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

SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY-SIXTH ANNUAL GENERAL MEETING ("36TH AGM") OF PNE PCB BERHAD ("COMPANY") HELD ON A FULLY VIRTUAL BASIS AND ENTIRELY VIA REMOTE PARTICIPATION AND ELECTRONIC VOTING VIA ONLINE MEETING PLATFORM AT https://rebrand.ly/PNE-AGM PROVIDED BY INSHUB SDN. BHD. FROM THE MAIN VENUE AT LOT 4.1, 4TH FLOOR, MENARA LIEN HOE, NO. 8, PERSIARAN TROPICANA, TROPICANA GOLF & COUNTRY RESORT, 47410 PETALING JAYA, SELANGOR DARUL EHSAN ON THURSDAY, 29 AUGUST 2024 AT 2:00 P.M.

Questions received from the Minority Shareholders Watch Group prior to the 36th AGM along with the Board's responses, are as follows:

Operational and Financial Matters

Q1. The cost of sales represented 95.09% and 98.62% of revenue for FYE 2023 and FYE 2024 respectively. (Page 59 of Annual Report 2024)

"Copper clad laminate (CCL) costs represent more than 65% of our Group's cost of sales. As such, an increase in the cost of copper clad laminate cost will lead to an increase in our cost of production and affect our GP margin. In this respect, we have entered into agreements with our customers to adjust the selling price based on the prevailing market price. Moving forward, our Group will constantly monitor copper prices and our inventory position to mitigate the impact of adverse copper price movements." (Page 47 of Annual Report 2024)

In view of the agreements with customers to adjust the selling price, what are the other reasons behind the substantial cost of sales?

In addition to the primary material cost of copper clad laminate (CCL), which constitutes a significant portion of the cost of sales, several other factors contribute substantially to this expense. These include direct wages, utility costs such as electricity and water, and other direct materials like chemicals, printing ink, mesh, and film. Indirect materials and tools, including packaging, tooling, and jigs, also add to the cost of sales. Furthermore, costs associated with machine and facility maintenance, as well as depreciation, are significant contributors to the overall cost.

Q2. "Our Group has been on a constant lookout for other business opportunities to expand our revenue stream to reduce dependence on any single revenue source. We went into the business of manufacturing, sales and distribution of surgical face mask in April 2021 in response to the COVID-19 pandemic, to reduce our dependence on PCBs." (Page 45 of Annual Report 2024)

(a) Given the minimal contribution of the face mask business to the Company's overall revenue, what is the Company's plan for this segment? Will the company continue to invest in it, or is there a strategy to phase it out and redirect resources to more promising opportunities?

The investment in the face mask business has been minimal, and as the pandemic situation has improved, the demand for these supplies has decreased significantly. Currently, face mask production is primarily for internal use and to fulfill small orders for existing customers. The Group does not plan to invest further in this segment, and once the existing raw materials are depleted, we shall stop production.

(b) How will the experience from this venture influence the Company's approach towards its future investment and/or diversification?

This venture was categorized as an opportunistic investment, driven by the specific circumstances at the time. While we recognize that the decision to enter the market could have been more timely, the experience gained has been valuable. Moving forward, we will focus our future investments and diversification efforts on strengthening our core business and exploring opportunities that offer long-term growth potential or align with future market demands.

Q3. Despite recording a lower revenue of RM59.03 million in FYE 2024 (FYE 2023: RM81.58 million), the trade and other receivables increased from RM13.80 million as of 31 March 2023 to RM16.38 million as of 31 March 2024.

(a) Are there any significant concentrations of credit risk with particular customers or sectors that could impact on the Company's liquidity?

The receivables recorded in FYE 31 March 2023 and FYE 31 March 2024 are primarily from the same group of well-established customers. The Group does not have any significant credit risk concerns, as all customers have consistently met their payment obligations in a timely manner.

(b) How is the Board ensuring that the management of trade receivables aligns with the overall financial health and operational efficiency of the Company?

The Management team conducts weekly reviews of operational cash flow in collaboration with the Accounts Department. Additionally, Management provides quarterly reports on the Company's financial health to the Group, with the Executive Director updating the Audit Committee Chairman as necessary. The Board is also supported by both Internal and External Auditors, who audit and analyze the Group's financial situation to ensure robust oversight.

Q4. "Non-current assets comprise property, plant and equipment and intangible assets. Property, plant and equipment increased to RM45.0 million as at 31 March 2024 from RM28.3 million as at 31 March 2023, mainly due to an increase in right-of-use assets (factory) for our China operations." (Page 46 of Annual Report 2024)

What is the expected percentage increase in capacity once the said factory is operational? What is the capital expenditure required to bring the factory into operation? How does the Company intend to fund the said capital expenditure?

As at FYE 31 March 2023, the right-of-use assets for our China operations were minimal, as the previous rental contract was set to expire on 31 December 2023. A new 5-year rental contract, covering the period from 1 January 2024 to 31 December 2028, has been signed for the same factory at an increased rental fee of approximately RM300,000 per month. This adjustment reflects the current market rate in Dongguan, China, as the previous contract was established in 2013.

It is important to note that the increase in rental costs does not translate to an increase in factory capacity. As a result, the Group is focusing on enhancing productivity within the existing space to maximize efficiency and cost-effectiveness.

<u>Corporate Governance Matters</u>

Q1. Practice 5.9 of the Malaysian Code on Corporate Governance stipulates that the Board comprises at least 30% women directors.

The Board currently comprises five (5) male Directors and one (1) female Director, including Miss Tan Yee Ping who was appointed as its Independent Non-Executive Director on 30 May 2023.

(a) What is the timeframe for the Company to adopt Practice 5.9?

With the current composition of the Board, the Company has achieved 16.67% representation of women directors. The Company is committed to meeting the 30% target outlined in Practice 5.9 of the Malaysian Code on Corporate Governance and aims to achieve this within the next two (2) years.

(b) What benefits has the Board experienced from increased gender diversity among its members? How has the Board's performance been impacted by these benefits?

While Miss Tan Yee Ping has only recently joined the Board, and it is still early to observe significant changes, we anticipate that her presence will bring valuable perspectives and contribute to a more balanced and comprehensive decision-making process. As gender diversity continues to develop within the Board, we expect these benefits to positively impact our overall performance and strategic discussions in the long term.

Sustainability Matters

Q1. ***"Effective energy management is an important component of the Group, especially in the manufacturing segment, where energy consumption plays a key role. We strive to maximise energy efficiency by closely monitoring our power consumption and upgrading equipment to more energy-efficient models." (Page 41 of Annual Report 2024)***

(a) Please provide the total electricity consumed for PNE's manufacturing activities for the past three (3) financial years.

	FYE 2021	FYE 2022	FYE 2023
Energy consumed (kW)	2,085,979	1,993,045	1,628,424

(b) How much has been spent on upgrading equipment to more energy efficient models to date?

Over the past three (3) years, the Group has invested approximately RM 4 million in upgrading and replacing old, manually operated machinery with more energy-efficient, automated models. These upgrades, which include equipment such as Auto E-Test, Auto Punching, Auto Material Sizing, Auto PCB Printing, Auto V-Cut, and Auto Drilling machines, have been primarily aimed at reducing reliance on manual labour and enhancing overall productivity. By increasing output per second while maintaining similar energy usage, we have significantly reduced the time required to produce the same quantity of products compared to previous manual methods. This investment represents about 20% of our current production capacity. The Group plans to continue investing in more energy-efficient and higher-productivity machinery over the next 2-3 years.

Q2. "Based on the "Clean Air Regulations," our factory adheres to strict guidelines prohibiting burning processes, ensuring no CO2 emissions are generated. As a result, there is no CO2 substance data to report." **(Page 42 of Annual Report 2024)**

How does the Company address other potential sources of CO2 emissions, such as those from energy consumption or transportation? What is the broader strategy to reduce the Company's overall carbon footprint?

Chimneys 1 and 2 are equipped with scrubber systems, while Chimney 3 is used for an oven powered by electricity. None of these involve burning processes, and therefore, they do not produce CO2 emissions. According to the Environmental Quality Act (EQA) and the Clean Air Regulations 2014, reporting on CO2 emissions is not required in this context, nor is carbon footprint regulation mandated for our industry. However, the Company remains committed to environmental stewardship and is exploring broader strategies to reduce our overall carbon footprint, including optimizing energy consumption and evaluating transportation-related emissions.

Live Streamed question

A Shareholder inquired whether the Company would provide door gifts as a token of appreciation for attending the Meeting. Mr. Ben Kua responded that the Company will give each Shareholder one XOX prepaid SIM card. Additionally, each Shareholder will receive an RM80 product voucher, redeemable at the M.Gadget store on Shopee.