

PENTAMASTER CORPORATION BERHAD
Company No: 200201004644 (572307-U)
(Incorporated in Malaysia)

Minutes of the Twenty First Annual General Meeting (the “Meeting”) of the members of the Company held at Level 4, Jadeite Function Room, Amari SPICE Penang, 2, Persiaran Mahsuri, Bayan Baru, 11900 Bayan Lepas, Pulau Pinang on Wednesday, 31 May 2023 at 10.30 a.m.

Attendance

As per Attendance List

The Meeting commenced at 10.30 a.m. with the requisite quorum being present.

1. CHAIRMAN’S ADDRESS

The Chairman, Mr. Chuah Choon Bin, welcomed all members present and thanked them for their attendance at the Company’s Twenty First Annual General Meeting. The Chairman then proceeded to introduce the other Board members, Company Secretary and the auditors’ representative. Upon the Secretary’s confirmation of a quorum being present, the Chairman called the meeting to order.

2. NOTICE

The notice of the meeting was taken as read.

3. PROCEEDINGS OF MEETING AND VOTING PROCEDURE

The Chairman explained the proceedings of the Meeting. He informed the shareholders that in line with Bursa Malaysia Securities Berhad’s Listing Requirements, voting on all the resolutions set out in the notice of the Meeting would be carried out by way of poll and that Securities Services (Holdings) Sdn. Bhd. has been appointed as the polling administrator and Commercial Quest Sdn. Bhd. has been appointed as the independent scrutineer (“Scrutineer”) for the polling process. The polling administrator showed a presentation on how to vote.

4. QUESTIONS FROM MINORITY SHAREHOLDERS WATCH GROUP (“MSWG”) AND COMPANY’S RESPONSES

The Chairman informed all present that the Company has received a letter dated 22 May 2023 from Minority Shareholders Watch Group (“MSWG”) wherein MSWG sought clarification on certain matters and the Company has replied to MSWG accordingly.

The Executive Director, Ms. Gan Pei Joo presented the questions posted by MSWG and the Company’s response to the queries from MSWG. The said questions from MSWG and the Company’s response (set out in Appendix A) were also displayed on screen for ease of reading by all present.

5. MEETING AGENDA AND QUESTION AND ANSWER

The Chairman proceeded to table each and every item on the agenda as set out in the notice of the Meeting.

The Chairman informed the shareholders and proxy holders that the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors were laid in accordance with Section 340(10)(a) of the Companies Act 2016 for discussion only and did not require shareholders’ approval and hence would not be put for voting.

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6. VOTING AND POLL RESULTS

There being no other question relating to the items on the agenda for the Meeting, the Meeting proceeded to voting by poll on each and every resolution on the agenda. Upon the votes being counted and verified by the Scrutineer, the Chairman announced the results of the poll as follows:-

ORDINARY BUSINESSES

Ordinary Resolution No. 1

APPROVAL OF PAYMENT OF A FINAL SINGLE TIER DIVIDEND OF 2 SEN PER SHARE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
211	358,904,063	99.9990	2	3,750	0.0010	Carried

Accordingly, it was resolved that a final single tier dividend of 2 sen per share for the financial year ended 31 December 2022 be and is hereby approved for payment on 28 July 2023 to shareholders of the Company and the entitlement date shall be on 14 July 2022.

Ordinary Resolution No. 2

APPROVAL OF DIRECTORS' FEES TO THE DIRECTORS OF THE COMPANY

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
212	358,903,063	99.9984	3	5,850	0.0016	Carried

Accordingly, it was resolved that Directors' fees amounting to RM232,320 be and is hereby approved for payment to Directors of the Company for the financial year ended 31 December 2022.

Ordinary Resolution No. 3

APPROVAL OF DIRECTORS' FEES TO THE DIRECTORS OF THE SUBSIDIARY COMPANY

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
207	358,732,563	99.9690	6	111,150	0.0310	Carried

Accordingly, it was resolved that Directors' fees amounting to HKD885,720 (which is approximately equivalent to RM500,000) per annum be and is hereby approved for payment to Directors of the subsidiary company commencing from the financial year ending 31 December 2023 and that such fees to the Directors of the subsidiary company shall continue until otherwise resolved.

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6. VOTING AND POLL RESULTS (CONTINUED...)

Ordinary Resolution No. 4

APPROVAL OF BENEFITS TO NON-EXECUTIVE DIRECTORS OF THE COMPANY

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
209	358,748,063	99.9709	3	104,250	0.0291	Carried

Accordingly, it was resolved that benefits of up to RM35,000 be and is hereby approved for payment to the Non-Executive Directors of the Company from 1 June 2023 until the next Annual General Meeting of the Company.

Ordinary Resolution No. 5

APPROVAL OF BENEFITS TO NON-EXECUTIVE DIRECTORS OF THE SUBSIDIARY COMPANY

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
206	358,437,583	99.8732	8	455,030	0.1268	Carried

Accordingly, it was resolved that benefits of up to RM35,000.00 be and is hereby approved for payment to the Non-Executive Directors of the subsidiary company from 1 June 2023 until the next Annual General Meeting of the Company.

Ordinary Resolution No. 6

RE-ELECTION OF MR. CHUAH CHOON BIN AS A DIRECTOR

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
176	309,981,979	86.9018	32	46,721,934	13.0982	Carried

Accordingly, it was resolved that Mr. Chuah Choon Bin, who retired in accordance with Clause 109(a) and (b) of the Company's Constitution, be and is hereby re-elected as a Director of the Company.

Ordinary Resolution No. 7

RE-ELECTION OF MR. LEE KEAN CHEONG AS A DIRECTOR

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
206	358,620,413	99.9961	4	13,900	0.0039	Carried

Accordingly, it was resolved that Mr. Lee Kean Cheong, who retired in accordance with Clause 109(a) and (b) of the Company's Constitution, be and is hereby re-elected as a Director of the Company.

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6. VOTING AND POLL RESULTS (CONTINUED...)

Ordinary Resolution No. 8

RE-ELECTION OF MS. ROSLINDA BINTI AHMAD AS A DIRECTOR

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
202	358,542,063	99.9951	4	17,550	0.0049	Carried

Accordingly, it was resolved that Ms. Roslinda Binti Ahmad, who retired in accordance with Clause 116 of the Company's Constitution, be and is hereby re-elected as a Director of the Company.

Ordinary Resolution No. 9

RE-APPOINTMENT OF AUDITORS

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
206	358,844,313	99.9872	3	45,800	0.0128	Carried

Accordingly, it was resolved that Messrs Grant Thornton Malaysia PLT be and is hereby re-appointed as Auditors of the Company for the ensuing year and that the Directors be authorised to fix their remuneration.

SPECIAL BUSINESSES

Ordinary Resolution No. 10

AUTHORITY TO ISSUE SHARES

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
170	288,067,083	80.2773	35	70,773,130	19.7227	Carried

Accordingly, it was resolved that the following resolution be passed as an Ordinary Resolution:-

THAT subject always to the Companies Act 2016 ("Act"), Constitution of the Company and approvals of the relevant regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company from time to time at such price, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

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6. VOTING AND POLL RESULTS (CONTINUED...)

Ordinary Resolution No. 11

PROPOSED RENEWAL SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
198	218,402,293	99.9965	3	7,600	0.0035	Carried

Accordingly, it was resolved that the following resolution be passed as an Ordinary Resolution:-

THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company's subsidiaries to enter into any of the category of recurrent transactions of a revenue or trading nature falling within the types of transactions as detailed in Section 2.2(b) of the Company's Circular to Shareholders dated 28 April 2023 ("Said Circular") involving the interests of Directors, major shareholders or persons connected with such Directors or major shareholders of the Company ("Related Parties") as detailed therein provided that such transactions are necessary for the day-to-day operations and they are carried out in the ordinary course of business and are made on an arm's length basis on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

(the "Proposed Renewal of Shareholders' Mandate for RRPT").

THAT the Proposed Renewal of Shareholders' Mandate for RRPT is subject to annual renewal and shall continue to be in force until:-

- (i) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next annual general meeting after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things as they may consider necessary or expedient to give effect to the Proposed Renewal of Shareholders' Mandate for RRPT.

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6. VOTING AND POLL RESULTS (CONTINUED...)

Ordinary Resolution No. 12

PROPOSED PURCHASE BY THE COMPANY OF ITS OWN SHARES OF UP TO TEN PERCENT (10%) OF ITS TOTAL NUMBER OF ISSUED SHARES

Vote For			Vote Against			Results
No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
195	313,432,854	87.3399	14	45,432,579	12.6601	Carried

Accordingly, it was resolved that the following resolution be passed as an Ordinary Resolution:-

THAT, subject to the Companies Act 2016 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares ("Shares") in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors of the Company may deem fit and expedient in the best interest of the Company provided that :-

- (i) The aggregate number of Shares in the Company which may be purchased and/or held by the Company as treasury Shares shall not exceed ten percent (10%) of the total number of its issued Shares at any point in time; and
- (ii) The maximum funds to be allocated by the Company for the purpose of purchasing its own Shares shall not exceed the total available retained profits of the Company based on its latest audited financial statements available up to the date of the transaction.

THAT, upon the purchase by the Company of its own Shares, the Directors are authorised to retain the Shares so purchased as treasury Shares or cancel the Shares so purchased or retain part of the Shares so purchased as treasury Shares and cancel the remainder. The Directors are further authorised to distribute the treasury Shares as dividends to the shareholders of the Company and/or resell the Shares on the Bursa Securities in accordance with the relevant rules of the Bursa Securities or subsequently cancel the treasury Shares or any combination thereof.

(the "Proposed Share Buy-Back").

THAT the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:-

- (i) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next annual general meeting after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

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6. VOTING AND POLL RESULTS (CONTINUED...)

Ordinary Resolution No. 12 (Continued...)

PROPOSED PURCHASE BY THE COMPANY OF ITS OWN SHARES OF UP TO TEN PERCENT (10%) OF ITS TOTAL NUMBER OF ISSUED SHARES (CONTINUED...)

AND THAT the Directors of the Company be and are hereby authorised to take all such steps and do all such acts and things as they may consider necessary or expedient to implement and give effect to the Proposed Share Buy-Back.

7. CONCLUSION

There being no further matters to discuss, the meeting concluded at 11.04 a.m.

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Questions from Minority Shareholders Watch Group ("MSWG") and the Company's response

Q1. Anchored by a record high order book, the Group is looking forward to establishing another year of solid business growth. (page 15 of AR 2022)

(a) What is your current outstanding orderbook? Please provide the breakdown by segment (automotive, medical devices etc).

Our current outstanding order book is approximately RM610 million. The breakdown of the order book by segment is as follows:

Automotive: 45%
Medical: 30%
Semiconductor: 15%
Electro-optical: 5%
Consumer and industrial products: 5%

However, the order book is on a rolling basis based on customers' purchase orders received from time to time. Therefore, the segmental composition may vary in the subsequent month or quarter.

(b) What is your target orderbook replenishment for FY2023? Which segments would be your focus going forward?

For FY2023, we target to maintain a healthy book-to-bill ratio of above 1. Barring any unforeseen circumstances, we hope to maintain an order book value of above RM600 million. The segments of our focus in the immediate term of 3-5 years will be the automotive segment and medical devices segment.

(c) How much did the Group spend on R&D expenditure in FY2022 and FY2021? What is the budgeted R&D expenditure for FY2023?

Total R&D expenditure in FY2022 was approximately RM12 million while the R&D expenditure incurred in FY2021 was approximately RM8 million. The R&D expenditure incurred in both FY2022 and FY2021 were mainly in the area of automotive, medical devices and electro-optical. Generally, the Group allocates 1%-3% of its yearly sales for its R&D initiatives. Based on this basis, the budgeted R&D expenditure for FY2023 is expected to be within the region of RM7 million to RM15 million.

Q2. Penta is proud to have developed a proprietary SiC wafer burn-in system, being one of the top four manufacturers in the world, in creating a niche market space for this growth sub-segment and to solidify its position in the automotive industry. (page 6 of AR 2022)

(a) Who are the other three manufacturers in the top four?

Based on an independent third party research – ResearchMoz US, the other notable manufacturers in the SiC wafer burn-in system are AEHR Test Systems, EDA Industries and Delta V Instruments.

(b) What is unique about your proprietary SiC wafer burn-in system?

Our proprietary SiC wafer burn-in system that caters for both 6" wafer and 8" wafer allows our customers to load up to 25 SiC wafers in a single load; with auto loading that just require 1 single pass for 4 wafers test parallelism. Our equipment burn-in duration are programmable with multiple independent driver channels that also provides wafer mapping post burn-in processing. Additionally, our seal chamber in the equipment accommodate gas that protects Device Under Test from arc and oxidation in an operational temperature state without overheating.

(c) What is your competitive advantage against these players?

Our proprietary SiC wafer burn-in system ("WLBI") has the following key features that includes but not limited to:

- (i) Product throughput – Our SiC WLBI has a higher throughput by more than 40% compared to other competitive equipment on the number of wafers burn in per 24- hour cycle.
- (ii) Wafer handling automation – The wafer loading/unloading process from our SiC WLBI is fully automated from wafer cassette to wafer chuck in the machine and vice versa. Relatively, this is a key strength and competitive advantage of our equipment vis-à-vis other competitive equipment which requires manual loading with additional processes, operators and equipment.
- (iii) Product pricing – The price of our fully automated SiC WLBI is priced very competitively compared to other competitors, besides having better product throughput with wafer handling automation.

Note: It is more important to have the number of wafer output in a 24-hour cycle instead of being misled by the number of wafer tested at one time.

Q3. Revenue contribution from the Group's electro-optical segment dropped to 19.5% in FY2022 from 43.9% in FY2021, as the smartphone and consumer electronics market lack catalyst to spur demand consumption, especially more so in the current economic uncertainty and inflationary environment. (page 5 and 7 of AR 2022).

When does the Group expect a rebound for this segment?

The Group expects a rebound or recovery from this segment in FY2024 based on the customers' forecast and progress of the prototype projects currently undertaken by the Group specifically in the area of optical imaging technology, acoustic sensor and 3D magnetometer sensors.

Q4. The Group's third plant measuring 600,000 square feet on a 12-acre industrial land will have its phase one targeted to be up by end of 2023 and phase two in second half of 2024. (page 6 of AR 2022)

(a) What is the production capacity for phase one? When do you expect to commence operations? And when do you expect to run at full capacity?

We expect to commence operation in phase one by mid of 2024 and the production capacity for phase one is projected to hit approximately 70% by end of 2024. Phase one is expected to run at full capacity by 2025 from the production relocation from our existing plant 2. Subsequent to the full relocation, Plant 2 in Batu Kawan will be left vacant until a decision is made whether to sell it or to lease it.

(b) What is the total capital investment for plant 3 including equipment cost?

The Company has budgeted approximately RM200 million for the capital investment for plant 3 including equipment cost.

Q5. The Group's effective tax rate was much lower than the statutory tax rate of 24% as certain subsidiaries have been granted pioneer status under the Promotion of Investments Act, 1986. What is the projected effective tax rate for FY2023? When are the expiry dates of your pioneer status? Do you expect to start paying the statutory tax rate of 24% after that?

The effective tax rate for FY2023 is projected to be in the range of 3%-4%. The pioneer status were given to the following main products of the Company and the respective expiry date is stated next to each product:

- (i) Smart devices test solution and related modules (expiry date: 31 March 2026)
- (ii) intelligent Automated Robotic Manufacturing System (i-ARMS) and related modules (expiry date: 13 April 2026)
- (iii) Vertical-cavity surface-emitting laser (VCSEL) optical test system and related modules (expiry date: 28 May 2029)
- (iv) Dual safety pen needle and catheter (pioneer period has not commenced)

The Group will continue to develop product and solutions with new technology and intends to apply for pioneer status with tax exemption for these new initiatives. We will keep the investing community informed on the progress.

Q6. Practice 5.2 of the Malaysian Code of Corporate Governance stipulates that at least half of the board should comprise independent directors. As of FY2022, there was only 2 two independent directors out of the 6 directors on the Board. Does the Company intend to apply Practice 5.2, and if yes, by when?

Following the recent appointment of an independent director on 7 April 2023, the Board of Director requires more time to continue to find a suitable candidate who is able to support the Group's objectives to join the Company as an independent director.