

**SUMMARY OF KEY MATTERS DISCUSSED AT THE
52ND ANNUAL GENERAL MEETING HELD ON 11 JANUARY 2024**

PART A. RESPONSES TO QUESTIONS FROM MINORITY SHAREHOLDERS WATCH GROUP

QUESTIONS

RESPONSES

Operational & Financial Matters

1. The Group's revenue was lower by 7%, from RM246.7 million in the preceding year, to RM228.3 million for the current financial year ended 31 July 2023 ("FYE2023"). This was largely attributable to the absence of revenue from electronic manufacturing services ("EMS") which was scaled down, and reduced volumes for burn-in and testing services. (page 5 of AR2023)

The Group's utilisation rate for FY2023 was approximately 50%, with some improvements in Q1FY2024.

What was the utilisation rate of the Malacca plant for FYE2023 and to-date?

2. The Group have facilities in Malaysia and China and its revenues come from services from these locations, which are exposed to political, social and economic conditions. (page 7 of AR2023)

Our customers have not indicated any issues that align with those highlighted in The Edge CEO Morning Brief.

On 22 November 2023, The Edge CEO Morning Brief reported that Malaysia and Vietnam electronics face closer US scrutiny over China forced labour. Over two-thirds of rejected or held cargoes came from Malaysia or Vietnam, which are major exporters to the US of solar panels and semiconductors. To what extent will the US scrutiny checks affect the Group's business? Is this a threat or an opportunity to the Group?

3. Proceeds from disposal of investment securities amounted to approximately RM7.6 million (2022: RM3.7 million) (page 87 of AR2023)

(a) What were the investment securities disposed by the Group?

The portfolio of investment securities is outsourced to external fund managers adopting a “value investing strategy”. This strategy determines the purchase and disposal decisions across sectors listed in Bursa Malaysia.

(b) How long was the holding period for the said investment securities?

The holding period varied from within 1 year to 17 years.

(c) What was the total percentage returns achieved from the disposal of the investment securities?

The total returns from these disposals of the investment securities were in the teens.

4. Purchase of investment securities amounted to RM4.1 million (2022: RM0.5 million) (page 87 of AR2023).

(a) What were the investment securities purchased by the Group during the year?

Refer to response in 3(a).

(b) What is the rationale for purchasing the said investment securities?

Refer to response in 3(a).

5. In relation to the Group’s revenue contribution by geographical markets, revenue contribution from Others increased significantly by 168% to RM21.8 million (2022: RM8.1 million). (Note 4, page 104 of AR2023)

The increase is in line with our strategic focus on the automotive sector of the semiconductor market, and we are constantly growing our customers.

What were the reasons for the increase? Does the Group expect revenue contribution from Others to be sustainable, going forward?

PART B. RESPONSES TO QUESTIONS FROM SHAREHOLDERS AT THE AGM

QUESTIONS / COMMENTS	RESPONSES
1. After incurring its historical first-time loss, what measures are KESMI putting in place to restore profitability?	<i>There was a turnaround in the last quarter of the previous year's results which was very encouraging. KESMI also started this financial year on a positive note with the recent first quarter results announced earlier and with the improving general market conditions, Management looks forward to better results.</i>
2. You had said last year at this time you are very hopeful the industry outlook but it turned out to be a historical loss. The second question is about Infineon Technologies AG ("Infineon") investing approximately USD5.5 billion in a silicon carbide Power Fab facility in Kulim. How will this investment potentially affect KESMI?	<i>KESMI had anticipated a stronger performance last year but was affected by external pressures. The expected turnaround in China's economy did not come through. We are hopeful to turnaround in tandem with improving global market conditions. Not all the semiconductor produced by Infineon at the Kulim facility is for automotive.</i>
3. Will the new innovation in chiplets affect the test system?	<i>This is a new technology which is on its infancy stage and the packaging technique are different, so there would be a need to do different testing as there are different intellectual properties to govern it. The popularity of using chiplets is expected to grow over time and it will need advanced wafer fabrication and KESMI targets to provide its own solution for such testing as there will be more burn-in and test required on the chips.</i>

4. There is a global report on the inventory overhang on the automotive industry. What is KESMI perspective on this?

The COVID pandemic has unexpectedly affected the consumer industry and the car makers capacity faced a squeeze as there were insufficient chips supplied. This has resulted in high inventory built-up. Post-COVID, the inventory overhang resulted in slowdown in customers' requirements. As the market conditions begun to return to normal, the inventories are now depleting and the orders are coming in.

5. Will the System Level Testing (SLT) reduce the cost of doing business?

The SLT is not addressed in KESMI yet as this relates to the front end in the area of packaging and the testing is on multi-level. This is not in Malaysia as yet but we are prepared to address it when it comes.

6. On Page 30 of the Company's Annual Report on Sustainability Report, the turnover rate for new hires seems rather high. There is a concern as this is about half the workforce, so how does it affect the Company's service level.

The attrition rate is more reflective of the general workers whilst those at the management level remain very stable.

KESMI's ability to maintain the quality service level comes through intensive and comprehensive training.

7. At what skill levels are those involved in the attrition?

The lower level is the level most affected. There are not enough Malaysian workers, so when foreign workers are employed, the Company provides intensive training.

8. Considering the significant time and effort the Company invest in training and skill development, is there a possibility of streamlining or reducing the cost.

KESMI has initiated a transition towards automation, enabling the processing of billions of parts but maintaining roughly the same headcount.

9. Is there difficulty in hiring locals since the attrition is mainly at lower levels?

Employment opportunities are offered based on assessment criterias regardless of whether the employee is a local or foreign worker.

10. What specific challenges is the Company currently encountering in recruiting engineers?
- Engineering talents is a universal problem everywhere. The challenge is to keep pace with rapid engineering developments and skills upgrading.*
11. Can you share some outlook in term of utilisation, the number of EV cars and are you seeing more burn-in business from your customer in 2024. With the RM143 million of capital expenditure (“capex”) made, are you expecting higher utilisation and is it sustainable?
- The investment in the testers is not only for EV cars but also for other consumer products. We identify the customers to invest but the focus now is on EV cars. KESMI had noticed the trend of the automotive industry to move to EV cars more than six years ago.*
- Is there also higher depreciation charges expected in FY2024?
- Also, as the EV cars have different architectural design technology and we expect more demand for testing of the electronic devices and will be investing more on this.*
12. As a young investor, could you share why we should invest in KESMI?
- We encourage you to keep up with the investment.*