KESM INDUSTRIES BERHAD
Registration No. 197201001376 (13022-A)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE 53RD ANNUAL GENERAL MEETING HELD ON 15 JANUARY 2025

RESPONSES TO QUESTIONS FROM SHAREHOLDERS AT THE AGM

	QUESTIONS / COMMENTS	*RESPONSES*
1.	In 2024, the Company incurred significant investment expenditures. Going forward to 2025/2026, will the Company continue to spend a similar amount on investments? Also, how has the return been and how did it affect production?	*We operate in a highly capital-intensive industry. We need to support customers' continuing new products introduction, therefore capital investment is inevitable.* *Looking ahead into 2025 and beyond, we will be more selective in our investment decisions. We can't pursue every opportunity as we need to choose strategically.* *The Company has decided to focus its investments primarily on two key areas: Electric Vehicle (EV) applications and Artificial Intelligence (AI) related processes.* *These are the main growth drivers for the Company, and investment returns will be aligned with the development and demand within these sectors.*
2.	The sales of the overseas subsidiary in China have declined over the past three years. The Biden administration has introduced a directive to maintain U.S. leadership in artificial intelligence (AI) technology by enforcing restrictions on AI chip exports. Countries are classified into three tiers with Malaysia under Tier 2 and China under Tier 3. What would be the impact on the China subsidiary's performance going forward?	*These developments are largely unpredictable and beyond our control.* *At this point, there is no immediate impact on the China subsidiary. However, we do acknowledge that it could have an effect going forward.* *Management will assess the situation and find ways to navigate and overcome the challenges.*

3. EV and AI are both quite polarised markets. For EV, there's Tesla in the West versus Chinese EV brands in the rest of the world. For AI, you have NVIDIA dominating. So how does KESM position itself in these markets? Who do you actually target — do you go for both sides or just one?

The Company looks for quality customers.

For AI, power management plays a major role. It supports key functions like safety and performance. Hundreds of power management devices may go into a system to ensure stable and reliable power delivery — critical for AI performance.

EV is equally important. NVIDIA continues to dominate the AI chip market because they were first movers and is strongly supported by customers like Google, Amazon, Microsoft, and Tesla.

China, on the other hand, is developing its own AI ecosystem. To succeed, they must also build a strong supporting industry and customer base, similar to what NVIDIA has achieved.

As for EVs, Chinese brands are growing very quickly. Although they may face regulatory barriers (e.g., from the US or EU), their growth is inevitable. Like how Taiwan Semiconductor Manufacturing Company Limited (TSMC) builds chips for the global market based on customer demand, Chinese EV makers may similarly drive innovation and adapt to market needs.

In summary, the Company focuses on providing reliable components tailored to what customers need, regardless of which segment they come from.

4.	With technology constantly evolving, do you foresee that technology companies, especially in industries like ours will need significantly more capital? For example, chip factories now cost hundreds of millions. Will the same trend apply to the test and burn industry like our company?	*Yes, as the Company is dealing with innovation. Investment is necessary.* *If KESM were a biscuit factory making just one type of biscuit, using the same press and design, could continue producing the same thing without much change.* *In innovation, everything changes rapidly, especially in electronics. Component capabilities become more complex, smaller, and faster. Testing these complex devices requires new testers and updated infrastructure.* *So yes, continued investment will be needed to keep up with these evolving requirements.*
5.	I'm reading in the news that the newest chip is now at 2 nanometer (“nm”). Just to understand, is KESM able to keep up with 2nm? Is KESM operating at a certain advanced level, or is it lagging behind?	*Moving from 7nm to 2nm is a major leap. It's not a simple upgrade, it's a very significant change.* *Even when a new technology is introduced, volume growth doesn’t happen overnight. The phase-in and phase-out of new technologies takes time — the transition window could be 2, 4, or even 5 years, depending on adoption speed.* *The good thing about KESM today is that we’re already prepared and just waiting for the volume to ramp up.* *Over the last five years, we have consistently made sure to stay ahead. KESM maintains close relationships with key customers. Through these partnerships, as technology evolves, we work closely with our clients and that’s how the Company’s capabilities continue to be upgraded and stay relevant.*

6.	I have a question concerning the recent foreign currency changes, especially with the US dollar. How much has it affected the bottom line of KESM? Moving forward, do you foresee any significant impact, especially given the ongoing volatility in exchange rates?	*The ambiguity may ease after the outcome of Donald Trump's potential return (2.0), which could bring big shifts.* *Currently, the US dollar is strong. However, we have gone through similar cycles before, particularly with USD to MYR fluctuations. If you consider the Company's past forex performance, we have managed it with suitable borrowing strategies, hedging, and related measures.* *So far, forex changes have not had a very major impact on our bottom line. The main impact we experience from exchange rates usually comes from equipment purchases.*
7.	Looking at the P&L, sales appear quite consistent, but profit fluctuates. Could you please explain the cause of the inconsistency in profit?	*When making investments to enter a new business sector, it's important that we maintain a certain scale of operations while working closely with our customers. If we reduce too much, we won't be ready to support the business when it rebounds.* *Management has to make strategic decisions in line with customers' medium-term plans — ensuring that we maintain the required skills and capacity.* *During certain periods, the business goes through down cycles, or products are transitioning in and out. While these transitions happen, we continue to carry the capacity in anticipation of future demand.* *This readiness sometimes affects profitability in the short term. However, the Company maintains a strong balance sheet, which puts us in a good position to benefit when the market stabilizes and recovers.*

8.	With the investment made, can you give us some visibility on when revenue will start coming in? Are there any indicators from major clients, or based on AI and EV trends, can you estimate when the contributions might start?	*Timing is very hard to predict. However, we can share that customers, particularly in EV, AI, and power management devices — are very aggressive in pushing the market.* *In 2024, we were extremely busy. Why? Because a large number of new devices were coming in for engineering and validation. Customers were testing their products intensively to ensure performance and reliability. As soon as one model was being finalized, another model would come in needing testing.* *We have had four to five major customers driving these efforts at the same time, keeping our engineering teams fully occupied.* *So while we cannot pinpoint exactly when the revenue will ramp up, what we do know is: we have to position ourself early and stay ready because when it comes, it moves quickly.*
9.	When you mentioned that the market is favourable, could you please elaborate? I think I missed that part earlier.	*We were referring to the EV, AI, and power management device segments — these are the key areas driving growth and opportunity.* *However, we also mentioned that external factors such as the US trade war and political tensions, which were beyond our control, and it tends to disrupt our operations.*
10.	From the point when a customer begins product testing to when the testing is approved, how long does that usually take?	*The timeline varies widely depending on the type of chip and application. For simple devices, the process can take a few months, sometimes just 3 to 4 months if the sample size is small and everything works smoothly.* *However, for more complex new chips, especially those involving critical applications, the testing and qualification process can take 2 to 3 years. Customers go through rigorous testing phases to ensure reliability. If any issues are found, such as*

		design flaws or yield problems, the cycle starts over, extending the timeline. *In our experience, reliability and consistency are top priorities. Some devices we've worked on have been under development and testing for three years before entering mass production.*
11.	What is the outlook for EV industry demand?	*The EV market continues to grow strongly.* *Over the past three years, EV volumes have surpassed those of combustion engine vehicles in some regions. Chinese EV manufacturers, in particular, are expanding aggressively, which adds to the momentum.* *Overall, demand for EVs remains on a steady growth path, and this trend is expected to continue, driven by innovation, policy support, and shifting consumer preferences.*