



PNE PCB BERHAD
Registration No: 198801000741 (168098-V)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY-THIRD ANNUAL GENERAL MEETING OF PNE PCB BERHAD HELD FULLY VIRTUAL AND ENTIRELY VIA REMOTE PARTICIPATION AND ELECTRONIC VOTING VIA ONLINE MEETING PLATFORM AT <https://rebrand.ly/PNE-AGM> PROVIDED BY MLABS RESEARCH SDN. BHD. FROM THE MAIN VENUE AT BOARD ROOM OF LOT 17.1, 17TH FLOOR, MENARA LIEN HOE, NO. 8, PERSIARAN TROPICANA, 47410 PETALING JAYA, SELANGOR DARUL EHSAN ON WEDNESDAY, 25 AUGUST 2021 AT 1:00 P.M.

Questions received from the Minority Shareholders Watch Group prior to the Meeting

Q1. *The Group's PCBs range comprises single-sided, double-sided, silver through-hole and carbon, which it supplies to customers of various industries including consumer electronics, information and communications technology, automotive, medical, and manufacturing industries. (Page 36 of Annual Report – AR)*

Which industries provide the most revenue to the Group? What are the plans and prospects to generate more revenue from the other industries?

A1. The current revenue of PCB is mainly from Consumer Electronics, Information and Communication Technology. There are certain requirements for Automotive and Medical to comply in order to increase PNE's market shares. We are certainly working towards the set objectives, but due to various limitations in the past 18 months due to Covid-19, the set objectives are not progressing as expected. For instance, the Group had invested in Medical Face Mask production and has introduced it to the market since May 2021. Further, the Medical Rubber Gloves manufacturing facility is in setting up progress. These are the examples that show the intention of the Group to venture into PPE / Medical Industries.

Q2. *In May 2020, PNE announced that it will be developing air ventilators in collaboration with Sanichi Technology Berhad and Arzon Solar LLC through a joint venture with the aforementioned parties. The development of air ventilators is expected to generate a new revenue stream for the Group following the surge in demand for air ventilators due to the COVID-19 pandemic. (Page 36 of AR)*

What is the status of the joint venture and has it generated revenue and profit? If not, what is the targeted time frame for profitability?

A2. We had successfully jointly developed the 1st Prototype Ventilators machine and are currently in the trial and design improvement stage. Therefore, it has yet to start to generate revenue to the Group.

Q3. The Group has been developing other markets such as manufacturing, sales and distribution of surgical face masks in April 2021 to reduce its dependence on PCBs. Besides, the Group had on January 2021 announced that it will be diversifying into the manufacture and sale of rubber gloves after taking into consideration the current market demand for rubber gloves. (Page 36 of AR)

How will the Group manage the risks of the lack of/inadequate experience and expertise in these unrelated diversified businesses and the potential oversupply of rubber gloves?

A3. We always look for business opportunities to generate profits for the Group. We will continue to look for the right location to build our plant. Besides that, we had also reviewed cautiously before deciding to go with the market model for our Glove initiative. We still believe that gloves will become a necessary item in our daily life. Malaysia still dominates the world glove market by capturing approximately 60.8% of total world exports last year and this is ahead of its closest competitors.

With regards to the question on how the Group manages the risks of the lack of / inadequate experience and expertise in these unrelated diversified businesses and the potential oversupply of rubber gloves, we had given our assurance in May 2021 on a similar question brought up by MSWG.

Quoted: *The Group has close contact with Consulting Company and Personnel that have high expertise and experiences in Glove Manufacturing & related Processes. Besides, the Group has been in the Manufacturing of PCB for more than 30 Years and the manufacturing despite is not on rubber but is also related to compounding, dosing, chemical mixing, water treatment, drying, quality control, etc. Furthermore, the Group's Executive Director, Mr. Kua has almost 20 years of experience in Plastic & Rubber Injection and Compression Manufacturing, whereby the understanding of Rubber, and Polymer will also be beneficial to the cause of setting up and running the operation of Glove Dipping Manufacturing.*

Additionally, the Group's other Director, Mr. Choong Lee Aun has already experienced in setting up a new Medical Rubber Glove Production Facility with his position in AT Glove Sdn. Bhd. Mr. Choong had successfully installed 6 full Production Lines in AT Glove Sdn. Bhd. In Chemor, Ipoh within the period of 9-months since June 2020, from the acquisition of vacant Factory, and currently 4-Full Production Lines already in mass production. With the experience of Mr. Choong, we should not have any doubts that we can achieve the same for PNE Glove Sdn. Bhd.

Q4.

	FYE March 2021	FYE March 2020
	RM'000	RM'000
Revenue	79,981	65,117
Gross Profit ("GP")	2,998	4,127
GP margin (%)	3.7	6.3

(Page 36 of AR)

Despite a higher revenue in FY2021 compared to FY2020 (increase of 22.8%), gross profit (GP) decreased by 27.4% resulting in a decline in GP margin from 6.3% to 3.7%.

What were the reasons for the decrease? How does the Group plan to manage its cost of sales to increase its GP margin?

A4. There is a trend of continuous increase of Copper Price from mid-2020 until the beginning of YR 2021 which increases the cost of purchase on Copper Clad Laminates (CCL), which covers almost 70% of our COGS. Based on each separate agreement with our customers, we are not able to adjust the CCL cost into our selling prices to the customers timely. Hence, this is the main reason that caused the decline of GP margin for the Group. Another reason is due to the Covid-19 situation from February 2020 until the present, especially in Malaysia, which has resulted in the number of headcount and number of working hours allows in the factory, etc. All these have led to an increase in the manufacturing operation cost. Further, repair and maintenance of machines are not able to conduct on a timely basis due to the Movement Control Order in Malaysia, which causes inefficiency to complete each production.

Q5. ***On 3 Dec 2020, PNE completed a share split involving the subdivision of every 1 existing ordinary shares in PNE ("Share") into 2 Shares. A private placement of 71,156,000 Shares to independent third-party investors was completed on 5 March 2021. (Page 37 of AR). Further, on 23 March 2021, PNE proposed another private placement of up to 194,513,000 Shares. (Page 38 of AR)***

a) *What is the rationale for having a share split which will cause its share price to become significantly lower? The current share price is around 10 sen.*

b) *Why is PNE having private placements of its shares which will cause further dilution resulting in even much lower share price instead of resorting to some bank borrowings especially when the cost of borrowings has been relatively low?*

A5. a) The Proposed Share Split is expected to result in the Split Shares being more affordable in order to appeal to a wider group of public shareholders and investors. The Proposed Share Split may also improve the trading liquidity of the Shares by increasing the number of shares in issue.

Following the completion of the Proposed Share Split, the theoretical market price of each Share will decrease by 2 times and the total number of Shares in issue will increase by the corresponding ratio. Notwithstanding this, Shareholders should note that the Proposed Share Split is not expected to affect the total value of the Split Shares held by them. At the time of the share split, the share price was RM0.53.

b) The proceeds to be raised from the Proposed Private Placement are intended to be utilised mainly for the Gloves Business. In turn, the Gloves Business is expected to contribute positively to the future earnings of the Group.

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture as it would enable the Group to raise additional funds expeditiously without having to incur interest costs or service principal repayments as compared to bank borrowings, thereby allowing the Company to preserve its cash flow. In addition to the above, bank borrowings may not be readily available as due to the current market conditions, financial institutions are reigning in on their borrowing capacities.

Q6. *The total fee incurred for the internal audit function of the Group during the financial year ended 31 March 2021 was RM14,881. (Page 28 of AR)*

Given that the fee is rather small (approximately RM1,200 per month), how does the audit committee assure itself that there would be adequate coverage and an effective audit function?

A6. As stated previously, the Group has reviewed the previous 10-years Internal Audit costs and the annual fees are maintained consistently. PNE is an established organisation for about 30 years and is involved in the same business for the same period. The Group has also obtained ISO certification for many years. The major areas identified by the risk audit are covered in the internal audit works performed. Based on the periodic risk audit and the yearly internal audit performed, the minor findings do not trigger the Board to consider increasing the internal audit activities. The Board reviews the yearly internal audit cycle to ensure that all material risk areas are covered in this internal audit cycle.