PNE PCB BERHAD
(Company No : 168098-V)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY-FIRST ANNUAL GENERAL MEETING OF PNE PCB BERHAD HELD ON THURSDAY, 29 AUGUST 2019

REPLY TO QUESTIONS FROM THE MINORITY SHAREHOLDERS WATCH GROUP

Mr. Kua Khai Loon presented to the Shareholders, the questions received from Minority Shareholder Watch Group ("MSWG") and the response to MSWG as follow:-

Q1. Your allowance for impairment loss for trade receivables has increased substantially at Group and Company's level in financial year ended 31 March 2019 compared to financial year ended 31 March 2018. (Group from RM88,173 to RM2,509,736 and Company from RM0.0 to RM75,000) (Note 9, page 83, Annual Report).

What actions have you taken to recover these amounts? Will there be any further increase in allowance for impairment loss for financial year ended 31 March 2020?

The impairment loss for the Group's trade receivables of RM2,509,736 in financial year ended 31 March 2019 is breakdown as follow:-

Credit Impaired [(1)]	**Amount (RM)**
A Customer from China ("the Said Customer")	2,271,964.00
Expected Credit Loss ("ECL") Impaired [(2)]	
PNE PCB Berhad	75,000.00
PNE PCB International Limited	162,772.00
	2,509,736.00

(1) The Said Customer has applied bankruptcy declaration and is currently undergoing liquidation process, therefore is it unable to justify the recoverability.

The Said Customer is a subcontractor of one of our major customer while PNE was instructed to deliver goods directly to the Said Customer.

In order to minimise the Company's risk in the future, the Company will discuss with the End Customer to agree on some Warranty of Payment in case of similar situation occurs with their approved vendors.

(2) The ECL impaired was provided pursuant to Malaysian Financial Reporting Standard 15 – Revenue from Contract from Customers. The ECL rate was justified based on the age band of the receivables ranging from 1% to 1.5%. The impairment does not specifically impaired on particular individual customer, therefore the recoverability will depend on the efficiency on the collection.

The Company will seek clarification with its Insurance Company for relevant insurance cover to insure such possible risk moving forwards.

Q2. The Group's revenue by geographical markets showed a substantial reduction in the Malaysia and People's Republic of China ("PRC") segments. The revenue from contracts in Malaysia and PRC reduced to RM19.1 million and RM69.4 million in financial year ended 31 March 2019 from RM29.4 million and RM113.0 million in financial year ended 31 March 2018 respectively (Note 15, page 87, Annual Report).

What are the reasons for substantial reduction in the revenue? What are the measures you intend to take to improve the revenue?

Please be informed that the results for financial year ended 31 March 2018 as shown in the Annual Report were covered a period of 18 months results due to change of financial year end of the Company. The information below shows the 12 Months comparison by extrapolation:-

Revenue from contracts with customer in primary geographical markets	**Group** 2019 RM	2018 RM	**Difference** (RM)	**Variances** (%)
Malaysia	19,061,994	19,586,630.67	(524,636.67)	(3)[1]
Singapore	33,251	23,170.00	10,081.00	44
People's Republic of China	69,385,000	75,362,012.00	(5,977,012.00)	(8)[2]
	88,480,245	94,971,812.67	(6,491,567.67)	(7)
Timing of recognition at a point in time	88,480,245	94,971,812.67	(6,491,567.67)	(7)

(1) The China's customers are mostly Hong Kong base customers, therefore item (2) below explained the details of the rapid decreased in sales amount for China and Hong Kong customers'.

(2) The decreased of the sales is mainly due to the Trade War between China and United States of America ("US") which have caused the low demand in the market due to most of the electronic devices manufactured in China are exported to US, and due to the Trade War between the both countries, the export have been significant decreased and indirectly affected the circuit manufacturer like PNE. Besides the loss of one major customer – the Said Customer *(as mentioned in A1 above)* which later found out being applied for bankruptcy declaration have further decreased the sales of the Company.

Despite the Trade War between China and US which caused huge reduction in orders from the existing customers, the Company is currently working closely with the customers to attempt to transfer some models to be manufactured in Malaysia.

Some of the existing models ordered from customers are in the midst of transferring for production in Vietnam and Thailand and the Company are also working closely with the customers to continue supplying of these models once the mass production started in the new manufacturing location.

The Company has started to introduce the services to Automotive Industries and expected to improve the Company's results soon.

Q3. On page 89, Annual Report, a total RM1,550,000 was written-off as bad debts in financial year ended 31 March 2019 (financial year ended 31 March 2018: RM61,510). Who are these parties?

Based on our finding, there is an amount owing by Encony Development Sdn. Bhd. amounted to RM 1,550,000 had been brought forward since September 2017 and there is no subsequent receipt as of to date. Therefore, due to uncertainty of the recoverability of this amount, we had fully impaired this amount.

The said amount is the down payment to purchase a subsidiary in the prior financial year but due to the unsuccessful acquisition of the subsidiary, the subsidiary whom the funds are deposited to, failed to repay back the amount within the required period therefore the management decided to write off the balance amount of RM1,550,000.00 for the time being.

Q4. The Group is exposed to credit risk concentration as 28.48% (2018: 26.38%) of the Group's trade receivable were due from 5 (2018: 5) major group of customers (Note 26(d), Credit Risk, page 98, Annual Report).

What are the risk profiles of these major customers? How will you mitigate your exposure to these customers?

The top five customers and their receivables proportion are as follow:-

	HKD	Exchange Rate	RM	% over TR
Customer 1	1,346,164.01	0.519883	699,847.79	3.93
Customer 2	2,179,322.60	0.519883	1,132,992.77	6.36
Customer 3	1,322,184.19	0.519883	687,381.08	3.86
Customer 4	1,038,368.32	0.519883	539,830.04	3.03
Customer 5	3,870,388.79	0.519883	2,012,149.34	11.30
				28.48
Total Trade Receivables			17,808,575.00	

Four out of the top five customers have fully paid our invoices as per the agreed payment term. However, Customer 1 will usually make payment consistently 30 days after the agreed payment term. The Company will arrange discussion with this customer accordingly.

PNE will proceed to make necessary financial background clarification for existing and new local customers on a yearly basis prior to the new financial year. We have not identified any official institution that provide such creditable services for overseas customers. However, we will minimise the risk by giving shorter Payment Term for new customers i.e. 30 days and to monitor the payment consistencies by customer and to make necessary accommodation in the long term.

Subsequent to year end of the Company, Customer 1 has fully settled our outstanding invoices in July 2019.

QUESTIONS RAISED BY THE SHAREHOLDERS DURING THE MEETING

The questions raised by the Shareholders and response from the Company during the Meeting were summarised as follow:-

Q1. Mr. Quah Ban Aik, the representative from the MSWG, asked Dato' Sri Ahmad Said Bin Hamdan and Mr. Choong Lee Aun, the retiring directors were not present at the Meeting.

The Chairman conveyed the apologies from Dato' Sri Ahmad Said Bin Hamdan and Mr. Choong Lee Aun for not able to attend the Meeting due to long-term hospitalisation and emergency influenza respectively.

Q2. Mr. Quah Ban Aik, the representative from the MSWG, asked how long Messrs. ChengCo PLT has act as the Auditor of the Company and its was responded by the Chairman that they have been the Auditors of the Company for two (2) financial years.