for market price risk

At the reporting date, if the price of the quoted equity instruments had been 5% (2023: 5%) higher/lower, with all other variables held constant, the Group's and the Company's profit before tax would have been RM716,000 (2023: RM538,000) higher/lower, arising as a result of higher/lower fair value gain on investment securities.

27. Capital management

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratios in order to support their businesses and maximise shareholders' value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 July 2024 and 31 July 2023.

As disclosed in Note 18, a subsidiary of the Group is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 July 2024 and 31 July 2023.

The Group and the Company will continue to be guided by prudent financial policies of which gearing is an important aspect. The Group and the Company include within net debt, loans and borrowings, less cash and short-term deposits. Capital includes equity attributable to owners of the Company less statutory reserve fund.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

27. Capital management (cont'd)

	Note	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Cash and short-term deposits	16	232,461	223,928	46,939	54,402
Less: Loans and borrowings	19	(73,260)	(93,711)	(2,859)	(5,886)
Net cash		159,201	130,217	44,080	48,516
Equity attributable to owners of the Company		352,677	354,745	171,844	176,923
Less: Statutory reserve fund	18	(4,629)	(4,629)	–	–
		348,048	350,116	171,844	176,923

At the reporting date, the Group's and the Company's cash and short-term deposits exceeded its loans and borrowings. Therefore, gearing ratio is not meaningful to the Group and the Company.

28. Segment information

The Group has only one operating segment, burn-in and testing services, which is evaluated regularly by key management in deciding how to allocate resources and in assessing performance of the Group.

Investment holding segment which comprises Group-level corporate services, treasury and investments functions, and consolidation adjustments which are not directly attributable to the burn-in and testing services segment, is not significant to be separately reported and evaluated by management.

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Malaysia	143,296	154,918	149,898	165,906
PRC	41,667	51,509	14,017	13,668
Singapore	38,801	13,314	–	–
Others*	19,261	8,542	–	–
	243,025	228,283	163,915	179,574

Non-current assets information presented above consist of property, plant and equipment.

* Others include countries such as United States of America and European countries.

Information about major customers

The Group's customer base includes four (2023: three) customers from burn-in and testing segment, with whom transactions have exceeded 10% of the Group's revenue. Revenue generated from these customers amounted to approximately RM200,030,000 (2023: RM169,008,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2024

29. Dividends

	Company	
	2024 RM'000	2023 RM'000
Recognised during the financial year		
First and final tax exempt dividend for 2023 at 6 sen (2022: 6 sen) per ordinary share	2,581	2,581
Declared/proposed but not recognised as a liability as at 31 July		
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, to be paid on 29 October 2024	3,226	–
	<u>3,226</u>	<u>2,581</u>

On 19 September 2024, the directors approved an interim tax exempt dividend in respect of the financial year ended 31 July 2024, of 7.5 sen on 43,014,500 ordinary shares, amounting to dividend payable of RM3,226,088. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 July 2025.

30. Authorisation of financial statements for issue

The financial statements for the year ended 31 July 2024 were authorised for issue in accordance with a resolution of the directors on 19 September 2024.

SHAREHOLDERS' INFORMATION

As at 19 September 2024

ANALYSIS OF SHAREHOLDINGS

Total Number of Issued Shares	:	43,014,500
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Number of Holders	Size of Holdings	Total Holdings	%
78	Less than 100 shares	600	0.00
1,174	100 to 1,000 shares	712,232	1.66
1,078	1,001 to 10,000 shares	3,788,868	8.81
186	10,001 to 100,000 shares	4,940,900	11.49
24	100,001 to less than 5% of issued shares	12,746,900	29.63
1	5% and above of issued shares	20,825,000	48.41
2,541	Total	43,014,500	100.00

SUBSTANTIAL SHAREHOLDERS (PER REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Name of Shareholders	Direct	Number of Shares Held		%
		%	Deemed Interest	
1. Sunright Limited	20,825,000	48.41	–	–
2. Samuel Lim Syn Soo	–	–	20,825,000*	48.41

DIRECTORS' SHAREHOLDINGS (PER REGISTER OF DIRECTORS' SHAREHOLDING)

SHARES IN THE COMPANY

Name of Director	Direct	Number of Shares Held		%
		%	Deemed Interest	
1. Samuel Lim Syn Soo	–	–	20,825,000*	48.41
2. Kenneth Tan Teoh Khoon	–	–	–	–
3. Lim Mee Ing	–	–	–	–
4. Kua Choh Leang	–	–	–	–
5. Dato' Dr. Suhazimah Binti Dzazali	–	–	–	–

* Deemed interest by virtue of his substantial shareholding in Sunright Limited

SHARES IN RELATED CORPORATION

The interest of Directors in related companies remains the same as disclosed in the Directors' Report for the year ended 31 July 2024.

SHAREHOLDERS' INFORMATION

As at 19 September 2024

THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	Number of Shares Held	Percentage of Shareholdings
1. Sunright Limited	20,825,000	48.41
2. Tan Kong Hong Alex	2,057,500	4.78
3. Tan Ai Leng	1,638,000	3.81
4. Wong Tee Kim @ Wong Tee Fatt	1,550,000	3.60
5. Amanahraya Trustees Berhad Public Islamic Opportunities Fund	1,087,200	2.53
6. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AberIslamic)	1,003,800	2.33
7. Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (Leef)	672,800	1.56
8. Citigroup Nominees (Asing) Sdn Bhd Exempt an for Citibank New York (Norges Bank 22)	665,800	1.55
9. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Niam EQ)	423,400	0.98
10. Wong Tee Kim @ Wong Tee Fatt	357,000	0.83
11. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Loy Huat (7000875)	330,000	0.77
12. Citigroup Nominees (Tempatan) Sdn Bhd Urusharta Jamaah Sdn. Bhd. (Aberdeen 2)	317,700	0.74
13. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Investment Al-Faid (4389)	302,800	0.70
14. Lim Khuan Eng	300,000	0.70
15. Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LPF)	278,800	0.65
16. Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (ABDN EQ ABSR FD)	272,300	0.63
17. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Khoon Beng (E-KLG)	253,000	0.59
18. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Parmjit Singh A/L Meva Singh	188,000	0.44
19. Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Nomura)	185,600	0.43
20. Shin Kao Jack	180,000	0.42
21. Khor Meow Siang	178,300	0.42
22. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kong Hwee (E-KPG/SGK)	132,900	0.31
23. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Manulife Investment CM Shariah Flexi FD (270785)	131,000	0.31
24. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Insurance Berhad (Dana Ekui Dinmk)	130,200	0.30
25. Khoo Kim Wee	110,800	0.26
26. CGS International Nominees Malaysia (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Chen Yik (Penang-CL)	100,000	0.23
27. Amanahraya Trustees Berhad Amittikal	99,100	0.23
28. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Manulife Investment-ML Shariah Flexi Fund	97,500	0.23
29. Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LGF)	97,400	0.23
30. Citigroup Nominees (Asing) Sdn Bhd Exempt an for Citibank New York (Norges Bank 1)	88,200	0.21
	34,054,100	79.18

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifty-Third Annual General Meeting (“53rd AGM”) of the Company will be held at Connexion Conference & Event Centre, Spectrum & Prism (Level 3A), Nexus, Bangsar South, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Wednesday, 15 January 2025 at 10:00 a.m. for the following purposes: -

AGENDA

AS ORDINARY BUSINESS

1. To receive the audited financial statements for the financial year ended 31 July 2024 together with the reports of the Directors and of the Auditors thereon.
2. To approve payment of Directors’ fees and allowances of RM293,000 in respect of the financial year ended 31 July 2024. **Resolution 1**
(Please see Explanatory Note)
3. To re-elect the following Directors who are retiring pursuant to Article 100 of the Company’s Constitution and being eligible, have offered themselves for re-election: -
 - (a) Mr Kenneth Tan Teoh Khoon
 - (b) Ms Lim Mee Ing**Resolution 2**
Resolution 3
(Please see Explanatory Note)
4. To re-appoint Ernst & Young PLT as the Company’s Auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 4**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution:

5. Proposed renewal of existing shareholders’ mandate for recurrent related party transactions of a revenue or trading nature **Resolution 5**
(Please see Explanatory Note)

“THAT approval be and is hereby given, for the purposes of Chapter 10, Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, for the Company and/or its subsidiaries (“Group”) to enter into transactions falling within the types of recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Group (“RRPTs”), as set out in section 4.2 of the circular to shareholders of the Company dated 25 October 2024 (“Circular”), with any party who is described as a related party in the Circular, provided that such transactions are carried out in the normal course of business, on arm’s length basis, at transaction prices and terms which are not more favourable to the related parties involved than those generally available to the public and which will not be to the detriment of the minority shareholders of the Company in accordance with the guidelines and procedures of the Company for the RRPTs as specified in section 4.4 of the Circular;

AND THAT such approval shall continue to be in force until:-

 - (a) the conclusion of the next annual general meeting (“AGM”) of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, the authority is renewed; or

NOTICE OF ANNUAL GENERAL MEETING

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340 of the Companies Act 2016 (“Act”) (but shall not extend to such extension as may be allowed pursuant to Section 340 of the Act); or

(c) revoked or varied by a resolution passed by the shareholders in a general meeting,

whichever is earlier,

AND THAT proper disclosure of the various RRPTs and the aggregate value of such transactions shall be disclosed in the annual report of the Company,

AND FURTHER THAT the Directors be and are hereby authorised to complete and do all such acts and things as may be required by the relevant authorities (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.”

6. To transact any other business which may be properly transacted at an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act 2016 and the Company’s Constitution.

BY ORDER OF THE BOARD

LEONG OI WAH (MAICSA 7023802)

SSM PRACTISING CERTIFICATE NO. 201908000717

Company Secretary

Petaling Jaya
25 October 2024

Notes:

1. A member entitled to attend and vote at the 53rd AGM is entitled to appoint proxy/proxies who may but need not be member/members of the Company to attend and vote in his/her stead.
2. When a member appoints two or more proxies the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. The instrument appointing proxy/proxies shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing proxy/proxies must be deposited at the Share Registrar’s office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the 53rd AGM or any adjournment thereof. Alternatively, the instrument appointing proxy/proxies can be submitted via email by attaching a signed PDF copy of the Proxy Form to bsr.helpdesk@boardroomlimited.com before the cut-off time for the lodgement.
5. Depositors whose name appear in the Record of Depositors on 8 January 2025 shall be regarded as member of the Company entitled to attend the 53rd AGM or appoint proxy/proxies to attend and vote on his/her/its behalf.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes To Ordinary Business:

Resolution 1

Payment of Directors' fees and allowances in respect of the financial year ended 31 July 2024 are as follows:

Description	Amount (RM)
Directors' fees	266,000
Allowances (Payable to Non-Executive Directors only)	27,000
Total	<u>293,000</u>

Resolutions 2 and 3

For the purpose of determining the eligibility of the Directors to stand for re-election at the 53rd AGM, the Board through its Nominating Committee had assessed Mr Kenneth Tan Teoh Khoon and Ms Lim Mee Ing (collectively "the Retiring Directors"). Please refer to the Board of Directors section in the Annual Report 2024, for more details about them. The Retiring Directors were assessed on their performance, cumulative knowledge and understanding of the Group's businesses. Their active participation at the Board meetings showed that they came well prepared and were effective in the discharge of their responsibilities. They have always acted in the best interests of the Company as a whole.

Based on the above, the Board supports the re-election of the Retiring Directors.

Explanatory Note To Special Business:

Resolution 5

Please refer to the Circular to Shareholders dated 25 October 2024 for more information.

ADMINISTRATIVE NOTES FOR SHAREHOLDERS/ PROXIES/CORPORATE REPRESENTATIVES

Attending the Fifty-Third Annual General Meeting (“53rd AGM”)

REGISTRATION

1. The registration will commence at 8:30 a.m. and the registration counters will be closed when the meeting commences.
2. Please produce your original identity card (for Malaysian) or passport (for non-Malaysian) to the registration staff for verification. Photocopy of identity card or passport will not be accepted. Please make sure you collect your identity card or passport thereafter.
3. No person will be allowed to register on behalf of another person even with the original identity card or passport of that other person.
4. After registration and signing on the Attendance List, please vacate the registration area.
5. You will be given a wristband and a smartcard upon verification and registration.
6. No person will be allowed to enter the meeting hall without the wristband and the smartcard. A handset will be given to the shareholders, proxies and corporate representatives once the smartcard is presented to the usher at the entrance of the meeting hall.
7. The wristband must be worn throughout the 53rd AGM. There will be no replacement in the event you lose or misplace the wristband.
8. The smartcard and handset must be returned to the usher at the door once you leave the meeting hall. Please inform the usher if you are going to the restroom in order for the usher to hold on to it. Please collect the smartcard and handset from the usher upon returning to the meeting hall.
9. The smartcard and handset must be returned to the usher at the door once the meeting ends. Failing which, you will need to pay for the cost of loss of or misplacement of the smartcard and handset.
10. The registration counters only handle verification of identity and registration. If you have any enquiries or in need of clarification, please proceed to the Help Desk.

REFRESHMENTS

1. Coffee and tea will be served at the refreshment area before the commencement of the meeting.
2. Packed lunch will be served at the refreshment area once the meeting ends at the time as directed by the Chairman.

SEATING ARRANGEMENTS FOR THE MEETINGS

1. Shareholders, proxies and Corporate Representatives are free to sit anywhere they please, except for those which have been marked “Reserved”.
2. Shareholders, proxies and Corporate Representatives will only be allowed to enter the meeting hall upon registration.
3. All shareholders, proxies and Corporate Representatives are encouraged to be seated at least five (5) minutes before the scheduled commencement of the meeting.

ADMINISTRATIVE NOTES FOR SHAREHOLDERS/ PROXIES/CORPORATE REPRESENTATIVES

Attending the Fifty-Third Annual General Meeting (“53rd AGM”)

MOBILE DEVICES

Kindly switch off or turn to silent mode all mobile devices during the meeting to ensure smooth proceedings.

PERSONAL BELONGINGS

Kindly take care of your personal belongings. The Company will not be held responsible for any loss of items.

PARKING COUPON

1. A standing signage will be prepared to direct shareholders, proxies and corporate representatives to the designated location to collect parking coupon.
2. **The collection of parking coupon shall cease at 12:00 p.m.. Those who fail to collect the parking coupon by 12:00 p.m. shall bear the parking charges themselves.**

VOTING PROCEDURES

1. The voting at the meeting will be conducted by way of electronic polling (“ePolling”). The Share Registrar, Boardroom Share Registrars Sdn. Bhd. is appointed as Poll Administrator to conduct the polling process and a scrutineer is appointed to verify and validate the poll results.
2. Voting via ePolling will be carried out separately for each individual resolution upon the conclusion of the deliberation.
3. All attendees of the meeting will be briefed and guided by the Poll Administrator before the commencement of the ePolling process.

ANNUAL REPORT 2024 AND CIRCULAR TO SHAREHOLDERS

The Annual Report 2024 and Circular to Shareholders dated 25 October 2024 are available on the Company’s website at URL <http://kesmi.com/investor-relations/general-meetings/> and Bursa Malaysia Securities Berhad’s website at www.bursamalaysia.com. Limited printed copies are available for collection on a first come, first served basis from the table near the entrance of the meeting hall.

KESM INDUSTRIES BERHAD

Registration No. 197201001376 (13022-A)

PROXY FORM

I / We, _____ (Full Name in Block Letters)

NRIC/Passport/Company No. _____ of _____

_____ (Address)

being a member/members of KESM Industries Berhad, hereby appoint

Full Name	NRIC / Passport Number	Proportion of Shareholdings (%)
Address		
Email Address		
Mobile No.		

and / or (delete as appropriate)

Full Name	NRIC / Passport Number	Proportion of Shareholdings (%)
Address		
Email Address		
Mobile No.		

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the Fifty-Third Annual General Meeting ("53rd AGM") of the Company to be held at Connexion Conference & Event Centre, Spectrum & Prism (Level 3A), Nexus, Bangsar South, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Wednesday, 15 January 2025 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised below, my/our proxy/proxies may vote or abstain from voting at his/her discretion.

Resolutions	For*	Against*
Ordinary Business		
1. Approval of Directors' fees and allowances		
2. Re-election of Mr Kenneth Tan Teoh Khoo as Director		
3. Re-election of Ms Lim Mee Ing as Director		
4. Re-appointment of Auditors		
Special Business		
5. Approval for Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

* Please indicate your vote "For" or "Against" with an "X" within the box provided.

Signed this _____ day of _____ 2024/2025

Total Number of Shares Held	
CDS Account Number	



Signature(s)/Common Seal of Shareholder(s)

Notes: -

1. A member entitled to attend and vote at the 53rd AGM is entitled to appoint proxy/proxies who may but need not be a member/members of the Company to attend and vote in his/her stead.
2. When a member appoints two or more proxies the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. The instrument appointing proxy/proxies shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing proxy/proxies must be deposited at the Share Registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof. Alternatively, the instrument appointing proxy/proxies can be submitted via email by attaching a signed PDF copy of the Proxy Form to bsr.helpdesk@boardroomlimited.com before the cut-off time for the lodgement.
5. A Depositor whose name appears in the Record of Depositors on 8 January 2025 shall be regarded as a member of the Company entitled to attend the 53rd AGM or appoint proxy/proxies to attend and vote on his/her/its behalf.

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Affix
postage
stamp

The Share Registrar of KESM Industries Berhad

BOARDROOM SHARE REGISTRARS SDN. BHD.

Registration No. 199601006647 (378993-D)

11th Floor, Menara Symphony

No. 5, Jalan Prof. Khoo Kay Kim

Seksyen 13

46200 Petaling Jaya

Selangor Darul Ehsan

MALAYSIA

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KESM INDUSTRIES BERHAD

REG. NO. 197201001376 (13022-A)

Lot 4, SS 8/4
Sungei Way Free Industrial Zone
47300 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 787-40000
Fax : (603) 787-58558