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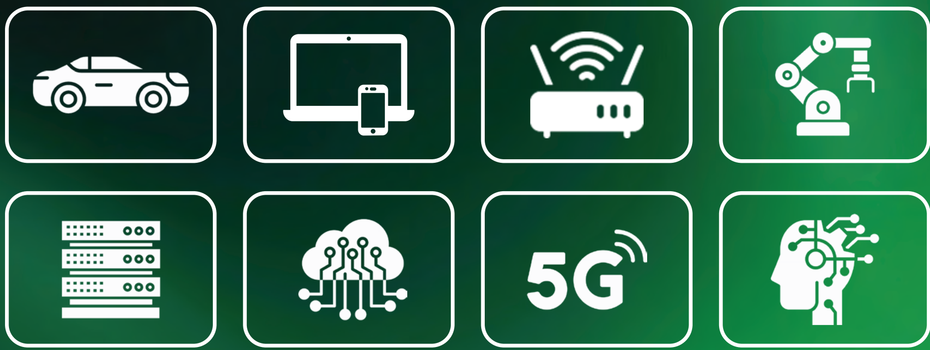
SUNRIGHT

KESM INDUSTRIES BERHAD

REG. NO. 197201001376 (13022-A)

ANNUAL REPORT 2025

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

CONTENTS

CHAIRMAN'S STATEMENT

THE GROUP REMAINS WELL-PLACED TO SUPPORT CUSTOMER EXPANSION INITIATIVES AND CAPTURE OPPORTUNITIES IN GROWTH AREAS SUCH AS AUTOMOTIVE AND AI-DRIVEN APPLICATIONS.

INTRODUCING WAFER AND SYSTEM TESTING AND BURN-IN

SUPPORTING THE DEMAND FOR ADVANCED, HIGH-PERFORMANCE CHIPS IN AI

UNWAVERING COMMITMENT TO DELIVERING VALUE

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

FY2025 presented a new set of enduring challenges. Despite the optimism with which we began the year, it proved to be a demanding period that ultimately resulted in a year of loss. Towards last quarter of FY2025, the Group achieved a turnaround, paving the way for a promising start to the new fiscal year.

FINANCIAL PERFORMANCE

The Group recorded revenue of RM210.5 million, compared to RM243.0 million in the preceding year, representing a 13% decline. A net loss of RM8.2 million was registered, against a modest net profit of RM0.2 million in FY2024. Loss per share stood at 19 sen, from earnings per share of 0.4 sen previously.

FY2025 was marked by softer demand in the automotive sector and cyclical headwinds across parts of the semiconductor industry, weighing on our overall performance. In response, the Group prioritised operational realignment, disciplined cost management, and workforce upskilling to safeguard competitiveness and reinforce resilience.

Backed by prudent financial management and a strong balance sheet, the Group remains well-placed to support customer expansion initiatives and capture opportunities in growth areas such as automotive and AI-driven applications.

INNOVATION AND RELIABILITY – THE ROAD AHEAD

The automotive market is in the midst of a technological transformation, adapting to the new realities and opportunities created by artificial intelligence ("AI"). While the overall car market is expected to grow at a measured pace, the electronic content within vehicles is advancing rapidly. Cars are getting smarter, and chips are becoming increasingly complex with every new feature. In this environment, reliability testing is no longer optional. It is critical to ensuring safety and performance.

In parallel, AI is also reshaping the data centre landscape. By managing charging cycles more intelligently, today's advanced systems can reduce charge times while maintaining battery health and performance. This innovation enables faster restoration of backup batteries after power dips, ensuring continuous, reliable operations in high-demand environments.

To meet these demands, KESMI has achieved the highest level of qualification under the ISO 27001, underscoring our commitment to data security, operational integrity, and customer trust. This milestone strengthens our position as a trusted partner for customers across diverse, technology-driven markets.

At the same time, semiconductor manufacturers across major markets including the EU, China, the USA, and Japan are competing fiercely to deliver more powerful and efficient devices. Our close engagement with leading global manufacturers positions us to capture emerging opportunities as the next generation of chips is rolled out.

LOOKING AHEAD

The outlook for FY2026 carries renewed optimism. Global semiconductor sales are projected to rise from USD700 billion in 2025 to nearly USD1 trillion by 2030, while the automotive semiconductor market is expected to grow from approximately USD77 billion in 2025 to over USD88 billion by 2027, driven by electrification, ADAS, and in-vehicle connectivity.

In the new year, KESMI will be introducing wafer and system testing and burn-in as part of its suite of services. These capabilities reflect a natural progression to support the demand for advanced, high-performance chips in AI for data centres and the EV applications. We will take time to develop before reaching full scale.

We are entering the new year with renewed excitement, encouraged by an improving market climate, a broadened suite of services that reinforces our role as a critical partner in the global semiconductor value chain, and a solid financial position that enables us to seize the growth opportunities ahead.

DIVIDEND

For FY2025, KESMI is pleased to declare an interim dividend of 6 sen per share, reflecting our commitment to delivering consistent value to shareholders.

APPRECIATION

On behalf of the Board, I wish to express my sincere appreciation to our management team and employees for their dedication, perseverance, and adaptability throughout a difficult year. I also extend my gratitude to our customers, suppliers, and business partners for their trust and collaboration, and to our shareholders for their continued confidence and support.

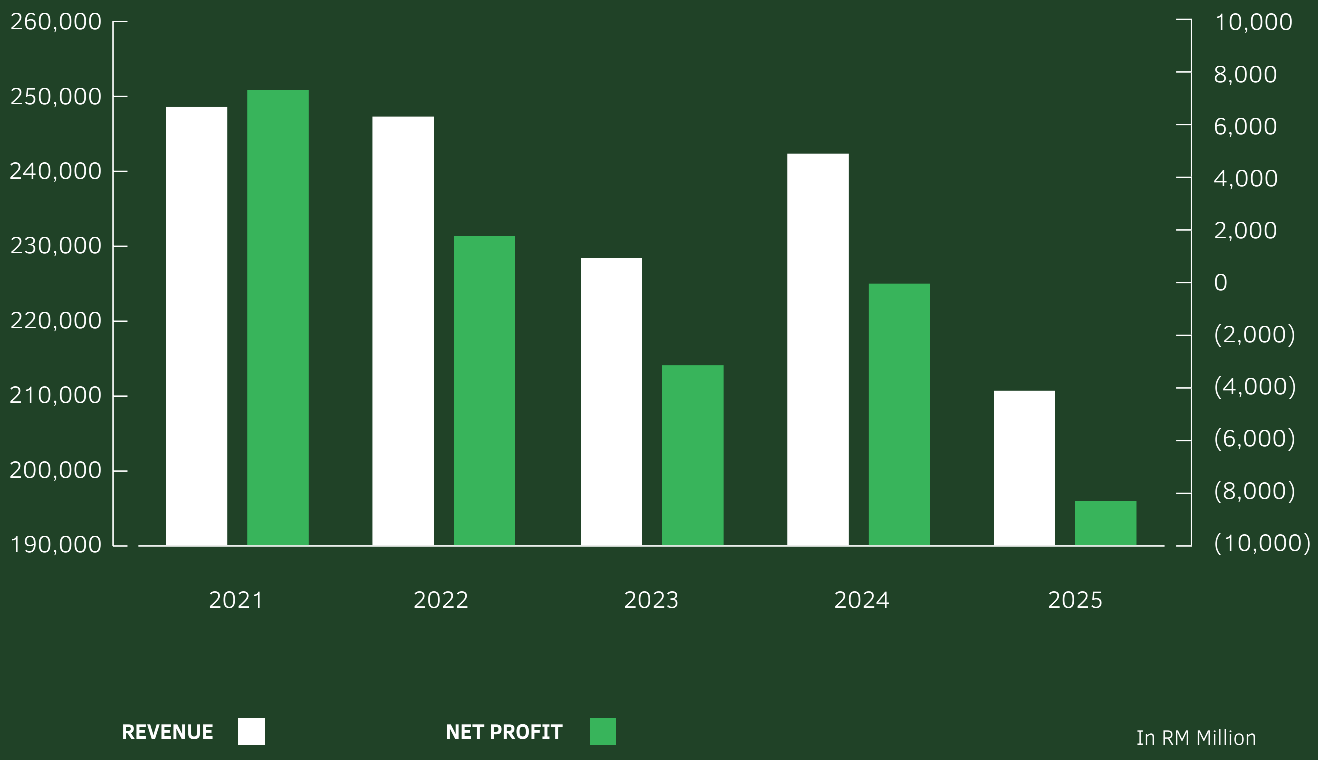
As we step into FY2026, we remain steadfast in our mission to strengthen KESMI's leadership in burn-in and test services, guided by resilience, innovation, and an unwavering commitment to delivering value.

SAMUEL LIM SYN SOO
Executive Chairman & Chief Executive Officer
18 September 2025

MANAGEMENT DISCUSSION AND ANALYSIS

5-YEAR FINANCIAL HIGHLIGHTS

Financial Year Ended 31 July (RM '000)	2021	2022	2023	2024	2025
Revenue	248,257	246,736	228,283	243,025	210,546
Profit/(Loss) Before Tax	11,025	4,232	(2,218)	3,299	(7,468)
Net Profit/(Loss) Attributable To Owners of the Company	7,335	1,666	(3,130)	188	(8,185)
Total Equity Attributable To Owners of the Company	363,404	362,358	354,745	352,677	339,169
Basic Earnings/(Loss) Per Share (sen)	17.1	3.9	(7.3)	0.4	(19)
Dividend Per Share (sen)	9.0	7.5	6.0	7.5	6.0



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP

KESM Industries Berhad ("KESMI") was established in 1978 with its first burn-in operations in Kepong, Selangor Darul Ehsan. As the business expanded, the company relocated to the Sungei Way Free Industrial Zone in Petaling Jaya, where it continues to operate today.

In 1983, recognising opportunities for further growth, KESMI set up KESP Sdn. Bhd. in the Bayan Lepas Free Industrial Zone, Penang, to strengthen and expand its burn-in capabilities. This strategic step laid the foundation for the Group's continued expansion in Malaysia.

KESMI has since evolved into the world's largest independent provider of burn-in and test services and is listed on Bursa Malaysia Securities Berhad since 1994. Over the decades, the Group has earned a strong reputation as a trusted partner to leading semiconductor manufacturers worldwide, delivering reliable, high-quality services.

Expanding its global footprint, KESMI established KESM Industries (Tianjin) Co., Ltd. in 2007 to serve customers with advanced burn-in and test solutions. In 2021, the Group extended its manufacturing footprint to Malacca.

Today, KESMI supports many of the world's foremost automotive semiconductor manufacturers, underpinned by a skilled workforce of about 1,600 employees across four strategic locations.

OUR BUSINESS IS RELIABILITY

KESMI is the world's largest independent provider of burn-in and test services for the semiconductor industry. Operating autonomously, the Group offers impartial and trusted solutions that safeguard the reliability and performance of semiconductor devices.

Burn-in and testing are critical steps in semiconductor manufacturing. During burn-in, devices are subjected to controlled stress eliminating defects — a vital requirement for industries such as automotive, personal computing, electronics, and emerging artificial intelligence ("AI") applications where performance and safety are paramount.

Following burn-in, devices undergo comprehensive functional and electrical testing to confirm compliance with rigorous performance standards. This process not only validates functionality but also grades devices for quality and durability.

Through these specialised services, KESMI plays an essential role in strengthening the global semiconductor supply chain — enhancing device reliability and enabling the technologies that power everyday life worldwide.

THE GROUP'S STRATEGY

KESMI is dedicated to safeguarding the reliability and performance of integrated circuits ("ICs") through its specialised burn-in and test services. These critical processes are indispensable for semiconductor manufacturers, as they validate device integrity and ensure ICs meet stringent performance requirements before entering the market.

With more than four decades of expertise, KESMI's strategic vision is to deliver end-to-end burn-in and test solutions, seamlessly combining hardware and software capabilities. This approach allows semiconductor manufacturers to focus on innovation and accelerate their time-to-market while reducing development risks and costs.

Today, this mission is even more vital as the semiconductor industry undergoes rapid transformation driven by AI. Beyond traditional power management chips, demand is expanding into AI-related and AI-enabling devices such as high-bandwidth memory ("HBM"), advanced power management ICs, connectivity chips, and sensor technologies. These components are essential to support AI workloads, autonomous vehicles, and next-generation computing systems.

By continuously upgrading its service capabilities, KESMI is shaping as a trusted partner for Known Good Die ("KGD"), wafer, modules and an extensive range of semiconductor packages for automotive, AI and other emerging applications.

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 lower by 13% or RM32.5 million, from RM243.0 million in the preceding year, to RM210.5 million for the current financial year ended 31 July 2025. This was primarily due to weaker demand for processing of automotive chips.

Other income decreased by 63% or RM4.7 million, mainly due to lower net gain on disposal of machinery and test equipment by RM2.3 million, and absences of net fair value gain on investment securities and net foreign exchange gain totalled RM2.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Consumables used reduced by 13% or RM2.5 million, in line with lower revenue.

Employee benefits expense decreased by 12% or RM11.8 million, with reduced labour to align with operational requirements.

Depreciation of property, plant and equipment was lower by 5% or RM2.6 million, as certain machinery and test equipment were fully depreciated.

Finance costs decreased by 35% or RM1.5 million, following repayments of bank loans.

Other expenses decreased by 9% or RM8.2 million, mainly attributable to cost reductions in utilities, repairs and maintenance expenses, recruitment expenses, management fees and portfolio fees for investment securities, totalled RM12.8 million. These were partially offset by net fair value loss on investment securities of RM3.4 million, net foreign exchange loss of RM1.0 million and impairment of trade receivables of RM0.8 million.

Consequently, the Group reported a loss before tax of RM7.5 million in the current financial year, from a profit before tax of RM3.3 million in the preceding year.

REVIEW OF FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Property, plant and equipment was lower by 18% or RM30.1 million, from RM163.9 million as at 31 July 2024 to RM133.8 million as at 31 July 2025. The decrease was primarily due to depreciation charge of RM45.4 million, offset by net additions of RM16.1 million.

Investment securities were lower by 26% or RM3.7 million, from RM14.3 million to RM10.6 million, as a result of net fair value loss on investment securities of RM3.4 million and net disposals of investment securities of RM0.3 million.

Cash and short-term deposits decreased by 10% or RM22.3 million, from RM232.5 million to RM210.1 million, representing net cash outflows primarily due to repayment of bank loans.

Total loans and borrowings decreased by 51% or RM37.3 million, from RM73.3 million to RM36.0 million, primarily due to net repayments of bank loans of RM34.7 million and repayments of lease liabilities of RM2.5 million.

OPERATIONS REVIEW

KESMI remains a leader in delivering essential burn-in and test services that safeguard the reliability of semiconductors — from microprocessors and microcontrollers to advanced sensors. These components power automotive, industrial, consumer, and commercial technologies worldwide. With a broad customer base spanning the United States, Europe, and Asia Pacific, KESMI continues to be a trusted partner to the world's leading semiconductor manufacturers.

In FY2025, demand for automotive semiconductors softened, reflecting slower vehicle production and cyclical headwinds across the industry. Despite these conditions, automotive semiconductors remained a core area of KESMI's operations, with ongoing efforts to support customers as the industry transitions toward more advanced, AI-driven technologies.

By contrast, demand for AI driven devices — including memory, power management ICs, and connectivity solutions — accelerated as AI reshaped industries. These devices are set to drive a growing share of global semiconductor growth, creating new opportunities for KESMI's burn-in, test, and wafer-level testing services to support next-generation technologies with greater reliability and efficiency.

Throughout the year, KESMI focused on reinforcing resilience and adaptability in the face of industry headwinds. The Group advanced continuous training and upskilling initiatives to equip its workforce for evolving industry demands, while undertaking operational realignment and disciplined cost-containment measures to enhance efficiency and safeguard competitiveness. Though FY2025 was a challenging year, these efforts have laid a more sustainable foundation, positioning the Group to respond with greater agility as market conditions recover.

Sustainability also remained central to KESMI's strategy. In FY2025, the Group maintained a 3 out of 4-star rating in the FTSE4Good Bursa Malaysia Index, reflecting its continued commitment to environmental stewardship, social responsibility, and strong governance practices.

In the new year, KESMI will integrate wafer testing and system-level testing into its operations to steadily support the demand for advanced, high-performance chips in AI for data centres and the EV market. At the same time, the Group is aligning closely with customers in fast-growing segments such as AI-driven devices, next-generation automotive applications, and sustainable electronics. By remaining agile, disciplined, and customer-focused, KESMI is building the foundation for sustainable growth.

MANAGEMENT DISCUSSION AND ANALYSIS

RISKS

The semiconductor industry in FY2025 continues to operate under significant complexity and volatility, presenting several risks that could affect KESMI's performance and strategy. Global trade tensions remain a critical concern, with the United States considering steep tariffs on semiconductors alongside tighter export controls. Such measures may disrupt supply chains, raise costs, and restrict cross-border technology flows, affecting KESMI's operations in Malaysia and China.

At the same time, demand trends across key segments remain uneven. While AI is driving strong momentum for AI-driven devices, traditional markets such as automotive semiconductors are softening due to slowing vehicle production and easing vehicle demand.

Resource dependency and supply chain fragility continue to pose significant challenges. Around one-third of global semiconductor production depends heavily on copper, a material increasingly vulnerable to climate-related disruption. In addition, industry analysts warn that older-generation "mature node" chips — those made on processors above 40 nanometres — could face shortages between 2025 and 2026. These chips may not be cutting-edge, but they are still vital, powering everyday technologies such as cars, household appliances, medical devices, and industrial equipment. A shortage in this segment could affect products people rely on daily, while also constraining demand for certain categories of chips tested by KESMI.

The broader industry remains highly competitive and capital-intensive, with global players investing heavily in new technologies while simultaneously facing talent shortages that may slow execution. These dynamics, combined with pricing pressures and the rapid pace of technological change, create financial and strategic uncertainty. KESMI must continue to optimise costs, strengthen its workforce capabilities, and maintain agility to adapt swiftly to evolving customer needs.

PROSPECTS & OUTLOOK

In FY2025, KESMI navigated a year of both challenges and renewed opportunities.

Automotive innovation continues to accelerate, with electrification, advanced driver assistance systems, and smart vehicle connectivity creating rising demand for reliable electronic solutions. Industry forecasts indicate that the automotive semiconductor market is on track to expand from USD77 billion in 2025 to about USD88 billion by 2027. This growth is fuelled not only by EV adoption but also by the integration of sensors, processors, and power management technologies that ensure both safety and performance on the road. For KESMI, this presents a continued opportunity to strengthen its position as a trusted partner in automotive reliability testing.

At the same time, AI has emerged as the defining force of this decade. From smart factories and cloud infrastructure to autonomous vehicles and next-generation connectivity, AI driven applications are spreading rapidly and require ever more sophisticated electronics. Analysts project the global AI market to grow from USD371 billion in 2025 to more than USD1.8 trillion by 2030. This surge is opening up significant opportunities for advanced testing and reliability solutions, areas where KESMI's expertise is increasingly vital.

Looking ahead, KESMI is focused on building long-term resilience while capturing these growth opportunities. By introducing wafer testing and system-level testing advancing our reliability solutions, and deepening partnerships with leading customers, we are laying the foundation for sustained success. Coupled with our commitment to sustainability and operational agility, KESMI is well-placed to adapt to shifting market conditions while reinforcing our role as a dependable partner in the global semiconductor ecosystem.

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 71, Male, Singaporean
Executive Chairman and Chief Executive Officer*

MR KENNETH TAN TEOH KHOON

Aged 68, 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, 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 15 January 2025.

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, 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 74, 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 15 January 2025. 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 61, 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 62, 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 27 October 2025 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 FY2025.

4. DETAILS OF ATTENDANCE AT BOARD MEETINGS HELD IN FY2025

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)

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Chartered Accountants
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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 FY2025 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 across Asia, KESM Industries Berhad and its subsidiaries ("KESMI" or the "Group") offer high-quality burn-in and testing services to the semiconductor industry. Listed on the Main Market of Bursa Malaysia Securities Berhad, KESMI provides exceptional service excellence to our customers.

Primarily 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 eighth annual Sustainability Report covers the sustainability policies and practices of KESMI entities in Malaysia[1] and China[2], from the period of 1 August 2024 to 31 July 2025 ("FY2025"). Where applicable, historical performance data is also included for comparative purposes.

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, through a phased approach, KESMI is disclosing its third Task Force on Climate-related Financial Disclosures ("TCFD") Report to embrace the TCFD recommendations and better manage climate risks and opportunities.

This report has further taken reference from the International Financial Reporting Standards ("IFRS") Sustainability Disclosure Standards shaped by the International Sustainability Standards Board ("ISSB"). In FY2025, KESMI has conducted a gap analysis assessment to identify the areas for alignment for reporting against IFRS S1 and S2 climate-related disclosures. Moving forward, this will allow us to strive towards compliance with the ISSB Standards in future reporting years, in line with regulatory requirements.

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 2024 to 31 July 2025 have been subjected to an internal review by an outsourced internal auditor and have been approved by KESMI's Audit Committee.

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[1] KESM Industries Berhad, KESP Sdn. Bhd. and KESM Test (M) Sdn. Bhd.
[2] KESM Industries (Tianjin) Co., Ltd

SUSTAINABILITY REPORT

Subject matter

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

Sustainability matters	Indicators
Anti-corruption	• 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	• Proportion of spending on local suppliers
Economic performance	• Economic value generated, distributed and retained
Energy management	• Total energy consumption
Emissions management	• Scope 1 and 2 emissions in tonnes of CO2e • Scope 3 emissions in tonnes of CO2e – Category 1 (Purchase of Goods and Services), Category 2 (Capital Goods), Category 6 (Business Travel) and Category 7 (Employee Commuting)

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 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 embedded into the strategic direction of the Group and its operations. To achieve this, the Board continuously maintains an effective governance framework for sustainability within the Group.

The Board has formed 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 annual update to the Board for review and appraisal.

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. In addition, climate-related risks and opportunities along with relevant sustainability metrics such as Scope 1 and 2 emissions are supported by the relevant departments and reported to the Board annually. Further, these departments receive in-house training as needed whenever new sustainability metrics are introduced.

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				
	• Provide regular and timely updates about KESMI's performance to enable key shareholders to make informed investment decisions.	• KESMI's financial health and industry reputation • Sustainability performance	• Press releases • Announcements • Media conference • Annual report • Annual general meeting • Analyst/investor meetings	• Periodic • Quarterly • As necessary • Annual • Annual • As necessary
CUSTOMERS				
	• 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, ISO 27001: 2022 certification)	• Service and product quality • Timely delivery	• Industry events • Customer satisfaction surveys and scorecards • Customer visits to our plants	• Frequent • Periodic • As necessary
EMPLOYEES AND OUTSOURCED WORKERS				
	• Implement non-discriminatory Human Resources ("HR") policies • Provide deserving remuneration, welfare and benefits	• Fair employment and well-being • Occupational health and safety	• Electronic updates and newsletters • Annual performance appraisals • Company events and staff bonding sessions	• Periodic • Annual • Periodic
	• Provide relevant trainings (safety and job specific)	• Training and development	• Trainings	• 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 Corporate Social Responsibility ("CSR") activities	• 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 FY2025, 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 existing 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 FY2025, 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

UPHOLD CORPORATE GOVERNANCE AND 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 FY2025, a total of 672 (94%) 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 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
Whistle-Blower Policy	KESMI has in place a Whistle-Blower 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. The objectives of the policy are as follows: • 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
Grievance Handling Policy	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.
Business Ethics Policy	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. 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.
Purchasing Policy	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.

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

FY2025		Employee Category		
		Direct Labour	Exempt/ Non-Exempt	Manager
Total number required to receive communication and training		**164**	**498**	**52**
Total number and percentage of employees who were communicated on policies		**158 (96%)**	**463 (93%)**	**51 (98%)**
Total number and percentage of employees who received training		**158 (96%)**	**463 (93%)**	**51 (98%)**
Malaysia	Communicated to	141	356	37
	Received training	141	356	37
China	Communicated to	17	107	14
	Received training	17	107	14

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

SUSTAINABILITY REPORT

	Business Partners[3]		
	FY2023	**FY2024**	**FY2025**
Total number of business partners who were communicated on policies	**103**	**130**	**199**
Percentage of key business partners[4] who were communicated on policies[5]	**-**	**33%**	**23%**
Malaysia	19	46	112
China	84	86	87

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.

Our operations in 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	FY2025 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 carefully 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.

[3] Business partners include customers, suppliers and contractors.
[4] Key business partners include the ten most significant customers, suppliers and contractors in each respective KESMI entities in Malaysia and China.
[5] 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 priority 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.

To maintain high standards of compliance, our policies are regularly reviewed and updated in response to changes in regulatory requirements. In addition, all employees are required to uphold the behavioural standards outlined in the Code, reinforcing our commitment to ethical and lawful conduct across the organisation.

Focus Area	Perpetual Target	FY2025 Performance
Regulatory Compliance	0 confirmed cases[6] of non-compliance with environmental laws and regulations	Achieved
	0 confirmed cases of non-compliance with socioeconomic laws and regulations	Achieved

Managing Supply Chains Responsibly

[GRI 2-6, 204-1]

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.

Figure 3: Purchasing Policy and Procedures

Purchasing Policy	
 **Vendor Qualification Procedure**	 **Purchasing Procedure**
Recognising that our suppliers exert significant influence on our supply chain, KESMI adheres to stringent criteria in selecting environmentally and economically accountable suppliers as laid out in our Vendor Qualification Procedure. This comprehensive procedure is an integral component of KESMI's Three-Step Supply Chain Management Process.	KESMI's Purchasing Procedure acts as an overall check-and-balance on all purchasing activities associated with our supply chain. The provisions of this policy encompass guidelines, procedures and the scope of all purchases.

[6] Confirmed cases refer to reported cases that have material impact to the operations of KESMI.

SUSTAINABILITY REPORT

Figure 4: KESMI's Supply Chain Management Process

1	**Internal Requisition ("IR")** The first step of our Supply Chain Management Process is the IR process, which is facilitated by an online system maintaining a clear audit trail of all requisition cases. Once the IR is raised, an approval process is triggered before vendor sourcing commences and a Purchase Order is raised.
2	**Supplier Selection/Vendor Qualification Procedure** KESMI adheres to stringent supplier selection criteria to manage our supply chain impacts on the economy, society and environment. The suppliers need to acknowledge and accept KESMI's Supplier Code of Conduct before engagement. The following aspects are covered in the Code: i. Compliance with all applicable laws and regulations ii. Prevention of, and intolerance for, corruption and all forms of bribery iii. Prohibition of child labour iv. Safeguarding the health and safety of employees v. Upholding of human rights Our suppliers are also expected to eliminate the use of conflict mineral to achieve 100% conflict-free mineral sourcing. They are also responsible for performing due diligence on their supply chain as appropriate to ensure compliance. All suppliers are required to conform with the ISO 9001:2015 standard for quality management systems, or higher quality management systems.
3	**Supplier Evaluation** Our suppliers are regularly assessed to allow KESMI to improve or maintain our quality of services and drive customer satisfaction. Where a supplier's performance is unsatisfactory, feedback is provided to help them identify any scope for improvement. Should the supplier continue to be negligent in improving their performance, we may take stern actions, including the suspension of contracts.

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 FY2025, 87% of our procurement spending was used to purchase supplies locally in Malaysia and China, where we operate.

Focus Area	Perpetual Target	FY2025 Performance
Responsible Supply Chain Management	At least 50% of all purchases are sourced locally[7]	Achieved

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

SUSTAINABILITY REPORT

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.

Contributing Direct Economic Value

[GRI 201-1]

In FY2025, KESMI recorded revenue of approximately RM211 million, representing a decline of RM32 million or 13%, compared to RM243 million in the previous financial year. The net economic value generated of RM19 million was mainly due to reduced demand for processing of automotive chips. In response to the softened market condition, KESMI undertook a realignment of its cost structures to improve efficiency and manage operational cost. The knock-on effects of tariff hikes have disrupted the global supply chain and impacted our customers' geographical production strategies.

In the face of ongoing challenges, we remain confident in supporting customers, particularly in meeting the growing demand in data centres. KESMI is dedicated to strengthening business resilience and maintain a strong market position.

Table 4: Economic Value Generated, Distributed and Retained from FY2023 to FY2025

	FY2023	FY2024	FY2025
Economic Value Generated (RM'million)			
Revenue	228	243	211
Other income from financial investments	12	11	9
Sales of assets	3	4	2
Economic Value Distributed (RM'million)			
Operating costs[8]	(147)	(123)	(111)
Employee wages and benefits	(96)	(95)	(83)
Payments to providers of capital	(5)	(7)	(6)
Payments to governments	(1)	(3)	(3)
Economic Value Retained (RM'million)			
Net Economic Value Generated/(Distributed)	(6)	30	19
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] Operating costs include cash payments made outside the organisation for material cost, purchase of property, plant and equipment and other expenses.

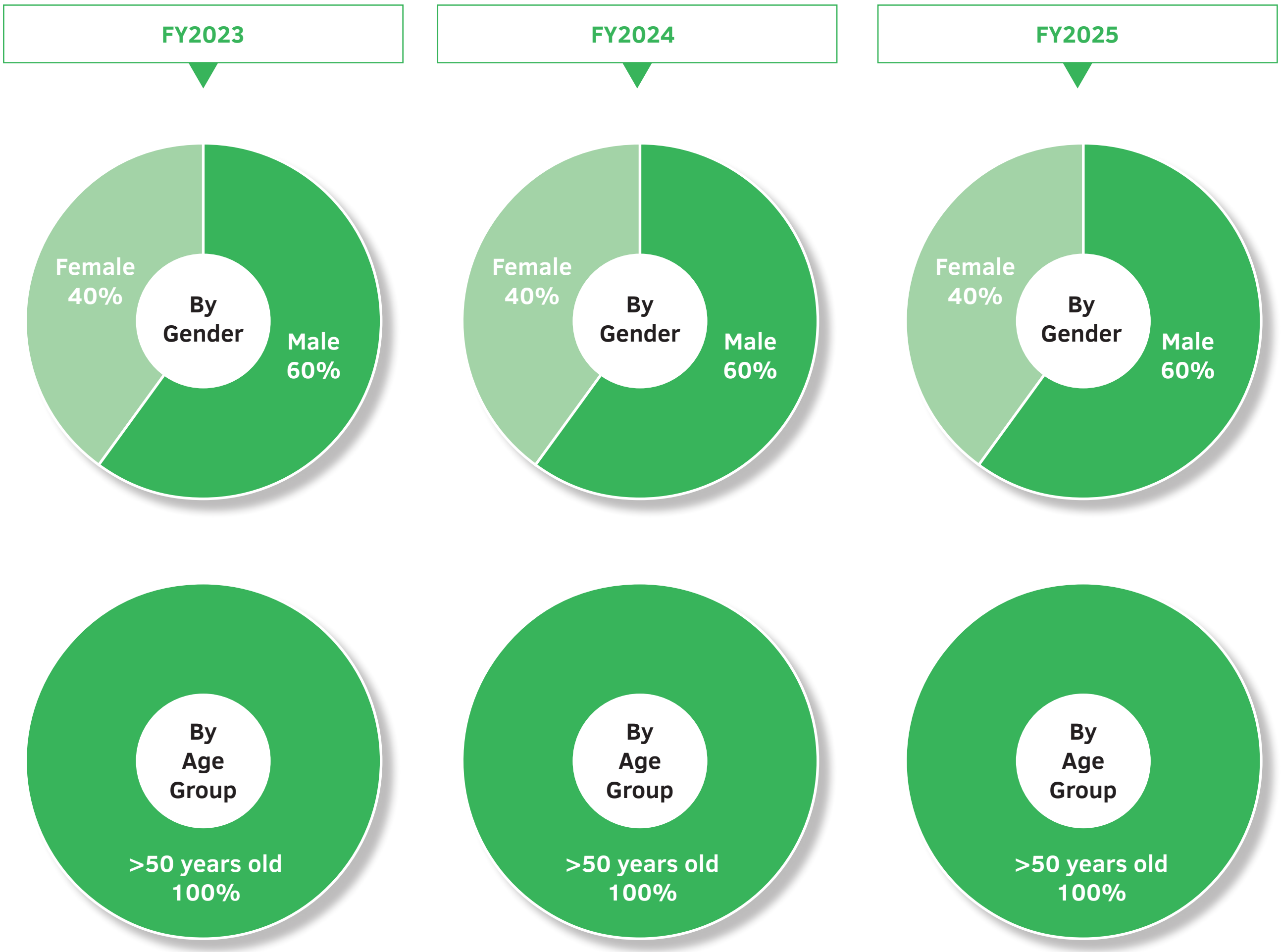
SUSTAINABILITY REPORT

DEVELOP AN ENGAGED WORKFORCE AND FAIR WORKPLACE

KESMI's Board Profile
[GRI 405-1]

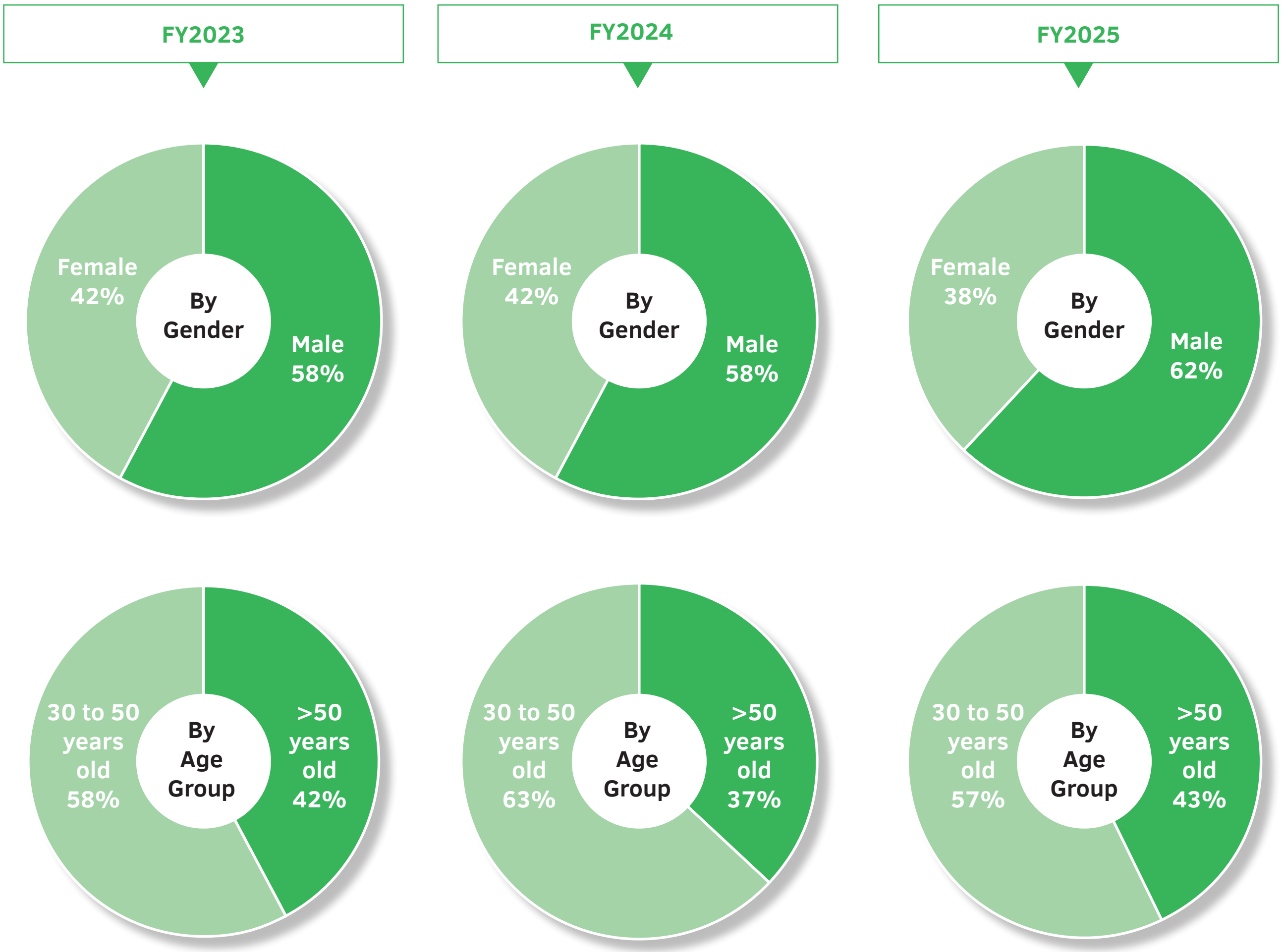
KESMI recognises that diversity in an organisation is a strength. The varied backgrounds of our employees afford them many different viewpoints, allowing them to bring new perspectives and viewpoints to our company. We also recognise that diversity has to be implemented at all levels, including at the 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 FY2025, KESMI's workforce comprised 714 employees and 871 workers across Malaysia and China, reflecting a 14% decrease and 25% decrease from FY2024 respectively to align to operation requirements and optimise workforce allocation across departments.

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

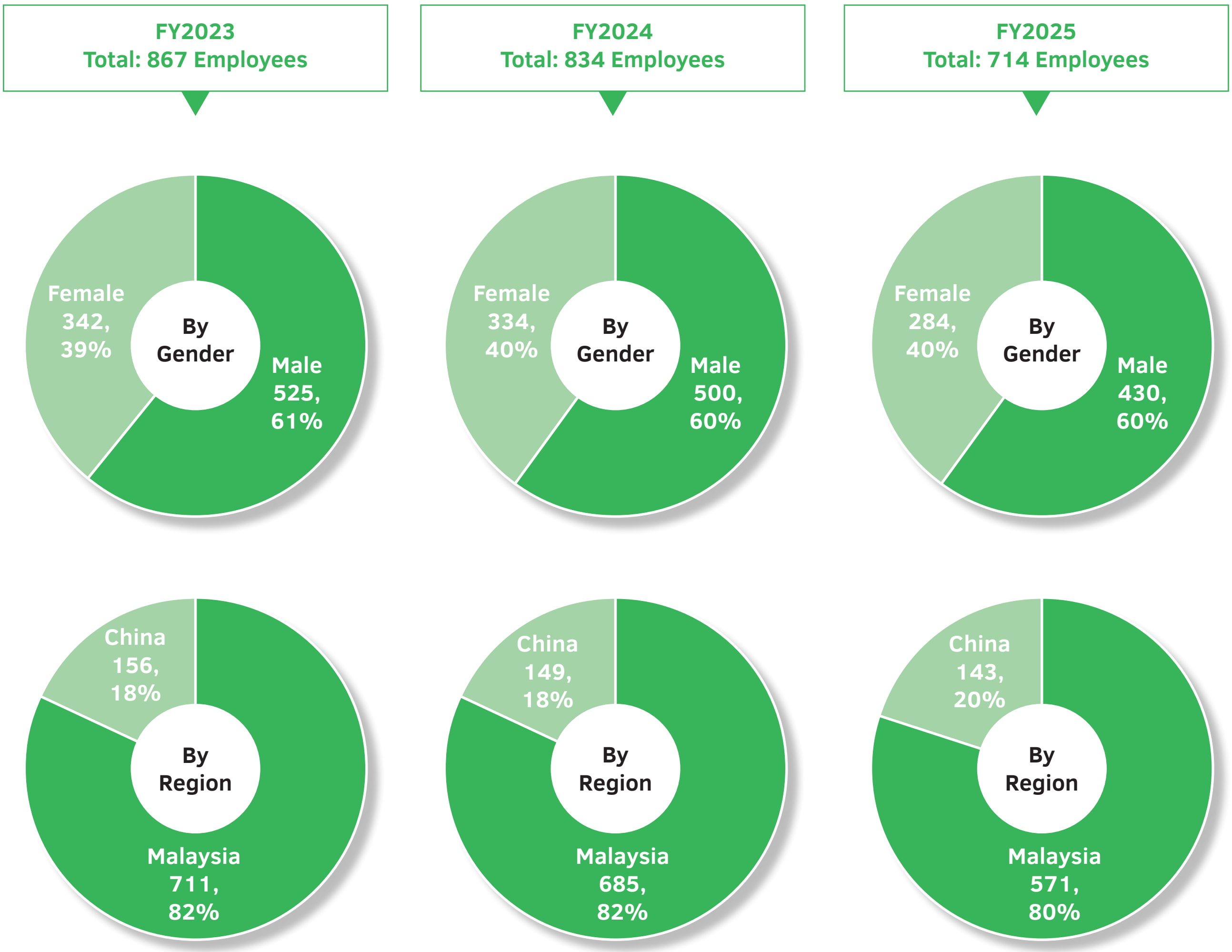


Table 5: Breakdown of employees by contract (permanent or temporary), gender and region

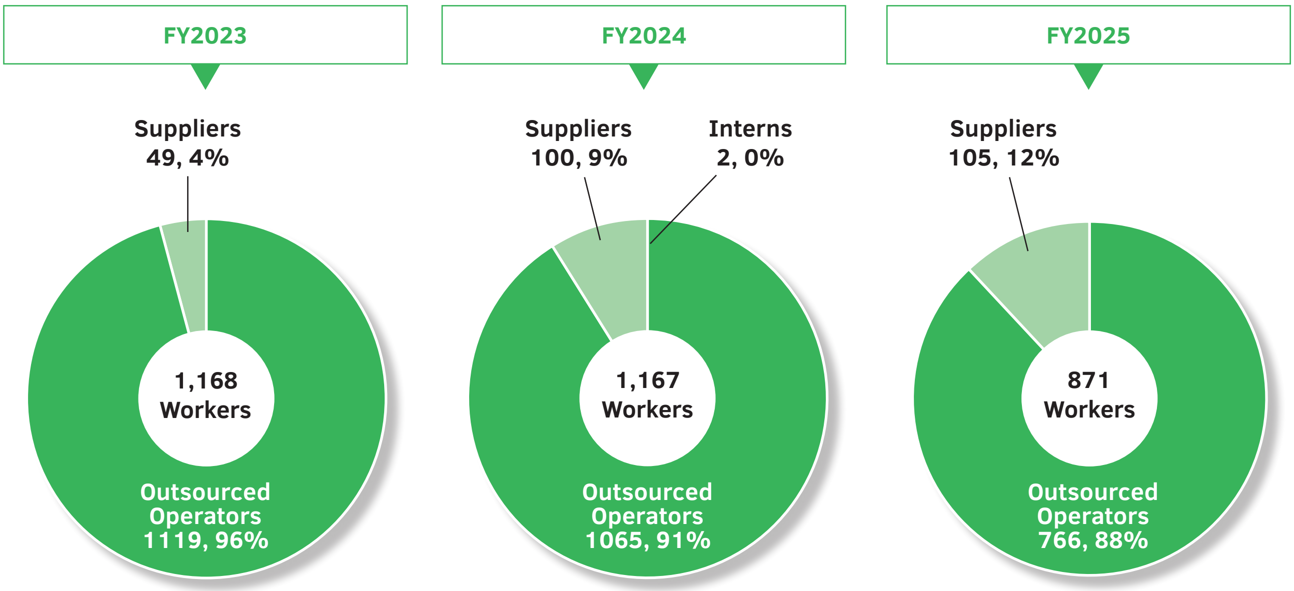
Region	FY2023					FY2024					FY2025				
	Employment Type				Total	Employment Type				Total	Employment Type				Total
	Permanent Contract		Temporary Contract			Permanent Contract		Temporary Contract			Permanent Contract		Temporary Contract		
	Male	Female	Male	Female		Male	Female	Male	Female		Male	Female	Male	Female	
Malaysia	423	288	-	-	711	401	282	2	-	685	339	231	-	1	571
China	102	54	-	-	156	97	52	-	-	149	91	52	-	-	143
Total	525	342	-	-	867	498	334	-	-	834	430	283	-	1	714
	867		-			832		2			713		1		

SUSTAINABILITY REPORT

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

Region	FY2023					FY2024					FY2025				
	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	423	288	-	-	711	403	282	-	-	685	339	232	-	-	571
China	102	54	-	-	156	97	52	-	-	149	91	52	-	-	143
Total	525	342	-	-	867	500	334	-	-	834	430	284	-	-	714
	867		-			834		-			714		-		

Figure 8: KESMI's Worker Demographics



SUSTAINABILITY REPORT

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

FY2025	Employee Category					
	Direct Labour		Exempt/Non-Exempt		Manager	
By Gender						
Male	33	20%	367	74%	30	58%
Female	131	80%	131	26%	22	42%
By Age Group						
< 30 years old	81	49%	110	22%	1	2%
30-50 years old	75	46%	316	63%	32	62%
> 50 years old	8	5%	72	15%	19	36%

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%

SUSTAINABILITY REPORT

In FY2025, we hired a total of 102 new employees, with a turnover of 222 employees. Recognising the persistent uncertainty in the employment landscape, we remain vigilant in tracking market trends.

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

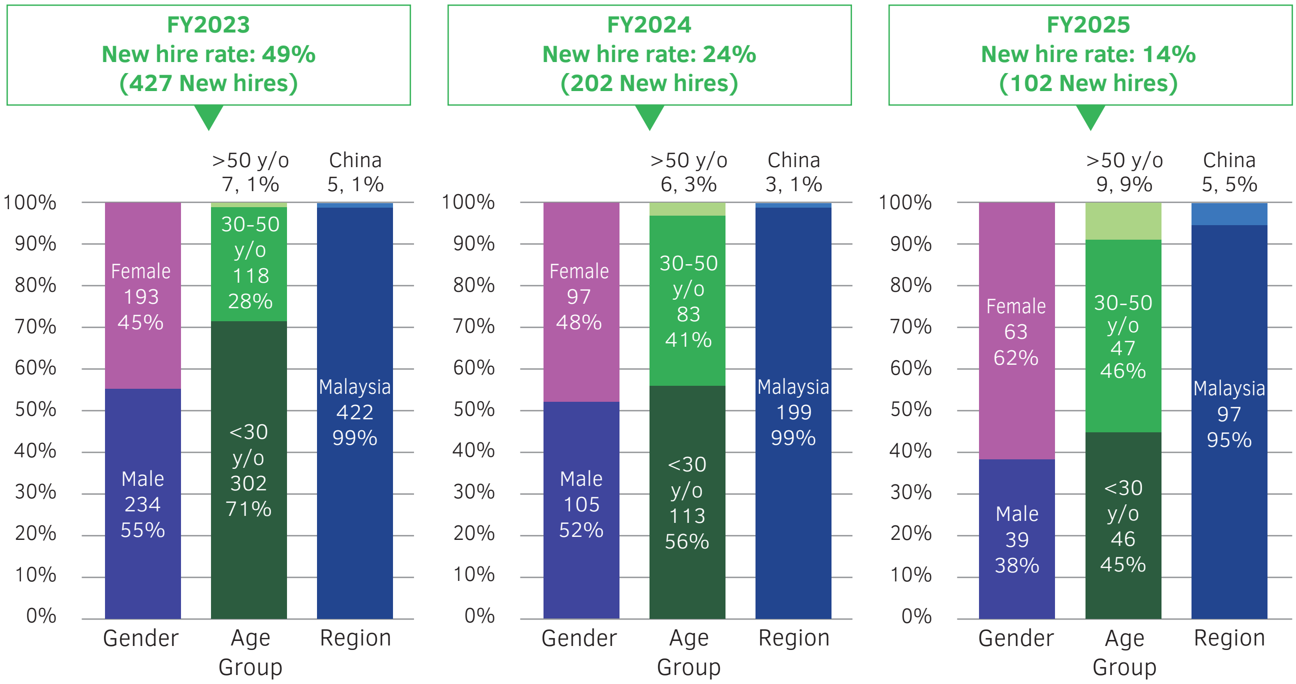
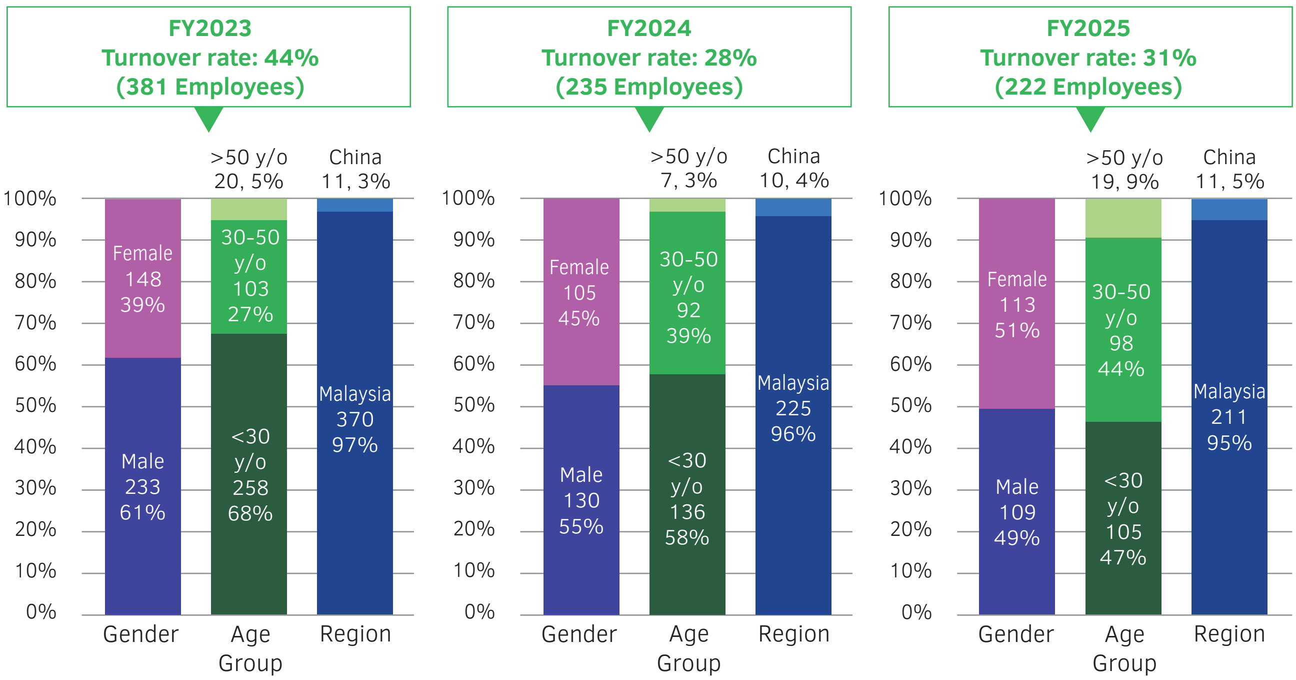


Figure 10: Total Number of Turnover by Gender, Age Group and Region



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
Recruitment and Selection Policy	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.
Grievance Procedures/ Mechanism	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.
Labour and Human Rights Standards	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. KESMI has zero tolerance for racism, verbal abuse, discrimination and derogatory remarks. Our policy also firmly opposes child labour and forced labour with these principles embedded in our Code. KESMI prohibits all forms of forced labour including bonded labour, slave labour and prison labour. We also prohibit child labour, defined as employing anyone under the age of 15, below the age required to complete compulsory education, or under the country's minimum legal working age, whichever is highest. 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. In FY2025, there were no substantiated complaints concerning human rights violations.

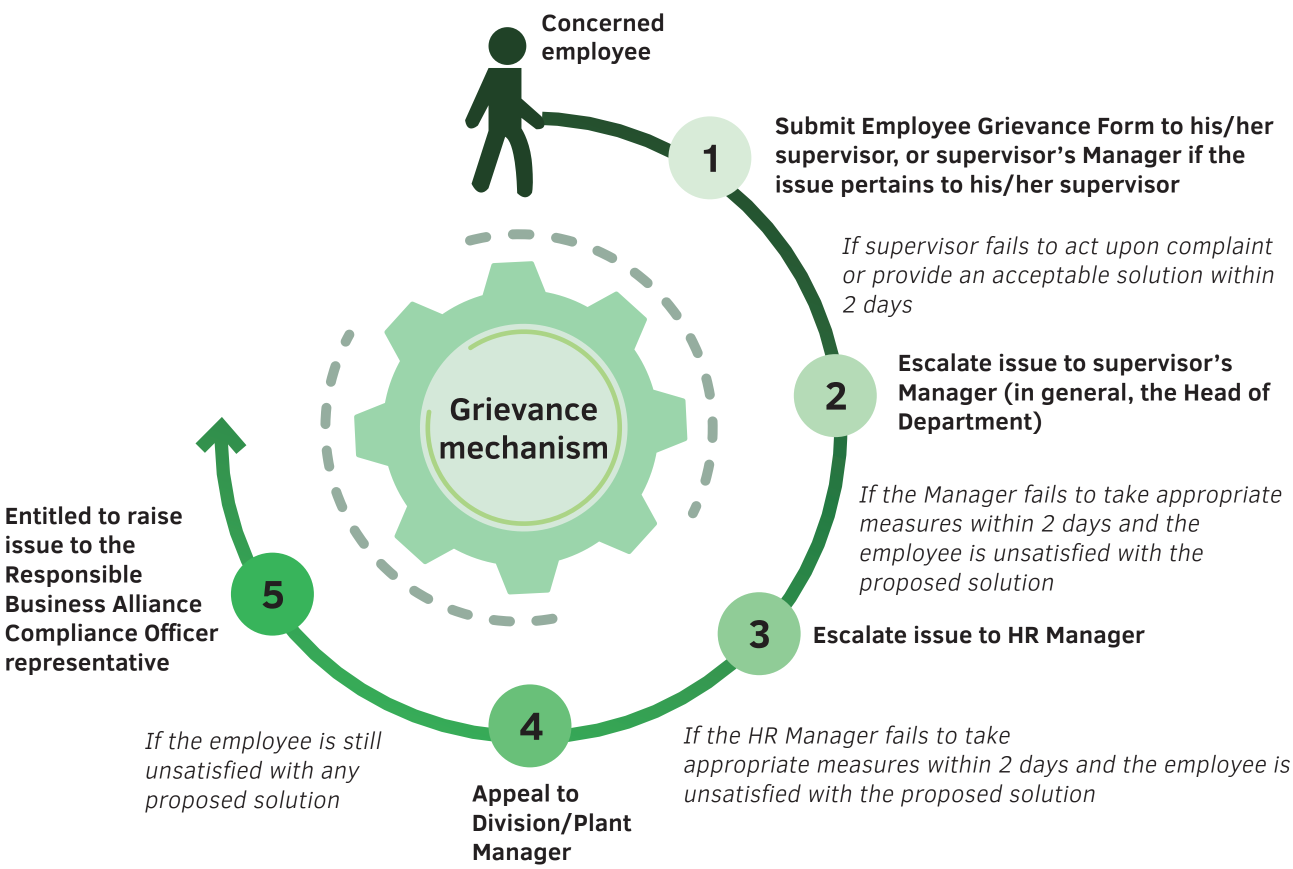
SUSTAINABILITY REPORT

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 FY2025, 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 FY2025, our employees underwent an average of 30 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

	FY2023		FY2024		FY2025	
	Total training hours	Average training hours	Total training hours	Average training hours	Total training hours	Average training hours
By Gender						
Male	13,265	25.3	16,751	33.5	12,121	28.2
Female	9,008	26.3	12,216	36.6	9,320	32.8
By Employee Category						
Direct Labour	5,717	24.0	8,279	37.6	4,435	27.0
Exempt/ Non-Exempt	14,438	25.2	19,084	34.0	14,584	29.3
Manager	2,118	37.8	1,605	30.3	2,422	46.6

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: ISO 27001 training for employees

Focus Area	Perpetual Target	FY2025 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. A safer workplace also decreases 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 staff[9] 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
- Slips, trips or falls
- Fire risks
- Vehicles
- Slippery floors

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.

[9] Covering employees and workers.

SUSTAINABILITY REPORT

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

1

Hazard Identification and Risk Assessment
- Regular safety walks/meetings
- Inspection of equipment, tools and materials
- Plant-wide safety audit
- Feedback to management on effectiveness of plans
- Use of Hazard Identification, Risk Assessment & Risk Control ("HIRARC")

2

Elimination of Hazards and Minimisation of Risk
- Use of Hierarchy of Controls consisting of Personal Protective Equipment ("PPE"), source control, safety system and an audit by the Safety, Health and Environment committee

3

Worker Training
- Training of personnel involved in Occupational Health and Safety ("OHS") activities e.g. Safety Officer to be registered with Department of Safety and Health ("DOSH"), OHS officer to undergo mandatory training and assessments in OHS management and legislation

4

Continual Improvement of OHSMS
- Methodical and timely audits
- Review programmes regularly
- Allocation of resources to the appropriate personnel to perform remedial action and risk control
- Regular safety meetings to review and propose improvements to Standard Operating Procedure

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.

SUSTAINABILITY REPORT

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 trainings.

Figure 14: Forklift safety training

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

	FY2023	FY2024	FY2025
Malaysia	700	644	565
China	156	149	138
Total	**856**	**793**	**703**

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' involvement in OHSMS

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

Workers' access to OHS information

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

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 FY2025, KESMI recorded zero fatalities and zero recordable injuries for both employees and workers.

For each incident, we conduct a root cause analysis investigation and with the finding, develop the necessary corrective actions and revise our preventative measures.

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

EMPLOYEES	**FY2023**		**FY2024**		**FY2025**	
Number of man-hours worked	1,945,257		1,810,634		1,532,580	
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	0.55	-	-
Lost time injury rate	-		0.55		-	
Main types of work-related injuries	Not applicable		Abrasions from machinery		Not Applicable	

WORKERS	**FY2023**		**FY2024**		**FY2025**	
Number of man-hours worked	2,879,744		2,919,007		2,242,103	
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	-	-	-	-	-	-
Lost time injury rate	-		-		-	
Main types of work-related injuries	Not applicable		Not applicable		Not applicable	

SUSTAINABILITY REPORT

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

EMPLOYEES	**FY2023**	**FY2024**	**FY2025**
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	**FY2023**	**FY2024**	**FY2025**
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**	**FY2025 Performance**
Occupational Health and Safety	0 work-related fatalities and injuries	0 work-related fatalities and injuries

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 FY2025, total energy consumption comprised of fuel consumption and electricity consumption, amounted to 243,108 GJ, a 10% decrease from 269,560 GJ in FY2024. Of the total consumption, mobile combustion included mobile gasoline as the main fossil fuel used, along with a minimal amount of diesel, accounting for 362 GJ in FY2025, a decrease of 8% from the previous year due to reduced consumption. The electricity consumption decreased by 10% to 242,746 GJ primarily driven by space optimisation efforts. By reorganising equipment layouts and consolidating work spaces, we improved workflow efficiency and reduced energy consumption.

SUSTAINABILITY REPORT

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

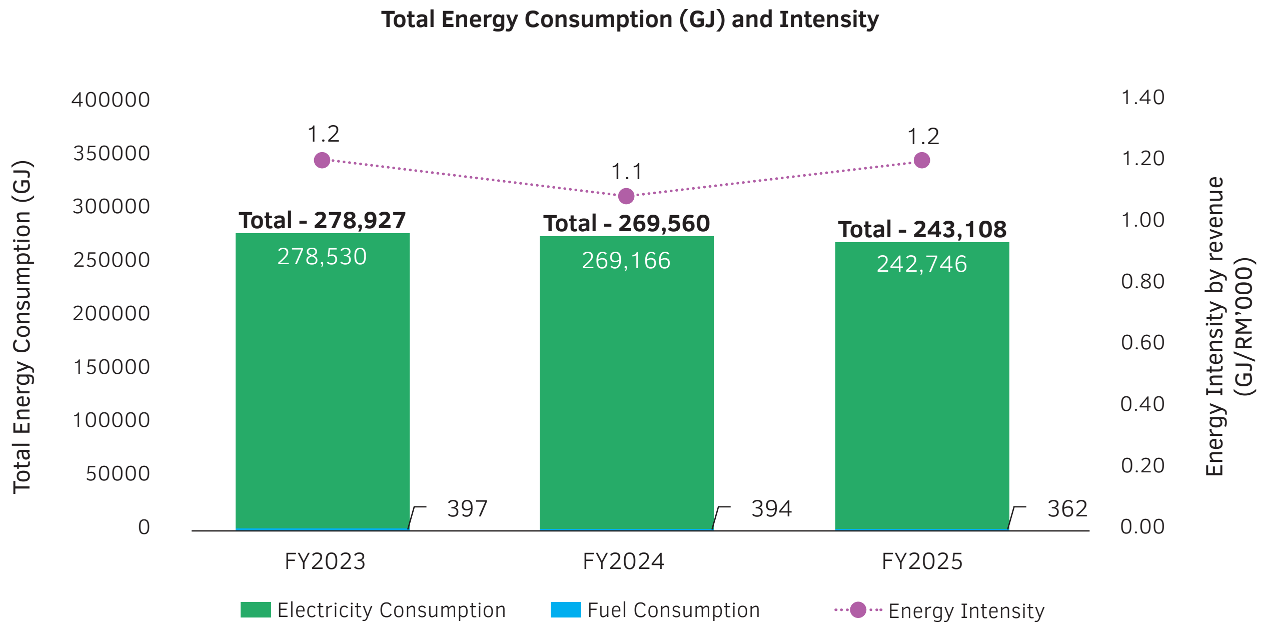


Figure 17: KESMI's Fuel Consumption from non-renewable sources

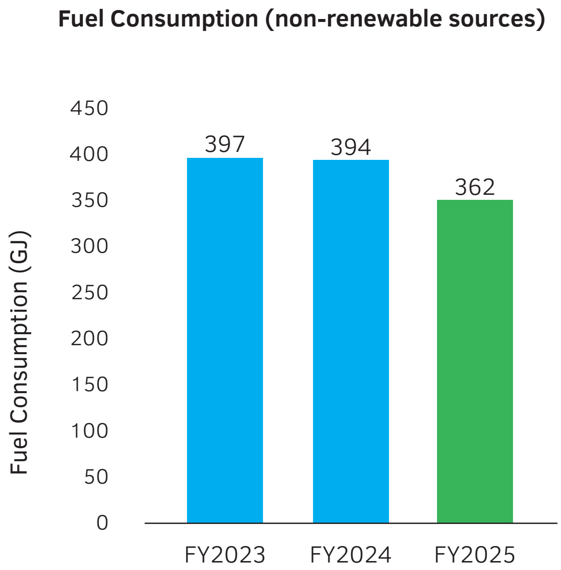
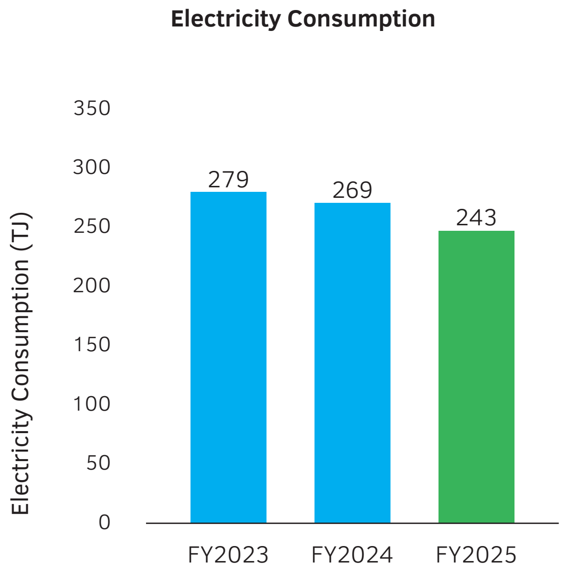


Figure 18: KESMI's Electricity Consumption



SUSTAINABILITY REPORT

Figure 19: KESMI's Scope 1 Emissions[10] (tCO2e) and Scope 1 Intensity by revenue (tCO2e/RM'million)

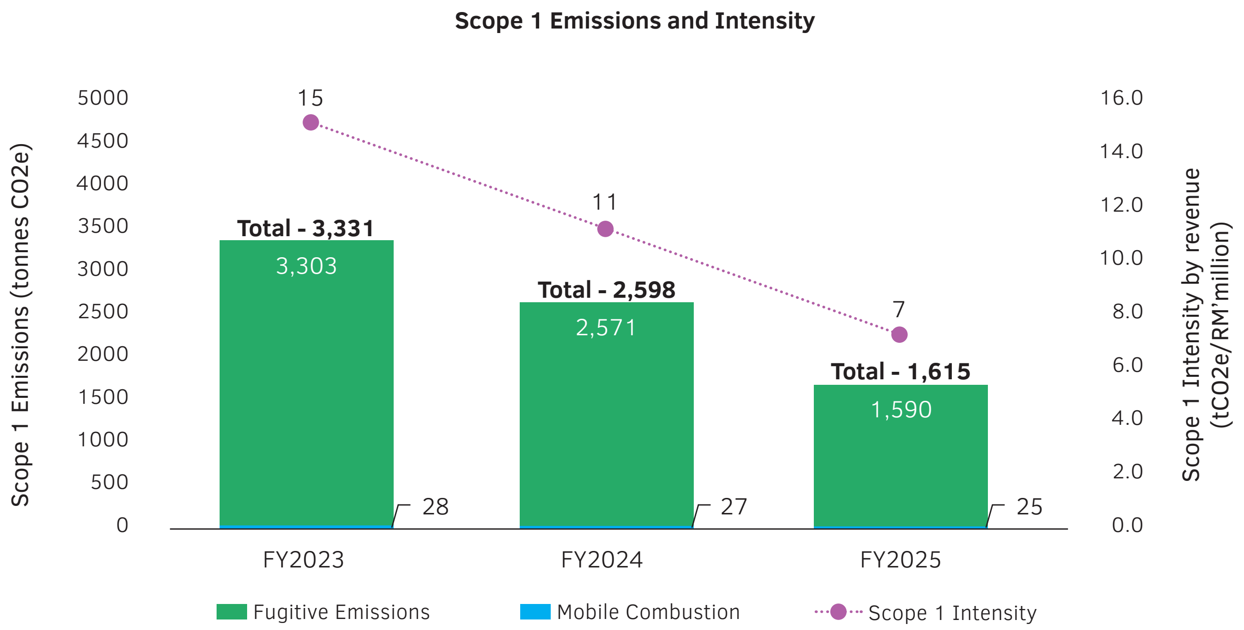
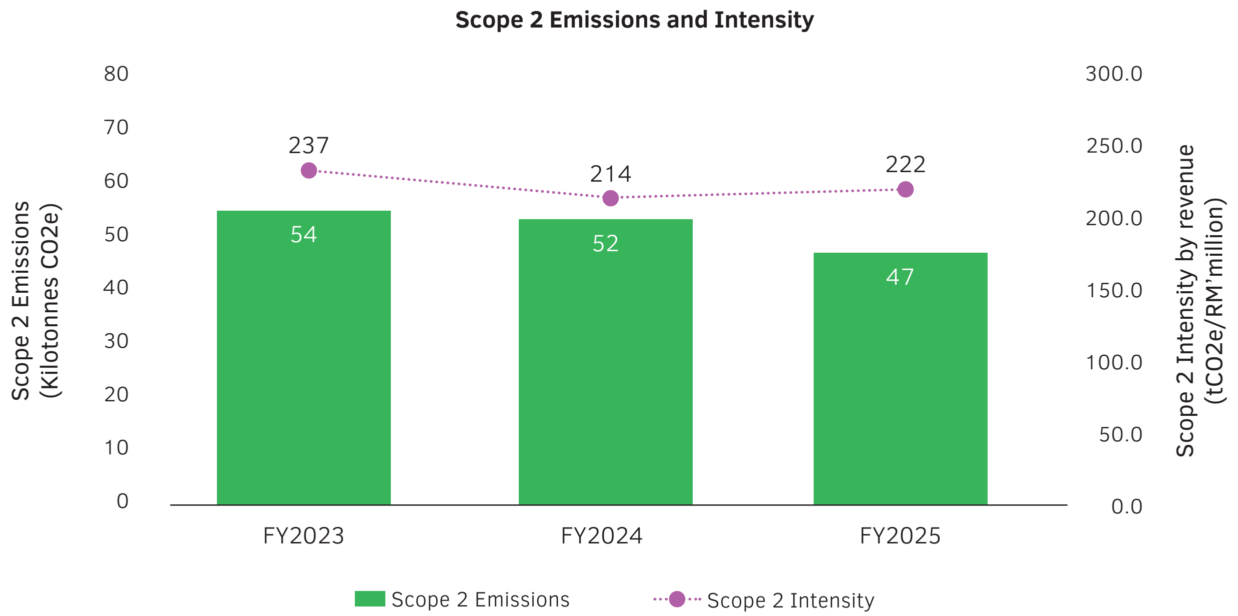


Figure 20: KESMI's Scope 2 (Indirect) Emissions (ktCO2e) and Scope 2 Intensity by revenue (tCO2e/RM'million)



[10] 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 and FY2024 in last year's Sustainability Report were restated due to update of global warming potential ("GWP") values for refrigerant gases based on the IPCC 2020 Sixth Assessment Report, replacing the values from Fourth Assessment Report and Fifth Assessment Report. These changes resulted in a 11% increase of emissions in both FY2023 and FY2024.

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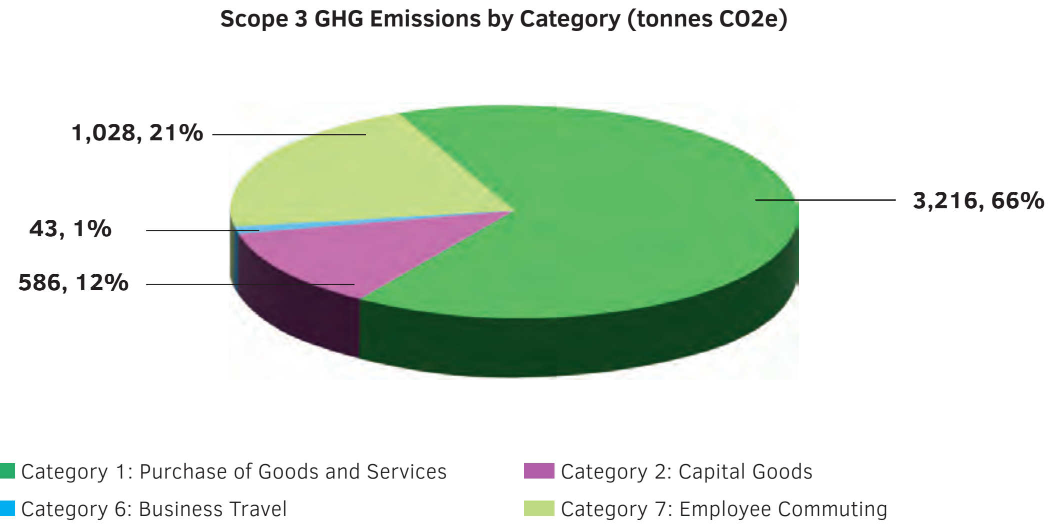
In FY2025, our Scope 1 emissions decreased by 38%, bringing emissions down to 1,615 tonnes CO2e, driven by space optimisation efforts in the plant. With a reduced need for air conditioning used in environmental control, the consumption of refrigerant gases was lowered during the year. Correspondingly, Scope 2 emissions have decreased by 10% to 47 kilotonnes CO2e which reflects the reduced electricity consumption related to air conditioning system. Furthermore, we observed an increase in intensity values, largely due to lower revenue generated in Malaysia as compared to prior year which affected the overall energy efficiency and operational productivity.

KESMI commenced the process of developing its Scope 3 inventory in accordance with the GHG Protocol methodology in FY2024. 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.

Last year, KESMI prioritised its Scope 3 inventorisation process by disclosing emissions under Category 6: Business Travel – Air and Road[11] and Category 7: Employee Commuting[12]. This year, KESMI further expanded its Scope 3 emissions coverage by disclosing emissions under Category 1: Purchase of Goods and Services and Category 2: Capital Goods. Category 1 includes all upstream emissions from the production of goods and services purchased by KESMI, such as tooling, office supplies and outsourced services. These emissions occur throughout the supply chain, from extraction to delivery. Category 2 accounts for the emissions from the production of capital goods. This refers to long-term assets such as machinery and equipment which are used in KESMI's operations over several years.

The total Scope 3 emissions for FY2025 from these four categories amounted to 4,873 tonnes CO2e, as outlined in the pie chart below. Moving forward, KESMI will continue to develop mechanisms to track and disclose other relevant Scope 3 categories.

Figure 21: Breakdown of Scope 3 GHG emissions by category for FY2025



[11] Category 6 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.

[12] Category 7 captures the emissions associated with employee commutes between their homes and their worksites, determined by the mode of travel and commuting distance.

SUSTAINABILITY REPORT

Table 13: Breakdown of Scope 3 GHG emissions (tonnes CO2e) by category[13]

Scope 3 GHG Emissions (tonnes CO2e)	FY2024	FY2025
Category 1: Purchase of Goods and Services	-	3,216
Category 2: Capital Goods	-	586
Category 6: Business Travel	32	43
Category 7: Employee Commuting[14]	1,077	1,028
Total	**1,109**	**4,873**

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.

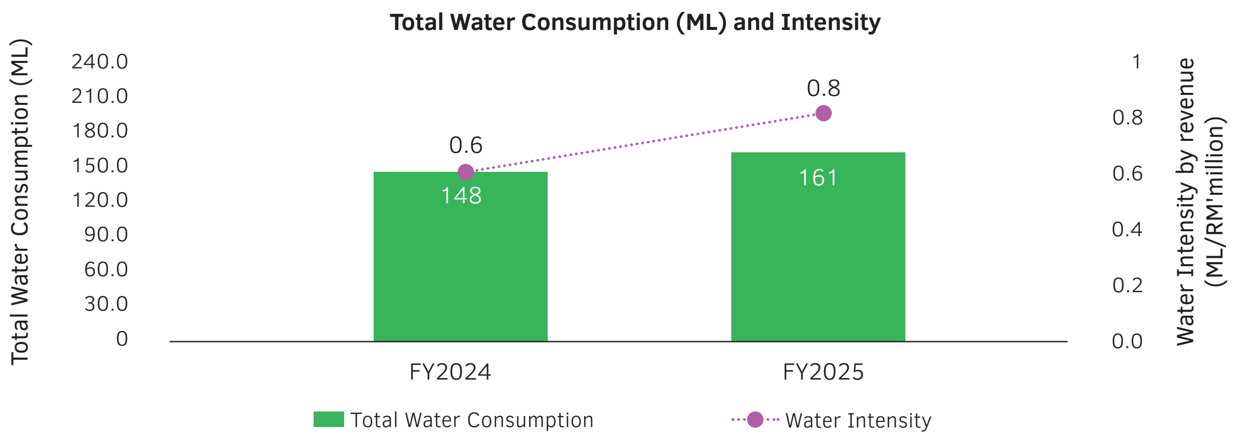
Focus Area	Perpetual Target	FY2025 Performance
Energy Consumption	2% reduction in year-on-year electricity consumption	Achieved 10% reduction[15]

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

Water Management[16]
[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.



[13] Scope 3 emissions for Categories 1 and 2 are newly disclosed starting FY2025. Hence, the Group is unable to obtain historical data due to data collection constraints from certain operations.
[14] The data disclosed for FY2024 was restated due to improvements in data availability, which resulted in a 107% increase in emissions.
[15] The total energy consumption in FY2025 has been reduced by 29% since KESMI's first disclosure of total energy consumption in FY2018 being the base year.
[16] 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.

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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 Malaysia[17] and China[18].

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 2025, 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 2025, 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 2025.

Occupational Health and Safety

According to the International Labour Organisation, 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.

[17] Malaysia's Standard B under Environmental Quality (Industrial Effluents) Regulations 2009
[18] China's Integrated Wastewater Discharge Standard (GB8978-1996)

SUSTAINABILITY REPORT

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 equivalent ("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 2020 IPCC Sixth Assessment Report ("AR6") for relevant gases disclosed.

The Electricity Grid Emissions Factors ("GEF") used in the calculation of Scope 2 emissions for FY2025, FY2024 and FY2023 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:

	FY2023	FY2024	FY2025	Source
Malaysia	0.6448	0.6448	0.6448	Institute for Global Environmental Strategies ("IGES") 2025 database, last updated for 2017
China	0.9419	0.9714	0.9350	Institute for Global Environmental Strategies ("IGES") 2025 database for China (North China Grid), last updated for 2023

SUSTAINABILITY REPORT

KESMI commenced the process of developing its Scope 3 inventory in accordance with the GHG Protocol methodology in 2024 and has disclosed limited scope of Scope 3 categories due to current data availability. The definitions for the reported categories are:

- **Category 1 Purchase of Goods and Services:** Emissions from extraction, production and transportation of goods and services purchased or acquired by the reporting company during the reporting year excluding those accounted for in categories 2 to 8.

    - Methodologies used and assumptions made: Spend-based method. Purchases made by KESMI during the reporting year which are not covered in other Scope 3 categories. Each transaction was mapped to the corresponding North American Industry Classification System ("NAICS") code and its associated emission factor. The emission factor was further adjusted using compound inflation rate ("CIR") from 2022 to the current year.
    - Source of NAICS code and emission factors: Supply Chain Greenhouse Gas Emission Factors v1.3 by NAICS-6 (U.S. Environmental Protection Agency, 2022)
    - Source of inflation rate: Consumer Price Index (U.S. Bureau of Labor Statistics, 2025)

- **Category 2 Capital Goods:** Emissions from extraction, production and transportation of capital goods purchased or acquired by the reporting company in the reporting year.

    - Methodologies used and assumptions made: Spend-based method. Capital goods purchased during the year were mapped to the corresponding NAICS code and its associated emission factor. The emission factor was further adjusted using CIR from 2022 to current year.
    - Source of NAICS code and emission factors: Supply Chain Greenhouse Gas Emission Factors v1.3 by NAICS-6 (U.S. Environmental Protection Agency, 2022)
    - Source of inflation rate: Consumer Price Index (U.S. Bureau of Labor Statistics, 2025)

- **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 2025 (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 Commuting:** 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 2025 (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 ("ML"), while water consumption intensity is measured in revenue or multiples.

SUSTAINABILITY REPORT

PERFORMANCE DATA TABLE FROM BURSA MALAYSIA ESG REPORTING PLATFORM

Indicator	Measurement Unit	2023	2024	2025
Bursa (Anti-corruption)				
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category				
Manager	Percentage	100.00	92.00	98.00
Exempt/Non-Exempt	Percentage	93.00	87.00	93.00
Direct Labour	Percentage	87.00	77.00	96.00
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	0
Bursa (Supply chain management)				
Bursa C7(a) Proportion of spending on local suppliers	Percentage	82.00	88.00	87.00
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	0.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	-	69	0
Bursa (Diversity)				
Bursa C3(a) Percentage of employees by gender and age group, for each employee category				
Age Group by Employee Category				
Manager under 30	Percentage	0.00	0.00	2.00
Manager between 30-50	Percentage	70.00	64.00	62.00
Manager above 50	Percentage	30.00	36.00	36.00
Exempt/Non-Exempt under 30	Percentage	29.00	27.00	22.00
Exempt/Non-Exempt between 30-50	Percentage	62.00	63.00	63.00
Exempt/Non-Exempt above 50	Percentage	9.00	10.00	15.00
Direct Labour under 30	Percentage	66.00	59.00	49.00
Direct Labour between 30-50	Percentage	32.00	38.00	46.00
Direct Labour above 50	Percentage	2.00	3.00	5.00

Internal assurance | External assurance | No assurance | (*)Restated

SUSTAINABILITY REPORT

Indicator	Measurement Unit	2023	2024	2025
Gender Group by Employee Category				
Manager Male	Percentage	64.00	62.00	58.00
Manager Female	Percentage	36.00	38.00	42.00
Exempt/Non-Exempt Male	Percentage	72.00	73.00	74.00
Exempt/Non-Exempt Female	Percentage	28.00	27.00	26.00
Direct Labour Male	Percentage	33.00	25.00	20.00
Direct Labour Female	Percentage	67.00	75.00	80.00
Bursa C3(b) Percentage of directors by gender and age group				
Male	Percentage	60.00	60.00	60.00
Female	Percentage	40.00	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	2,118	1,605	2,422
Exempt/Non-Exempt	Hours	14,438	19,084	14,584
Direct Labour	Hours	5,717	8,279	4,435
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	0.00	0.24	0.14
Bursa C6(c) Total number of employee turnover by employee category				
Manager	Number	20	7	13
Exempt/Non-Exempt	Number	139	120	109
Direct Labour	Number	222	108	100
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0	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	0.00	0.55	0.00
Bursa C5(c) Number of employees trained on health and safety standards	Number	856	793	703

Internal assurance External assurance No assurance (*)Restated

SUSTAINABILITY REPORT

Indicator	Measurement Unit	2023	2024	2025
Bursa (Energy management)				
Bursa C4(a) Total energy consumption	Megawatt	77,479.80	74,877.80	67,530.00
Bursa (Emissions management)				
Bursa C11(a) Scope 1 emissions in tonnes of CO2e	Metric tonnes	-	-	1,615.00
Bursa C11(b) Scope 2 emissions in tonnes of CO2e	Metric tonnes	-	-	46,722.00
Bursa C11(c) Scope 3 emissions in tonnes of CO2e (at least for the categories of business travel and employee commuting)	Metric tonnes	-	-	4,873.00
Bursa (Water)				
Bursa C9(a) Total volume of water used	Megalitres	-	148.000000	161.100410
Bursa (Waste management)[19]				
Bursa C10(a) Total waste generated	Metric tonnes	-	-	-
Bursa C10(a)(i) Total waste diverted from disposal	Metric tonnes	-	-	-
Bursa C10(a)(ii) Total waste directed to disposal	Metric tonnes	-	-	-

[19] KESMI has not begun disclosing data on waste management for FY2025 and this is not mandatory under Bursa Malaysia Securities Berhad's Sustainability Reporting Requirements based on the latest amendments dated 23 December 2024.

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 2024 to 31 July 2025.
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 39-43)
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 23-24)
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 64-73)
2-10	Nomination and selection of the highest governance body	Corporate Governance Overview Statement (pages 64-73)
2-11	Chair of the highest governance body	Corporate Governance Overview Statement (pages 64-73)
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 64-73) 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 64-73)
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	Uphold Corporate Governance and Building an Ethical Culture (pages 19-22) and Fair Employment Practices (pages 32-33)
2-24	Embedding policy commitments	Uphold Corporate Governance and 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	Uphold Corporate Governance and Building an Ethical Culture (pages 19-22)
205-1	Operations assessed for risks related to corruption	Uphold Corporate Governance and Building an Ethical Culture (pages 19-22)

SUSTAINABILITY REPORT

Disclosure		Reference(s) or Reasons for Omission
205-2	Communication and training about anti-corruption policies and procedures	Uphold Corporate Governance and Building an Ethical Culture (pages 19-22)
205-3	Confirmed incidents of corruption and actions taken	Uphold Corporate Governance and 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 25)
201-1	Direct economic value generated and distributed	Contributing Direct Economic Value (page 25)
204-1	Proportion of spending on local suppliers	Managing Supply Chains Responsibly (pages 23-24)
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) 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 39-43)
302-1	Energy consumption within the organisation	Energy and Carbon Footprint (pages 39-43)
302-3	Energy intensity	Energy and Carbon Footprint (pages 39-43)
305-1	Direct (Scope 1) GHG emissions	Energy and Carbon Footprint (pages 39-43)
305-2	Energy indirect (Scope 2) GHG emissions	Energy and Carbon Footprint (pages 39-43)
305-3	Other indirect (Scope 3) GHG emissions	Energy and Carbon Footprint (pages 39-43)
305-4	GHG emissions intensity	Energy and Carbon Footprint (pages 39-43)

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 (pages 43-44)
303-2	Management of water discharge-related impacts	Water Management (pages 43-44)
303-5	Water consumption	Water Management (pages 43-44)
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 by 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.

<table>
<tr><th>TCFD Recommendations</th><th>Our Approach</th><th>Page Reference</th></tr>
<tr><td colspan="3">Governance:
Disclose organisation's governance around climate-related risks and opportunities</td></tr>
<tr><td>Describe the Board's oversight of climate-related risks and opportunities</td><td rowspan="2">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.

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.

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.</td><td rowspan="2">Our Sustainability Commitment and Governance (page 15)

Corporate Governance Overview Statement (pages 64-73)

Statement on Risk Management and Internal Control (pages 74-76)</td></tr>
<tr><td>Describe management's role in assessing and managing climate-related risks and opportunities</td></tr>
<tr><td colspan="3">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</td></tr>
<tr><td>Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term</td><td>KESMI has begun conducting and incorporating climate scenario analysis into its climate reporting framework. For financial year ended 31 July 2025, 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 Group 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.</td><td></td></tr>
</table>

SUSTAINABILITY REPORT

<table>
<tr><th>TCFD Recommendations</th><th>Our Approach</th><th>Page Reference</th></tr>
<tr><td>Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning</td><td>
Summary of the climate scenario analysis parameters used:
<table>
<tr><th></th><th>Net Zero Scenario
Warming of 2°C or lower by the year 2100</th><th>Business-as-Usual
Warming of >4°C by the year 2100</th></tr>
<tr><td>Brief description of the scenarios</td><td>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>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>Climate scenarios used</td><td>• IPCC RCP 2.6
• IPCC SSP1-2.6</td><td>• IPCC RCP 8.5
• IPCC SSP5-8.5</td></tr>
<tr><td>Time horizons</td><td colspan="2">• Short-term: 2026. Selected to align with business planning cycles and near-term operational risks.
• Medium-term: 2030. Aligns with key regulatory and transition milestones, including national and sectoral decarbonisation targets.
• Long-term: 2050. Anchored to global net-zero goals and widely adopted by peers and industries as a standard horizon for strategic climate resilience</td></tr>
<tr><td>Countries</td><td colspan="2">Malaysia and China</td></tr>
</table>
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.
</td><td></td></tr>
</table>

SUSTAINABILITY REPORT

TCFD Recommendations	Our Approach	Page Reference
	Transition Risks 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.	

Risk Type	Risk Description	Potential Impacts	Time horizon & potential financial impact level across the climate scenario		Adaptation or Mitigation Measures	Risk Concentration in Business Model & Value Chain
			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 (High) Long term (Medium)	Medium term (Medium) Long term (Low)	Continue to work closely with the stakeholders and consultants to keep abreast of all sustainability reporting developments and regulations.	The concentration of this risk is in KESMI's operations in Malaysia and China, where increasing climate-related reporting and regulatory requirements are most likely to impact costs and compliance obligations, particularly being a company listed on the Main Market of Bursa Malaysia Securities Berhad

Potential financial impact level:
Low Medium High

SUSTAINABILITY REPORT

TCFD Recommendations	Our Approach							Page Reference
	Risk Type	**Risk Description**	**Potential Impacts**	**Time horizon & potential financial impact level across the climate scenario**		**Adaptation or Mitigation Measures**	**Risk Concentration in Business Model & Value Chain**	
				Net Zero	**Business-as-Usual**			
	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 Long term	Medium term Long term	Engage key stakeholders, including customers and investors to understand and address their concerns to meet or exceed their ESG expectations.	This risk is concentrated on KESMI's customer, particularly multinational clients and investor relations where expectations for credible ESG performance and disclosure are highest.	

Potential financial impact level:
Low Medium High

SUSTAINABILITY REPORT

TCFD Recommendations	Our Approach	Page Reference

Physical Risks
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.

Risk Type	Risk Description	Potential Impacts	Time horizon & potential financial impact level across the climate scenario		Adaptation or Mitigation Measures	Risk Concentration in Business Model & Value Chain
			Net Zero	Business-as-Usual		
Acute	Increased intensity and frequency of storms and floods	Physical damage or impairment of assets Increased insurance costs	Medium term Long term	Medium term Long term	Conduct regular maintenance and enhancement of infrastructure Review insurance coverage	This risk is concentrated in KESMI's facilities and supporting infrastructure in Malaysia and China, where extreme weather events such as storms and floods could damage assets and disrupt operations.
Chronic	Change in average temperature	Increased cooling demand for production facilities	Medium term Long term	Medium term Long term	Regular maintenance of air conditioning systems Explore additional measures to minimise heat absorption of buildings or more efficient air conditioning systems	This risk is concentrated in KESMI's operations in Malaysia and China, where higher average temperatures drive cooling demand for facilities.

Potential financial impact level:
Low Medium High

Climate-related opportunities
KESMI acknowledges that with climate-related risks also come valuable opportunities. The Group can capitalise on these opportunities by focusing on two key areas: energy efficiency and resource efficiency.

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.

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.

SUSTAINABILITY REPORT

<table>
<tr><th>TCFD Recommendations</th><th>Our Approach</th><th>Page Reference</th></tr>
<tr><td>Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</td><td>Qualitative climate scenario analysis offers KESMI a wide-ranging view of how climate change could affect their operations, considering various assumptions and projections.

Due to the lack of comprehensive local climate change projection databases, KESMI has utilised 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%.

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.

As KESMI advances towards detailed assessment, we aim to gain a clearer understanding of their business resilience in the face of diverse climate scenarios.</td><td></td></tr>
<tr><td colspan="3">Risk management:
Describe how the organisation identifies, assesses and manages climate-related risks</td></tr>
<tr><td>Describe the organisation’s processes for identifying and assessing climate-related risks</td><td rowspan="3">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.

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.

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.

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.</td><td rowspan="3">Statement on Risk Management and Internal Control (pages 74-76)</td></tr>
<tr><td>Describe the organisation’s processes for managing climate-related risks</td></tr>
<tr><td>Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation’s overall risk management</td></tr>
</table>

SUSTAINABILITY REPORT

TCFD Recommendations	Our Approach	Page Reference
Metrics and targets: **Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material**		
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	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.	Energy and Carbon Footprint (pages 39-43)
Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks	KESMI has measured and disclosed our Scope 1 and 2 emissions in total in this report. This year, KESMI further expanded its Scope 3 emissions coverage by disclosing emissions under Category 1: Purchase of Goods and Services and Category 2: Capital Goods in addition to the existing Category 6: Business Travel and Category 7: Employee Commuting.	
Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets	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.	

AUDIT COMMITTEE'S REPORT

The Audit Committee ("the Committee") is pleased to present its report for the FY2025.

COMPOSITION

The Committee members during FY2025 comprised of the following directors:-

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

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 FY2025. 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	4
Ms Lim Mee Ing	4

SUMMARY OF THE WORK OF THE COMMITTEE

During FY2025, the Committee: -

Financial Reporting

1. reviewed with the external auditors their audit for the financial year ended 31 July 2024 ("FY2024") 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;

2. was updated by the external auditors on areas relating to Bursa Securities Malaysia Berhad's ("Bursa Securities") enhanced sustainability reporting requirements, and tax updates on capital gain tax, base erosion and profit shifting (BEPS) 2.0 Pillar Two, tax compliance focus by IRB, new audit approach of the Royal Malaysian Custom Department and new and enhanced Transfer Pricing rules;

AUDIT COMMITTEE'S REPORT

3. reviewed and recommended the audited financial statements of the Company and of the Group for FY2024 to the Board for 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 FY2024 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 FY2025 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 FY2025 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.

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.

AUDIT COMMITTEE'S REPORT

Others

1. prepared the Committee's report in respect of FY2024 and presented it to the Board for approval and inclusion in the Annual Report 2024.

2. assessed the conflict of interest declared by certain directors. Conflicted Directors are connected with the parties who have business dealings with the Company and its subsidiaries for purchase of equipment, provision of management service and renting of factory space that are undertaken on arm's length basis ("RRPT"). The Company has and will continue to address this conflict of interest situation by seeking the approval of the shareholders of the Company to enter into the RRPT and the conflicted directors will abstain from all Board deliberations and voting on matters related to this.

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:-

   - Production Operations
   - Maintenance Management
   - Leave Management
   - Human Resource Management

   and 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 RM75,000.

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 FY2025. 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 FY2025.

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 FY2025, 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 FY2025.

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 FY2025, 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 MCCG 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 Board have, subsequent to the FY2025, conducted annual independence assessment of the IDs and concluded that they meet all the criteria of being independence.

As at 31 July 2025, 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 Kua Choh Leang and Dato' Dr. Suhazimah Binti Dzazali 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, 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 - 65 Years:	40%	66 - 70 Years:	20%	Above 70 Years:	40%
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 FY2025, 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 and Part II obligations prescribed in Practice Note 5 of the MMLR.

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 FY2025, all the Directors had attended the following in-house trainings (except for Dato' Dr. Suhazimah Binti Dzazali who was absent on 19 September 2024):

Course Title	Dates
Bursa Malaysia's enhanced sustainability reporting requirements and ESG Reporting requirements – adoption of International Financial Reporting Standards S1 and S2	19 September 2024
Tax updates on Capital Gain Tax and BEPS 2.0 Pillar Two	19 September 2024
Financial Reporting developments on amendments to Malaysia Financial Reporting Standards ("MFRS") covering MFRSs 7, 9, 18 and 19, as at 30 September 2024	11 March 2025
Updates on Capital Gain Tax, BEPS 2.0 Pillar Two, foreign-sourced dividend income received in Malaysia, tax compliance focus by IRB, new audit approach of the Royal Malaysian Customs Department, new and enhanced Transfer Pricing rules, and tax controversy	11 March 2025
Amendments to Bursa Malaysia's Main Market Listing Requirements in relation to (i) New Issue of Securities dated 29 November 2024; (ii) Conflict of Interest dated 29 November 2024; (iii) Sustainability Reporting Requirements and other enhancements dated 23 December 2024; and (iv) Revised Equity Guidelines in relation to significant change in business direction or policy of a listed corporation dated 26 February 2025.	11 March 2025

and some attended the following external trainings:

Course Title	Dates
Mandatory Accreditation Programme Part II: Leading for Impact (LIP), by Institute of Corporate Directors Malaysia (ICDM)	6 to 7 and 21 to 22 August 2024
How to Develop and Implement a Solid ESG Strategy Course, by Prominent Sustainability Sdn Bhd	28 August 2024
Sustainability Disclosure Report Writing According to ESG Reporting, by JXY Consulting	21 October 2024

Board Committees

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

Audit Committee

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Nominating Committee

The NC members during FY2025 comprised of the following directors:

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

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 FY2025, and had the full attendance of the NC, to:

- review the NC report in respect of FY2024 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; and
- undertake the necessary evaluations and assessments of the performance of Board, the Board Committees and the individual Directors as well as their fitness and probity.

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.

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 FY2025 can be found in the Company's Corporate Governance Report under Practice 8.1.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 RM2.9 million.

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 auditors, 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 FY2025, 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 FY2025 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.

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 criterions 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 2026. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

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. 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 FY2025 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 53rd AGM held on 15 January 2025 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 53rd 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 18 September 2025.

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 2025 ("FY2025").

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 are 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 18 September 2025.

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 July 2025.

Principal activities

The principal activities of the Company are investment holding and provision of semiconductor burn-in and testing 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
Loss net of tax	8,185	6,284

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 2024 as reported in the directors' report of that year:	
Interim tax exempt dividend of 7.5 sen per ordinary share, on 43,014,500 ordinary shares, approved on 19 September 2024 and paid on 29 October 2024	3,226

On 18 September 2025, the directors approved an interim tax exempt dividend in respect of the financial year ended 31 July 2025, of 6 sen on 43,014,500 ordinary shares, amounting to dividend payable of RM2,580,870. 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 2026.

The directors do not recommend a final dividend for the financial year ended 31 July 2025.

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 1.8.2024	Acquired	Sold	At 31.7.2025
Deemed interest				
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 of 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	1,680	1,680
	1,803	1,783
Non-executive:		
Fees	183	163
Allowances	27	27
	210	190
Total directors' remuneration	2,013	1,973

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 in the financial statements of the Group and of the Company 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 RM457,000 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 18 September 2025.

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 88 to 140 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 2025 and of their financial performance and cash flows for the year then ended in accordance with MFRS Accounting Standards, IFRS Accounting 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 18 September 2025.

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 88 to 140 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 18 September 2025

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 2025 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 88 to 140.

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 2025, and of their financial performance and their cash flows for the year then ended in accordance with MFRS Accounting Standards, IFRS Accounting 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"), as applicable to audits of financial statements of public interest entities 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 2025, the Group's property, plant and equipment including right-of-use assets amounted to RM133,767,000, representing 32% 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.

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 reasonableness of management's budgets 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 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 matters 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 2025, the Company's investment in subsidiaries amounted to RM79,250,000, representing 46% 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.

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 reasonableness of management's budgets 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 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.

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.

INDEPENDENT AUDITORS' REPORT

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

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 MFRS Accounting Standards, IFRS Accounting 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.

- 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the financial statements of the Group. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

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

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

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
18 September 2025

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 July 2025

	Note	Group 2025 RM'000	Group 2024 RM'000	Company 2025 RM'000	Company 2024 RM'000
Revenue	4	210,546	243,025	51,248	62,637
Other items of income					
Interest income	5	6,730	6,867	1,273	1,321
Dividend income		393	382	393	382
Other income		2,770	7,461	2,630	4,821
Items of expenses					
Consumables used		(17,150)	(19,626)	(1,006)	(1,279)
Employee benefits expense	6	(82,744)	(94,558)	(28,820)	(33,776)
Depreciation of property, plant and equipment	11	(45,404)	(47,973)	(6,016)	(6,552)
Finance costs	7	(2,735)	(4,239)	(106)	(178)
Other expenses		(79,874)	(88,040)	(25,847)	(29,834)
(Loss)/profit before tax	8	(7,468)	3,299	(6,251)	(2,458)
Income tax expense	9	(717)	(3,111)	(33)	(40)
(Loss)/profit net of tax		(8,185)	188	(6,284)	(2,498)
Other comprehensive (loss)/income:					
Item that will not be reclassified to profit or loss					
Remeasurement loss arising from net defined benefit liabilities, net of tax	22	(78)	(77)	–	–
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation (loss)/gain		(2,019)	402	–	–
Other comprehensive (loss)/income for the year, net of tax		(2,097)	325	–	–
Total comprehensive (loss)/income for the year, net of tax		(10,282)	513	(6,284)	(2,498)
(Loss)/earnings per share attributable to owners of the Company					
– Basic	10	(19.0 sen)	0.4 sen		

STATEMENTS OF FINANCIAL POSITION

As at 31 July 2025

	Note	Group 2025 RM'000	Group 2024 RM'000	Company 2025 RM'000	Company 2024 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	133,767	163,915	17,721	23,422
Investment in subsidiaries	13	–	–	79,250	79,250
Deferred tax assets	20	5,943	6,082	3,969	3,969
Other receivables	15	358	628	1,445	372
		140,068	170,625	102,385	107,013
Current assets					
Inventories	14	1,985	1,584	25	43
Trade and other receivables	15	43,663	42,835	12,574	12,123
Derivatives	24(ii)	–	104	–	–
Prepayments		1,266	1,495	126	326
Investment securities	25(ii)	10,649	14,318	10,649	14,318
Tax recoverable		5,678	5,578	1,067	972
Cash and short-term deposits	16	210,121	232,461	42,252	46,939
		273,362	298,375	66,693	74,721
Assets held for sale	11(iii)	1,762	–	1,762	–
		275,124	298,375	68,455	74,721
Total assets		415,192	469,000	170,840	181,734
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	43,678	43,678	43,678	43,678
Reserves	18	295,491	308,999	118,656	128,166
Total equity		339,169	352,677	162,334	171,844
Non-current liabilities					
Loans and borrowings	19	6,757	34,201	419	1,319
Defined benefit liabilities	22	6,197	5,662	–	–
Deferred tax liabilities	20	5,014	6,954	–	–
		17,968	46,817	419	1,319
Current liabilities					
Trade and other payables	21	28,721	30,447	7,177	7,031
Derivatives	24(ii)	101	–	–	–
Loans and borrowings	19	29,233	39,059	910	1,540
		58,055	69,506	8,087	8,571
Total liabilities		76,023	116,323	8,506	9,890
Total equity and liabilities		415,192	469,000	170,840	181,734

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 2025

			Attributable to owners of the Company						
				Non-distributable	Distributable	Non-distributable			
	Note	Equity, total	Equity attributable to owners of the Company, total	Share capital (Note 17)	Retained earnings (Note 18)	Other reserves, total	Foreign currency translation reserve (Note 18)	Capital reserve (Note 18)	Statutory reserve fund (Note 18)
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
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
As at 1 August 2024		352,677	352,677	43,678	290,010	18,989	12,120	2,240	4,629
Loss for the year		(8,185)	(8,185)	–	(8,185)	–	–	–	–
Other comprehensive loss for the year, net of tax		(2,097)	(2,097)	–	(78)	(2,019)	(2,019)	–	–
Total comprehensive loss for the year		(10,282)	(10,282)	–	(8,263)	(2,019)	(2,019)	–	–
Transaction with owners									
Dividends on ordinary shares	29	(3,226)	(3,226)	–	(3,226)	–	–	–	–
As at 31 July 2025		339,169	339,169	43,678	278,521	16,970	10,101	2,240	4,629

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 July 2025

			Non-distributable	Distributable	← Non-distributable →	
	Note	Equity, total RM'000	Share capital (Note 17) RM'000	Retained earnings (Note 18) RM'000	Other reserves, total RM'000	Merger relief reserve (Note 18) RM'000
Company						
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
As at 1 August 2024		171,844	43,678	126,951	1,215	1,215
Total comprehensive loss for the year		(6,284)	–	(6,284)	–	–
Transaction with owners						
Dividends on ordinary shares	29	(3,226)	–	(3,226)	–	–
As at 31 July 2025		162,334	43,678	117,441	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 2025

		Group		Company	
	Note	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Operating activities					
(Loss)/profit before tax		(7,468)	3,299	(6,251)	(2,458)
Adjustments for:					
Depreciation of property, plant and equipment	11	45,404	47,973	6,016	6,552
Net gain on disposal of property, plant and equipment	8	(1,534)	(3,797)	(21)	(2)
Property, plant and equipment written off	8	–	17	–	17
Net fair value loss/(gain) on investment securities	8	3,384	(1,700)	3,384	(1,700)
Unrealised exchange (gain)/loss		(47)	357	(5)	4
Unrealised loss/(gain) on derivatives		205	(104)	–	–
Write-back of inventories	8	–	(77)	–	–
Impairment of trade receivables	8	831	–	–	–
Dividend income		(393)	(382)	(393)	(382)
Interest income	5	(6,730)	(6,867)	(1,273)	(1,321)
Finance costs	7	2,735	4,239	106	178
Operating cash flows before changes in working capital		36,387	42,958	1,563	888
Changes in working capital:					
(Increase)/decrease in inventories		(401)	(19)	18	94
(Increase)/decrease in prepayments and receivables		(1,827)	13,117	781	5,162
Decrease in payables		(1,826)	(4,352)	(161)	(3,730)
Cash flows from operations		32,333	51,704	2,201	2,414
Income taxes paid, net		(2,757)	(2,569)	(128)	(709)
Interest paid		(2,696)	(4,022)	(106)	(178)
Interest received		6,879	6,240	1,259	1,267
Net cash flows from operating activities		33,759	51,353	3,226	2,794

STATEMENTS OF CASH FLOWS

For the financial year ended 31 July 2025

	Note	Group 2025 RM'000	Group 2024 RM'000	Company 2025 RM'000	Company 2024 RM'000
Investing activities					
Decrease/(increase) in short-term deposits with maturity more than three months		20,500	(33,500)	9,000	(10,000)
Purchase of investment securities		(1,025)	(5,762)	(1,025)	(5,762)
Proceeds from disposal of investment securities		1,310	3,911	1,310	3,911
Dividend received		393	382	393	382
Purchase of property, plant and equipment		(17,414)	(15,400)	(1,973)	(1,964)
Proceeds and deposit received from disposal of property, plant and equipment		1,821	3,797	301	2
Loans to a subsidiary		–	–	(2,600)	–
Proceeds from repayment of loans to a subsidiary		–	–	394	–
Interest income received from loans to a subsidiary		–	–	52	–
Net cash flows from/(used in) investing activities		5,585	(46,572)	5,852	(13,431)
Financing activities					
Repayment of principal portion of lease liabilities	19	(2,515)	(3,804)	(1,514)	(2,802)
Repayment of bank loans	19	(36,506)	(34,168)	(25)	(1,443)
Proceeds from bank loans	19	1,847	11,000	–	–
Dividends paid on ordinary shares		(3,226)	(2,581)	(3,226)	(2,581)
Net cash flows used in financing activities		(40,400)	(29,553)	(4,765)	(6,826)
Net (decrease)/increase in cash and cash equivalents		(1,056)	(24,772)	4,313	(17,463)
Effect of exchange rate changes on cash and cash equivalents		(784)	(195)	–	–
Cash and cash equivalents at beginning of the year		74,461	99,428	23,939	41,402
Cash and cash equivalents at end of the year	16	72,621	74,461	28,252	23,939

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 2025

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 and testing services. 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 SS 8/4, 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 MFRS Accounting Standards, IFRS Accounting Standards 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 2024, the Group and the Company adopted the following amendments to standards mandatory for annual financial periods beginning on or after 1 January 2024.

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

Adoption of the above amendments to standards did not have any material effect on the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

2. Material accounting policy information (cont'd)

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 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
Annual Improvements to MFRS Accounting Standards - Volume 11	1 January 2026
Amendments to MFRS 9 and MFRS 7: Contracts Referencing Nature-dependent Electricity	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 standards and interpretations will have no material impact on the financial statements in the year of application, except for the following:

<u>MFRS 18 Presentation and Disclosure in Financial Statements</u>

MFRS 18 replaces MFRS 101 Presentation of Financial Statements. MFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements ("PFS") and the notes.

In addition, narrow-scope amendments have been made to MFRS 107 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. MFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted.

The Group is currently working to identify all impacts the amendments will have on the PFS and notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

2. Material accounting policy information (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

2. Material accounting policy information (cont'd)

2.6 Property, plant and equipment (cont'd)

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.

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 reporting date, 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 2025

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")

Financial assets at 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 gain or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedging 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.

Subsequent to initial recognition, FVPL 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

2. Material accounting policy information (cont'd)

2.8 Financial instruments (cont'd)

(i) Financial assets (cont'd)

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.

(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').

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

2. Material accounting policy information (cont'd)

2.9 Impairment of financial assets (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

2. Material accounting policy information (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

2. Material accounting policy information (cont'd)

2.12 Leases (cont'd)

(i) As a lessee (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

2. Material accounting policy information (cont'd)

2.13 Revenue (cont'd)

(ii) Others (cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

2. Material accounting policy information (cont'd)

2.14 Taxes (cont'd)

(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 operating segments based on their services (i.e. burn-in and testing services) which are independently managed by the respective plant managers responsible 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.

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 RM5,943,000 (2024: RM6,082,000) and RM3,969,000 (2024: RM3,969,000) respectively. Further details are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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

3.2 Key sources of estimation uncertainty (cont'd)

(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 is used with certain key parameters such as sales volume and prices, discount rate and residual value of certain plant and equipment. 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.

(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. 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 (2024: RM79,250,000).

4. Revenue

Disaggregation of revenue

	Group		Company	
	2025	**2024**	**2025**	**2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Types of goods and services				
Rendering of services	210,546	243,025	51,248	62,637
Geographical markets				
Malaysia	137,438	143,296	43,499	50,218
People's Republic of China ("PRC")	38,405	41,667	–	–
Singapore	17,162	38,801	4,394	8,975
Others*	17,541	19,261	3,355	3,444
	210,546	243,025	51,248	62,637

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

5. Interest income

	Group 2025 RM'000	Group 2024 RM'000	Company 2025 RM'000	Company 2024 RM'000
Interest income from:				
- Deposits with licensed banks	6,698	6,840	1,193	1,305
- Loans to a subsidiary	–	–	61	–
- Others	32	27	19	16
	6,730	6,867	1,273	1,321

6. Employee benefits expense

	Note	Group 2025 RM'000	Group 2024 RM'000	Company 2025 RM'000	Company 2024 RM'000
Employee benefits expense (including directors):					
- Wages, salaries and bonuses		69,934	80,550	26,478	31,243
- Contributions to defined contribution plan		2,892	3,195	1,083	1,238
- Social security contributions		5,273	6,072	188	210
- Defined benefit obligations	22	303	303	-	-
- Other benefits		4,342	4,438	1,071	1,085
		82,744	94,558	28,820	33,776

7. Finance costs

	Note	Group 2025 RM'000	Group 2024 RM'000	Company 2025 RM'000	Company 2024 RM'000
Interest expense on:					
- Bank loans		2,273	3,687	–	21
- Lease liabilities	12	308	373	106	157
- Defined benefit obligations	22	154	179	–	–
		2,735	4,239	106	178

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

8. (Loss)/profit before tax

		Group		Company	
	Note	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
(Loss)/profit before tax is arrived at:					
<u>After charging:</u>					
Audit fees paid to:					
- Auditors of the Company		318	318	181	181
- Other auditors		139	159	–	–
Non-audit fees paid to:					
- Auditors of the Company		6	6	6	6
- Other auditors		121	137	121	137
Directors' remuneration		2,013	1,947	1,973	1,907
Lease expenses	12	439	403	194	283
Utilities		34,346	39,990	11,497	15,944
Repairs and maintenance		19,422	24,445	2,156	3,406
Impairment of trade receivables	15	831	–	–	–
Property, plant and equipment written off		–	17	–	17
Net fair value loss on investment securities		3,384	–	3,384	–
Net foreign exchange loss		1,274	–	104	–
Net derivatives loss		–	210	–	–
<u>and crediting:</u>					
Net gain on disposal of property, plant and equipment		1,534	3,797	21	2
Net fair value gain on investment securities		–	1,700	–	1,700
Write-back of inventories		–	77	–	–
Rental income from a subsidiary		–	–	1,764	1,701
Net foreign exchange gain		–	505	–	95
Net derivatives gain		246	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

8. (Loss)/profit before tax (cont'd)

Information on directors' remuneration is as follows:

	Group		Company	
	2025	**2024**	**2025**	**2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration				
In respect of the Company's directors:				
Executive:				
- Fees	123	123	103	103
- Salaries and other emoluments	1,680	1,614	1,680	1,614
	1,803	1,737	1,783	1,717
Non-executive:				
- Fees	183	183	163	163
- Allowances	27	27	27	27
	210	210	190	190
Total directors' remuneration	2,013	1,947	1,973	1,907

9. Income tax expense

	Group		Company	
	2025	**2024**	**2025**	**2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current income tax:				
- Malaysian income tax	2,818	2,970	95	591
- (Over)/under provision in prior years	(161)	47	(62)	53
	2,657	3,017	33	644
Deferred tax (Note 20):				
- Origination and reversal of temporary differences	(1,933)	83	(5)	(553)
- (Over)/under provision in prior years	(7)	11	5	(51)
	(1,940)	94	–	(604)
Income tax expense recognised in profit or loss	717	3,111	33	40

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

9. Income tax expense (cont'd)

The reconciliation between tax expense and product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 July 2025 and 2024 is as follows:

	Group	
	2025	2024
	RM'000	RM'000
(Loss)/profit before tax	(7,468)	3,299
Tax at Malaysian statutory tax rate of 24% (2024: 24%)	(1,792)	792
Adjustments:		
Effect of different tax rate on foreign expense	(18)	(46)
Income not subject to tax	(94)	(137)
Non-deductible expenses	1,090	330
Deferred tax asset not recognised	1,699	2,114
(Over)/under provision of income tax in prior years	(161)	47
(Over)/under provision of deferred tax in prior years	(7)	11
Income tax expense recognised in profit or loss	717	3,111

	Company	
	2025	2024
	RM'000	RM'000
Loss before tax	(6,251)	(2,458)
Tax at Malaysian statutory tax rate of 24% (2024: 24%)	(1,500)	(590)
Adjustments:		
Income not subject to tax	(94)	(92)
Non-deductible expenses	874	296
Deferred tax asset not recognised	810	424
(Over)/under provision of income tax in prior years	(62)	53
Under/(over) provision of deferred tax in prior years	5	(51)
Income tax expense recognised in profit or loss	33	40

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2024: 24%) of the estimated assessable (loss)/profit 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 2025

10. Earnings per share

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/profit 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	
	2025	2024
	'000	'000
Weighted average number of ordinary shares for basic (loss)/earnings per share calculation	43,015	43,015

	2025	2024
Basic (loss)/earnings per share	(19.0 sen)	0.4 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

	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
Group								
At 31 July 2025								
At cost								
At 1 August 2024	35,402	1,111	7,775	38,881	972,782	1,067	12,122	1,069,140
Additions	10	–	–	633	16,965	–	269	17,877
Disposals	–	–	–	–	(4,738)	–	–	(4,738)
Write off	–	–	–	(234)	(1,499)	–	(9)	(1,742)
Reclassified to assets held for sale	(1,310)	–	(747)	–	–	–	–	(2,057)
Exchange differences	(354)	–	–	(2,016)	(11,634)	(7)	(250)	(14,261)
At 31 July 2025	33,748	1,111	7,028	37,264	971,876	1,060	12,132	1,064,219
Accumulated depreciation								
At 1 August 2024	24,003	–	2,306	37,241	830,215	1,067	10,393	905,225
Depreciation charge for the year	2,778	–	118	654	41,285	–	569	45,404
Disposals	–	–	–	–	(4,731)	–	–	(4,731)
Write off	–	–	–	(234)	(1,499)	–	(9)	(1,742)
Reclassified to assets held for sale	(251)	–	(44)	–	–	–	–	(295)
Exchange differences	(80)	–	–	(2,003)	(11,083)	(7)	(236)	(13,409)
At 31 July 2025	26,450	–	2,380	35,658	854,187	1,060	10,717	930,452
Net carrying amount	7,298	1,111	4,648	1,606	117,689	–	1,415	133,767

* Included in the net carrying amounts of the Group's 'Plant, machinery and test equipment' of RM6,289,000, 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 2025

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

	Buildings	Freehold land	Leasehold land	Renovation	Plant, machinery and test equipment*	Motor vehicles	Office equipment, furniture and fittings and computers	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
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 2025

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

	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
Company								
At 31 July 2025								
At cost								
At 1 August 2024	19,524	1,111	5,075	3,972	144,330	589	4,445	179,046
Additions	10	–	–	315	1,657	–	95	2,077
Disposals	–	–	–	–	(23)	–	–	(23)
Write off	–	–	–	–	(1,484)	–	(9)	(1,493)
Reclassified to assets held for sale	(1,310)	–	(747)	–	–	–	–	(2,057)
At 31 July 2025	18,224	1,111	4,328	4,287	144,480	589	4,531	177,550
Accumulated depreciation								
At 1 August 2024	12,606	–	1,020	3,371	134,155	589	3,883	155,624
Depreciation charge for the year	1,752	–	54	281	3,773	–	156	6,016
Disposals	–	–	–	–	(23)	–	–	(23)
Write off	–	–	–	–	(1,484)	–	(9)	(1,493)
Reclassified to assets held for sale	(251)	–	(44)	–	–	–	–	(295)
At 31 July 2025	14,107	–	1,030	3,652	136,421	589	4,030	159,829
Net carrying amount	4,117	1,111	3,298	635	8,059	–	501	17,721

* Included in the net carrying amounts of the Company's 'Plant, machinery and test equipment' of RM439,000, 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 2025

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

	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
Company								
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.

(i) Additions

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

	Note	Group 2025 RM'000	Group 2024 RM'000	Company 2025 RM'000	Company 2024 RM'000
Cash payments		7,363	15,400	1,945	1,964
Lease liabilities	12	199	6,525	9	1,218
Other payables	21	10,315	10,114	123	91
		17,877	32,039	2,077	3,273

(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.

(iii) Assets held for sale

On 28 May 2025, the Group entered into a sale and purchase agreement for the disposal of leasehold land and building for a cash consideration of RM4,000,000.

The disposal is expected to be completed within a year from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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 years, and do not contain variable lease payments. The lease arrangements prohibit the Group 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:

	Buildings	Leasehold land	Plant, machinery and test equipment	Total
	RM'000	RM'000	RM'000	RM'000
Group				
At 31 July 2025				
At 1 August 2024	7,249	5,469	53	12,771
Additions	10	–	171	181
Depreciation	(2,548)	(118)	(33)	(2,699)
Transfer out upon lease expiry	–	–	(42)	(42)
Reclassified to assets held for sale	–	(703)	–	(703)
Exchange differences	(274)	–	–	(274)
At 31 July 2025	4,437	4,648	149	9,234
At 31 July 2024				
At 1 August 2023	3,175	5,590	2,178	10,943
Additions	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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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)

	Buildings RM'000	Leasehold land RM'000	Plant and machinery RM'000	Total RM'000
Company				
As at 31 July 2025				
As at 1 August 2024	2,768	4,055	–	6,823
Additions	10	–	–	10
Depreciation	(1,522)	(54)	–	(1,576)
Reclassified to assets held for sale	–	(703)	–	(703)
As at 31 July 2025	1,256	3,298	–	4,554
As at 31 July 2024				
As at 1 August 2023	3,034	4,111	2,106	9,251
Additions	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

(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 2025 RM'000	Group 2024 RM'000	Company 2025 RM'000	Company 2024 RM'000
As at 1 August		7,266	4,549	2,834	4,418
Additions	11	199	6,525	9	1,218
Accretion of interest	7	308	373	106	157
Payments		(2,823)	(4,177)	(1,620)	(2,959)
Exchange differences		(295)	(4)	–	–
As at 31 July		4,655	7,266	1,329	2,834
Current	19	1,893	2,433	910	1,515
Non-current	19	2,762	4,833	419	1,319
		4,655	7,266	1,329	2,834

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

12. Leases (cont'd)

As a lessee (cont'd)

(iii) Amounts recognised in profit or loss:

	Note	Group 2025 RM'000	Group 2024 RM'000	Company 2025 RM'000	Company 2024 RM'000
Depreciation expense of right-of-use assets	12(i)	2,699	3,233	1,576	2,085
Interest expense on lease liabilities	7	308	373	106	157
Lease expense relating to short-term lease		325	281	175	265
Lease expense relating to low-value assets		114	122	19	18
	8	439	403	194	283
Total amount recognised in profit or loss		3,446	4,009	1,876	2,525

The Group and the Company had total cash outflows for leases of RM3,262,000 and RM1,814,000 (2024: RM4,580,000 and RM3,242,000) respectively in the current financial year. The Group and the Company also had non-cash additions to right-of-use assets and lease liabilities of RM199,000 and RM9,000 (2024: RM6,525,000 and RM1,218,000) 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:

	Group 2025 RM'000	Group 2024 RM'000	Company 2025 RM'000	Company 2024 RM'000
Extension option expected not to be exercised:				
- Within five years	4,994	3,703	4,932	3,641

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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 RM1,764,000 (2024: RM1,701,000).

13. Investment in subsidiaries

	Company	
	2025 RM'000	2024 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	Place of business/ country of incorporation	Principal activities	Proportion of ownership interest 2025 %	Proportion of ownership interest 2024 %
KESP Sdn. Bhd.*	Malaysia	Provision of semiconductor burn-in 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 2025

14. Inventories

	Group 2025 RM'000	Group 2024 RM'000	Company 2025 RM'000	Company 2024 RM'000
At cost				
Consumables	1,985	1,584	25	43

In the previous financial year, the Group wrote back RM77,000 of inventories as these inventories were sold.

15. Trade and other receivables

	Note	Group 2025 RM'000	Group 2024 RM'000	Company 2025 RM'000	Company 2024 RM'000
Non-current					
Other receivables					
Refundable deposits		358	628	106	372
Loans to a subsidiary		–	–	1,339	–
Total non-current other receivables		358	628	1,445	372
Current					
Trade receivables					
Third parties		41,816	40,546	8,434	8,828
Less: Allowance for impairment		(907)	(100)	–	–
		40,909	40,446	8,434	8,828
Current					
Other receivables					
Refundable deposits		559	625	532	598
Sundry receivables		2,165	1,762	618	293
Loans to a subsidiary		–	–	867	–
Amounts due from subsidiaries		–	–	2,094	2,403
Amounts due from related companies		30	2	29	1
		2,754	2,389	4,140	3,295
Total current trade and other receivables		43,663	42,835	12,574	12,123
Total trade and other receivables		44,021	43,463	14,019	12,495
Add: Cash and short-term deposits	16	210,121	232,461	42,252	46,939
Total financial assets carried at amortised cost		254,142	275,924	56,271	59,434

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

15. Trade and other receivables (cont'd)

(i) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2024: 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	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Neither past due nor impaired	38,005	37,659	7,910	8,677
Past due not impaired				
- 1 to 60 days	2,904	2,008	524	151
- more than 60 days	–	779	–	–
	40,909	40,446	8,434	8,828
Impaired (more than 180 days)	907	100	–	–
	41,816	40,546	8,434	8,828

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 RM2,904,000 (2024: RM2,787,000) and RM524,000 (2024: RM151,000) 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 reporting date relate to debtors who have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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

	Note	Group	
		2025 RM'000	2024 RM'000
At beginning of the year		100	98
Charge to profit or loss	8	831	-
Exchange differences		(24)	2
At end of the year		907	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

15. Trade and other receivables (cont'd)

(ii) Related company receivables

Loans to a subsidiary bore interest rate between 4.91% and 5.06% per annum, is unsecured and repayable within three years.

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	
	2025	**2024**	**2025**	**2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
United States Dollar	14,211	11,727	652	509
Ringgit Malaysia	18,528	19,454	13,367	11,986
Renminbi	11,282	12,282	–	–
	44,021	43,463	14,019	12,495

16. Cash and short-term deposits

	Group		Company	
	2025	**2024**	**2025**	**2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash at banks and on hand	19,564	26,406	4,464	5,925
Deposits with licensed banks	190,557	206,055	37,788	41,014
Cash and short-term deposits	210,121	232,461	42,252	46,939
Less: Bank deposits with maturity more than three months	(137,500)	(158,000)	(14,000)	(23,000)
Cash and cash equivalents	72,621	74,461	28,252	23,939

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

	Group		Company	
	2025	**2024**	**2025**	**2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
United States Dollar	4,670	9,016	427	265
Ringgit Malaysia	194,382	211,351	41,825	46,674
Renminbi	11,069	12,094	–	–
	210,121	232,461	42,252	46,939

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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 seven days and three months (2024: between thirteen 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 2025 for the Group and the Company were 3.3% (2024: 3.5%) and 3.1% (2024: 3.2%) per annum respectively.

Cash and short-term deposits of RM11,069,000 (2024: RM12,553,000) 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	
	2025	2024	2025	2024
	'000	'000	RM'000	RM'000
Issued and fully paid, at no par value:				
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

		Group		Company	
	Note	2025	2024	2025	2024
		RM'000	RM'000	RM'000	RM'000
Distributable:					
Retained earnings		278,521	290,010	117,441	126,951
Non-distributable:					
Foreign currency translation reserve	(i)	10,101	12,120	–	–
Statutory reserve fund	(ii)	4,629	4,629	–	–
Merger relief reserve	(iii)	–	–	1,215	1,215
Capital reserve	(iv)	2,240	2,240	–	–
		295,491	308,999	118,656	128,166

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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

		Group		Company	
	Maturity years	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Current					
Unsecured					
Revolving credits	2026	1,847	–	–	–
Term loans	2026	25,493	36,626	–	25
Secured					
Lease liabilities (Note 12)		1,893	2,433	910	1,515
		29,233	39,059	910	1,540
Non-current					
Unsecured					
Term loans	2026 – 2027	3,995	29,368	–	–
Secured					
Lease liabilities (Note 12)		2,762	4,833	419	1,319
		6,757	34,201	419	1,319
Total loans and borrowings		35,990	73,260	1,329	2,859

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

19. Loans and borrowings (cont'd)

(i) Revolving credits

As at reporting date, the revolving credits of the Group bore interests of 4.17% per annum.

(ii) Term loans

The term loans of the Group bore interests between 4.5% and 5.0% (2024: between 4.5% and 5.1%) per annum.

(iii) Lease liabilities

The lease liabilities of the Group and the Company bore interests between 4.7% and 7.1% (2024: between 4.7% and 6.6%), and between 4.7% and 5.1% (2024: between 4.7% and 5.1%) per annum respectively.

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

			Non-cash items		
	1 August 2024 RM'000	**Cash flows RM'000**	**Addition RM'000**	**Others RM'000**	**31 July 2025 RM'000**
Group					
Revolving credits and term loans					
- Current	36,626	(34,659)	–	25,373	27,340
- Non-current	29,368	–	–	(25,373)	3,995
Lease liabilities					
- Current	2,433	(2,515)	–	1,975	1,893
- Non-current	4,833	–	199	(2,270)	2,762
Total	73,260	(37,174)	199	(295)	35,990
Company					
Term loans					
- Current	25	(25)	–	–	–
Lease liabilities					
- Current	1,515	(1,514)	–	909	910
- Non-current	1,319	–	9	(909)	419
Total	2,859	(1,539)	9	–	1,329

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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 2023	Cash flows	Non-cash items		31 July 2024
			Addition	Others	
	RM'000	RM'000	RM'000	RM'000	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

The 'Others' column relates to the reclassification of non-current portion of loans and borrowings. 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	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Renminbi	5,035	4,412	–	–
Ringgit Malaysia	30,955	68,848	1,329	2,859
	35,990	73,260	1,329	2,859

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

20. Deferred tax (assets)/liabilities

	Note	Group 2025 RM'000	Group 2024 RM'000	Company 2025 RM'000	Company 2024 RM'000
At beginning of the year		872	795	(3,969)	(3,365)
Recognised in profit or loss	9	(1,940)	94	–	(604)
Exchange differences		139	(17)	–	–
At end of the year		(929)	872	(3,969)	(3,969)
Presented after appropriate offsetting as follows:					
Deferred tax assets		(5,943)	(6,082)	(3,969)	(3,969)
Deferred tax liabilities		5,014	6,954	–	–
		(929)	872	(3,969)	(3,969)

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 2023	11,411	–	11,411
Recognised in profit or loss	(2,704)	–	(2,704)
At 31 July 2024	8,707	–	8,707
Recognised in profit or loss	(1,932)	5	(1,927)
At 31 July 2025	6,775	5	6,780

Deferred tax assets of the Group

	Property, plant and equipment RM'000	Unabsorbed capital allowance RM'000	Others* RM'000	Total RM'000
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)
Recognised in profit or loss	(22)	(2)	11	(13)
Exchange differences	139	–	–	139
At 31 July 2025	(1,996)	(3,971)	(1,742)	(7,709)
Net				(929)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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

Deferred tax liabilities of the Company

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 31 July 2023	24	–	24
Recognised in profit or loss	(24)	–	(24)
At 31 July 2024	–	–	–
Recognised in profit or loss	–	2	2
At 31 July 2025	–	2	2

Deferred tax assets of the Company

	Unabsorbed capital allowance RM'000	Others* RM'000	Total RM'000
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)
Recognised in profit or loss	(2)	–	(2)
At 31 July 2025	(3,971)	–	(3,971)
Net			(3,969)

* Others comprise other deductible temporary differences relating to provisions.

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

	Group		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Property, plant and equipment	23,816	22,470	2,242	749
Unabsorbed capital allowances	8,355	5,449	2,408	320
Unutilised business losses	38,844	35,779	–	–
Other deductible temporary differences	3,650	3,925	491	697
	74,665	67,623	5,141	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 2025

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	
	2025	**2024**
	RM'000	**RM'000**
Expiring in 2026	16,231	16,231
Expiring in 2028	2,895	2,895
Expiring in 2029	1,970	1,970
Expiring in 2030	6,479	6,479
Expiring in 2031	1,033	–
Expiring in 2032	4,235	4,235
Expiring in 2033	2,076	2,076
Expiring in 2034	1,893	1,893
Expiring in 2035	2,032	–
	38,844	35,779

21. Trade and other payables

		Group		Company	
	Note	**2025**	**2024**	**2025**	**2024**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables					
Third parties		1,546	1,330	–	–
Other payables					
Accrued operating expenses		7,225	8,651	3,294	3,934
Sundry payables		6,676	7,508	1,988	1,728
Balance due for acquisitions of property, plant and equipment	11	10,315	10,114	123	91
Amounts due to ultimate holding company		2,959	2,827	1,329	1,278
Amounts due to a subsidiary		–	–	443	–
Amounts due to related companies		–	17	–	–
Total trade and other payables		28,721	30,447	7,177	7,031
Add: Loans and borrowings	19	35,990	73,260	1,329	2,859
Total financial liabilities carried at amortised cost		64,711	103,707	8,506	9,890

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

21. Trade and other payables (cont'd)

(i) Trade payables and sundry payables

Trade payables and sundry payables are non-interest bearing. They are normally settled on 30 to 90 days (2024: 30 to 90 days) terms.

(ii) Related companies payables

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

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

	Group		Company	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
United States Dollar	6,108	7,402	573	39
Ringgit Malaysia	11,444	14,235	5,310	5,749
Renminbi	8,125	5,942	–	–
Others	3,044	2,868	1,294	1,243
	28,721	30,447	7,177	7,031

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	
	2025	2024
	RM'000	RM'000
Present value of defined benefit obligations, representing defined benefit liabilities		
- Non-current	6,197	5,662

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

	Group	
	2025	2024
	RM'000	RM'000
Balance at beginning of the year	5,662	5,103
Current service costs	303	303
Interest costs	154	179
Remeasurement loss on defined benefit liabilities		
- Actuarial loss arising from changes in financial assumptions	78	77
Balance at end of the year	6,197	5,662

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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

		Group	
	Note	**2025**	**2024**
		RM'000	**RM'000**
Current service costs	6	303	303
Interest costs	7	154	179
		457	482

Reported in other comprehensive income

	Group	
	2025	**2024**
	RM'000	**RM'000**
Remeasurement loss arising from changes in financial assumptions	78	77

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

	Group	
	2025	**2024**
	%	**%**
Discount rates	3.61- 3.65	3.85 - 3.93
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:

		Group	
	Increase/	**2025**	**2024**
	(decrease)	**RM'000**	**RM'000**
Discount rates	0.25%	(82)	(88)
	(0.25%)	83	89
Expected rate of future salary increases	0.25%	82	89
	(0.25%)	(81)	(88)

The duration of the defined benefit liabilities at the reporting date is 4 to 7 years (2024: 5 to 8 years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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	
	2025	**2024**	**2025**	**2024**
	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	10,345	10,913	4,520	4,802
Dividend paid/payable to Sunright Limited	1,562	1,250	1,562	1,250
Sale of equipment to:				
- KES Systems & Service (1993) Pte Ltd	21	–	21	–
Purchases from:				
- KES Systems & Service (1993) Pte Ltd	–	46	–	46
- KES Systems, Inc.	–	30	–	–
- KEST Systems and Service Ltd.	162	5	162	2

	Company	
	2025	**2024**
	RM'000	**RM'000**
Transactions with subsidiaries		
Rental income from a subsidiary	1,764	1,701
Commission income from a subsidiary	426	482
Interest income on loans to a subsidiary	61	–
Purchase of equipment from a subsidiary	439	–
Loans to a subsidiary	2,600	–

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 2025

24. Commitments

(i) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Authorised and contracted for	19,373	3,816	94	29

Included in authorised and contracted for commitment is an amount of RM6,000 (2024: Nil) relating to purchases from related companies by the Group and the Company.

(ii) Financial instruments

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

	Note	2025 Liabilities RM'000	2024 Assets RM'000
Group			
Forward currency contracts	25(ii)	(101)	104

The Group uses derivatives 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 derivatives arrangements with financial institution for managing foreign currency risk. As at 31 July 2025, the Group held nineteen (2024: thirteen) forward currency contracts, with total outstanding notional amounts of RM12,419,000 (2024: RM11,272,000). The outstanding forward contracts mature within 3 months (2024: 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 entirely 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 2025 and 31 July 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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		
2025		
Financial assets/(liabilities) at fair value through profit or loss		
Investment securities (quoted)	10,649	–
Derivatives (Note 24(ii))	–	(101)
2024		
Financial assets at fair value through profit or loss		
Investment securities (quoted)	14,318	–
Derivatives (Note 24(ii))	–	104
Company		
2025		
Financial assets at fair value through profit or loss		
Investment securities (quoted)	10,649	–
2024		
Financial assets at fair value through profit or loss		
Investment securities (quoted)	14,318	–

(iii) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The model incorporates various inputs including foreign exchange spot and forward rates as well as forward rate curves.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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

(iv) 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.

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 Company's profit before tax would have been RM122,000 (2024: RM194,000) and Nil (2024: RM2,000) higher/lower respectively, arising mainly as a result of lower/higher interest expenses on floating rate loans.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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

(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.

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	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
USD/RM				
- strengthened 1% (2024: 1%)	128	130	5	7
- weakened 1% (2024: 1%)	(128)	(130)	(5)	(7)

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 all other variables held constant, would increase the Group's other comprehensive income by approximately RM274,000 (2024: RM311,000). 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 2025

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.

2025	Note	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Group				
Financial assets				
Investment securities		10,649	–	10,649
Trade and other receivables		43,669	412	44,081
Cash and short-term deposits	16	210,121	–	210,121
Total undiscounted financial assets		264,439	412	264,851
Financial liabilities				
Trade and other payables	21	(28,721)	–	(28,721)
Derivatives	24(ii)	(101)	–	(101)
Loans and borrowings (exclude lease liabilities)		(28,098)	(4,040)	(32,138)
Lease liabilities		(2,079)	(2,905)	(4,984)
Total undiscounted financial liabilities		(58,999)	(6,945)	(65,944)
Total net undiscounted financial assets/(liabilities)		205,440	(6,533)	198,907
Company				
Financial assets				
Investment securities		10,649	–	10,649
Trade and other receivables		12,665	1,505	14,170
Cash and short-term deposits	16	42,252	–	42,252
Total undiscounted financial assets		65,566	1,505	67,071
Financial liabilities				
Trade and other payables	21	(7,177)	–	(7,177)
Lease liabilities		(947)	(428)	(1,375)
Total undiscounted financial liabilities		(8,124)	(428)	(8,552)
Total net undiscounted financial assets		57,442	1,077	58,519

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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

(iii) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

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
Derivatives	24(ii)	104	–	104
Trade and other receivables		42,835	721	43,556
Cash and short-term deposits	16	232,461	–	232,461
Total undiscounted financial assets		289,718	721	290,439
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		(72,053)	(35,299)	(107,352)
Total net undiscounted financial assets/(liabilities)		217,665	(34,578)	183,087
Company				
Financial assets				
Investment securities		14,318	–	14,318
Trade and other receivables		12,123	406	12,529
Cash and short-term deposits	16	46,939	–	46,939
Total undiscounted financial assets		73,380	406	73,786
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		(8,676)	(1,366)	(10,042)
Total net undiscounted financial assets/(liabilities)		64,704	(960)	63,744

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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:

	2025		2024	
	RM'000	**% of total**	**RM'000**	**% of total**
Group				
By country				
Malaysia	23,519	58	22,282	55
Others*	17,390	42	18,164	45
	40,909	100	40,446	100

* Others include countries such as PRC, United States of America, European countries and other Asian countries.

	2025		2024	
	RM'000	**% of total**	**RM'000**	**% of total**
By industry sectors				
Burn-in and testing	40,909	100	40,446	100

At the reporting date, approximately 73% (2024: 81%) of the Group's trade receivables were due from three (2024: four) major customers who are in the semiconductor industry.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

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

(iv) Credit risk (cont'd)

Credit risk concentration profile (cont'd)

Company

93% (2024: 94%) 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% (2024: 5%) higher/lower, with all other variables held constant, the Group's and the Company's profit before tax would have been RM532,000 (2024: RM716,000) 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 2025 and 31 July 2024.

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 2025 and 31 July 2024.

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 2025

27. Capital management (cont'd)

		Group		Company	
	Note	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Cash and short-term deposits	16	210,121	232,461	42,252	46,939
Less: Loans and borrowings	19	(35,990)	(73,260)	(1,329)	(2,859)
Net cash		174,131	159,201	40,923	44,080
Equity attributable to owners of the Company		339,169	352,677	162,334	171,844
Less: Statutory reserve fund	18	(4,629)	(4,629)	–	–
		334,540	348,048	162,334	171,844

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	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Malaysia	137,438	143,296	118,282	149,898
PRC	38,405	41,667	15,485	14,017
Singapore	17,162	38,801	–	–
Others*	17,541	19,261	–	–
	210,546	243,025	133,767	163,915

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 three (2024: four) 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 RM153,431,000 (2024: RM200,030,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2025

29. Dividends

	Company	
	2025	**2024**
	RM'000	**RM'000**
Recognised during the financial year		
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	3,226	–
	3,226	2,581
Declared but not recognised as a liability as at 31 July		
Interim tax exempt dividend for 2025 at 6 sen (2024: 7.5 sen) per ordinary share, to be paid on 28 October 2025	2,581	3,226

On 18 September 2025, the directors approved an interim tax exempt dividend in respect of the financial year ended 31 July 2025, of 6 sen on 43,014,500 ordinary shares, amounting to dividend payable of RM2,580,870. 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 2026.

30. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 July 2025 were authorised for issue in accordance with a resolution of the directors on 18 September 2025.

SHAREHOLDERS' INFORMATION

As at 18 September 2025

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	%
83	Less than 100 shares	607	0.00
1,129	100 to 1,000 shares	691,025	1.61
1,262	1,001 to 10,000 shares	4,667,168	10.85
256	10,001 to 100,000 shares	6,349,300	14.76
24	100,001 to less than 5% of issued shares	10,481,400	24.37
1	5% and above of issued shares	20,825,000	48.41
2,755	Total	43,014,500	100.00

SUBSTANTIAL SHAREHOLDERS (PER REGISTER OF SUBSTANTIAL SHAREHOLDERS)

		Number of Shares Held			
	Name of Shareholders	Direct	%	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

		Number of Shares Held			
	Name of Director	Direct	%	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 2025.

SHAREHOLDERS' INFORMATION

As at 18 September 2025

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.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LEEF)	668,600	1.55
6.	Teh Wah Keong	455,000	1.06
7.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Loy Huat (7000875)	438,000	1.02
8.	Wong Tee Kim @ Wong Tee Fatt	357,000	0.83
9.	Maybank Nominees (Tempatan) Sdn Bhd Chua Eng Ho Wa'a @ Chua Eng Wah	328,300	0.76
10.	Lim Khuan Eng	300,000	0.70
11.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Khoon Beng (E-KLG)	284,000	0.66
12.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LPF)	263,800	0.61
13.	Lee Chee Beng	260,900	0.61
14.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd Manulife Investment Al-Faid (4389)	254,700	0.59
15.	Khor Meow Siang	245,700	0.57
16.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Parmjit Singh A/L Meva Singh	198,600	0.46
17.	Shin Kao Jack	180,000	0.42
18.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kong Hwee (E-KPG/SGK)	156,900	0.37
19.	Parmjit Singh A/L Meva Singh	147,900	0.34
20.	Nioo Yew Teck	145,100	0.34
21.	Lee Fong Shein	122,000	0.28
22.	Khoo Kim Wee	110,800	0.26
23.	Chua Seok Keow	109,700	0.26
24.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Manulife Investment CM Shariah Flexi FD (270785)	105,900	0.25
25.	CGS International Nominees Malaysia (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Chen Yik (Penang-CL)	103,000	0.24
26.	Gan Kok Keng	100,000	0.23
27.	Moomoo Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Er Koon Chuan	99,600	0.23
28.	Lee Kok Hin	97,200	0.23
29.	Goh Loke Oon	96,500	0.22
30.	Liew Sui Kong	90,600	0.21
		31,790,300	73.90

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifty-Fourth Annual General Meeting ("54th 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, 14 January 2026 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 2025 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 2025. **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 Kua Choh Leang **Resolution 2**
   (b) Dato' Dr. Suhazimah Binti Dzazali **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 Resolutions:

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 ("Listing Requirements"), 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 4.2.1 of the circular to shareholders of the Company dated 27 October 2025 ("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;

NOTICE OF ANNUAL GENERAL MEETING

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 meeting, the authority is renewed; or

(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;

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 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. Proposed new shareholders' mandate for additional recurrent related party transaction of a revenue or trading nature **Resolution 6** *(Please see Explanatory Note)*

"THAT approval be and is hereby given, for the purposes of Chapter 10, paragraph 10.09 of the Listing Requirements, for the Group to enter into new transactions falling within the type of RRPT, as set out in section 4.2.2 of the Circular to shareholders of the Company dated 27 October 2025 ("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;

THAT such approval shall continue to be in force until:-

(a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340 of the 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;

THAT proper disclosure of the RRPT and the aggregate value of such transactions shall be disclosed in the annual report of the Company;

AND 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."

NOTICE OF ANNUAL GENERAL MEETING

7. 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
27 October 2025

Notes:

1. A member entitled to attend and vote at the 54th 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 54th 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 7 January 2026 shall be regarded as member of the Company entitled to attend the 54th AGM or appoint proxy/proxies to attend and vote on his/her/its behalf.

Explanatory Notes To Ordinary Business:

Resolution 1

Payment of Directors' fees and allowances in respect of the financial year ended 31 July 2025 are as follows:

Description	Amount (RM)
Directors' fees	266,000
Allowances (Payable to Non-Executive Directors only)	27,000
Total	293,000

Resolutions 2 and 3

For the purpose of determining the eligibility of the Directors to stand for re-election at the 54th AGM, the Board through its Nominating Committee had assessed Mr Kua Choh Leang and Dato' Dr. Suhazimah Binti Dzazali (collectively "the Retiring Directors"). Please refer to the Board of Directors section in the Annual Report 2025, 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:

Resolutions 5 and 6

Please refer to the Circular to Shareholders dated 27 October 2025 for more information.

ADMINISTRATIVE NOTES FOR SHAREHOLDERS/ PROXIES/CORPORATE REPRESENTATIVES

Attending the Fifty-Fourth Annual General Meeting ("54th 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 54th 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.

MOBILE DEVICES

Kindly switch off or turn to silent mode all mobile devices during the meeting to ensure smooth proceedings.

ADMINISTRATIVE NOTES FOR SHAREHOLDERS/ PROXIES/CORPORATE REPRESENTATIVES

Attending the Fifty-Fourth Annual General Meeting ("54th AGM")

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 for digital parking ticket redemption.

2. **The digital parking ticket redemption shall cease at 12:00 p.m.. Those who fail to redeem the digital parking ticket 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 2025 AND CIRCULAR TO SHAREHOLDERS

The Annual Report 2025 and Circular to Shareholders dated 27 October 2025 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.

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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-Fourth Annual General Meeting ("54th 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, 14 January 2026 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 Kua Choh Leang as Director		
3. Re-election of Dato' Dr. Suhazimah Binti Dzazali 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		
6. Approval for Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transaction of a Revenue or Trading Nature		

** Please indicate your vote "For" or "Against" with an "X" within the box provided.*

Signed this __________ day of ________________ 2025/2026

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 54th 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 7 January 2026 shall be regarded as a member of the Company entitled to attend the 54th 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
Registration No. 197201001376 (13022-A)

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, Jalan SS 8/4
Sungei Way Free Industrial Zone
47300 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) 787-40000
Fax : (603) 787-58558