

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

SUMMARY OF KEY MATTERS DISCUSSED DURING 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.

The Chairman commenced the meeting upon confirming with the Secretary that a quorum was present. The Chairman informed all present that in accordance to Paragraph 8.31A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice of general meeting shall be voted by poll electronically. 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.

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 as set out below were also displayed on screen for ease of reading by the shareholders.

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.

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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.

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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.

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The audited financial statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon were laid for discussion.

The Chairman then tabled all the items on the agenda as set out in the notice of the Twenty First Annual General Meeting. There being no other question relating to the items on the agenda for the Meeting, the Meeting proceeded to voting by poll on all resolutions on the agenda. All the resolutions were duly passed by the shareholders as verified by Commercial Quest Sdn Bhd, the independent scrutineer appointed by the Company. The poll results of the Twenty First Annual General Meeting are attached for reference.

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

Poll results of the Twenty First Annual General Meeting is attached for reference.

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Resolutions	Vote For			Vote Against			Results
	No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
<u>Ordinary Resolution No. 1</u> To approve the payment of a final single tier dividend of 2 sen per share for the financial year ended 31 December 2022.	211	358,904,063	99.9990	2	3,750	0.0010	Carried
<u>Ordinary Resolution No. 2</u> To approve the payment of Directors fees amounting to RM232,320.00 to Directors of the Company for the financial year ended 31 December 2022.	212	358,903,063	99.9984	3	5,850	0.0016	Carried
<u>Ordinary Resolution No. 3</u> To approve the payment of Directors fees amounting to HKD885,720 (approximately RM500,000 equivalent) per annum 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.	207	358,732,563	99.9690	6	111,150	0.0310	Carried
<u>Ordinary Resolution No. 4</u> To approve the payment of benefits of up to RM35,000 to the Non-Executive Directors of the Company from 1 June 2023 until the next Annual General Meeting of the Company.	209	358,748,063	99.9709	3	104,250	0.0291	Carried

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Resolutions	Vote For			Vote Against			Results
	No. of shareholders	No. of shares	Percentage (%)	No. of shareholders	No. of shares	Percentage (%)	
<u>Ordinary Resolution No. 5</u> To approve the payment of benefits of up to RM35,000 to the Non-Executive Directors of the subsidiary company from 1 June 2023 until the next Annual General Meeting of the Company.	206	358,437,583	99.8732	8	455,030	0.1268	Carried
<u>Ordinary Resolution No. 6</u> To re-elect Mr. Chuah Choon Bin as a Director of the Company in accordance with Clause 109(a) and (b) of the Company's Constitution.	176	309,981,979	86.9018	32	46,721,934	13.0982	Carried
<u>Ordinary Resolution No. 7</u> To re-elect Mr. Lee Kean Cheong as a Director of the Company in accordance with Clause 109(a) and (b) of the Company's Constitution.	206	358,620,413	99.9961	4	13,900	0.0039	Carried
<u>Ordinary Resolution No. 8</u> To re-elect Ms. Roslinda Binti Ahmad as a Director of the Company in accordance with Clause 116 of the Company's Constitution	202	358,542,063	99.9951	4	17,550	0.0049	Carried

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	No. of shareholders	No. of shares	No. of shareholders	No. of shares	No. of shareholders	No. of shares	
<u>Ordinary Resolution No. 9</u> To re-appoint Messrs. Grant Thornton Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	206	358,844,313	99.9872	3	45,800	0.0128	Carried
<u>Ordinary Resolution No. 10</u> To empower the Directors to issue and allot up to 10% of the total number of issued shares of the Company.	170	288,067,083	80.2773	35	70,773,130	19.7227	Carried
<u>Ordinary Resolution No. 11</u> To approve the proposed renewal of existing shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature.	198	218,402,293	99.9965	3	7,600	0.0035	Carried
<u>Ordinary Resolution No. 12</u> To approve the proposed purchase by the Company of its own shares of up to 10% of its total number of issued shares.	195	313,432,854	87.3399	14	45,432,579	12.6601	Carried