

KEY ASIC BERHAD
[200501024949 (707082-M)]
(Incorporated in Malaysia)

MINUTES OF THE SIXTEENTH ANNUAL GENERAL MEETING OF THE COMPANY CONDUCTED ENTIRELY THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT 6TH FLOOR, UNIT 3, 8, FIRST AVENUE, BANDAR UTAMA, 47800 PETALING JAYA, SELANGOR DARUL EHSAN, ON FRIDAY, 12 NOVEMBER 2021 AT 9.00 A.M.

Present at Broadcast Venue : N. Chanthiran A/L Nagappan (Chairman)

Present via video conferencing : Mr Eg Kah Yee (Executive Chairman/Chief Executive Officer)
Mr Benny T. Hu (Independent Non-Executive Director)
Ms Chen, Chia-Yin (Independent Non-Executive Director)
Prof. Low Teck Seng (Independent Non-Executive Director)

1. CHAIRMAN

On behalf of the Board, the Chairman welcomed all present at the Company's Sixteenth Annual General Meeting ("16th AGM"), which was held remotely from the various locations through live streaming.

The Chairman informed that the Board took the well-being of the Company's shareholders, stakeholders and employees seriously during the COVID-19 pandemic and for their safety, the 16th AGM was being convened entirely through live streaming from the Broadcast Venue at the Head Office of the Company.

The Chairman then introduced the Board members, Company Secretary and the Auditors of the Company to the shareholders.

2. QUORUM

For a fully virtual general meeting, the quorum shall be determined by the number of members who log in at the commencement of the meeting. The Chairman informed that there was a quorum and he called the meeting to order at 9.05 a.m.

3. NOTICE

There being no objection, the notice convening the meeting, having been circulated earlier to all the members of the Company within the statutory period, was taken as read.

Before proceeding to the items on the agenda, the Chairman informed the members that in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions tabled at the AGM would be voted by poll. Vaersa Advisory Sdn. Bhd. had been appointed as the independent Scrutineer to validate the votes cast.

As this AGM was conducted entirely through live streaming from the Broadcast Venue at the Head Office of the Company, the resolutions to be tabled at the AGM would be put to vote remotely using the remote participation and voting or the RPV application. The voting on the resolutions could be done any time during the meeting. Alternatively, the shareholders could vote at the end of the AGM.

The Chairman informed that the Company had received a letter dated 2 November 2021 from the Minority Shareholder Watch Group (“MSWG”) and the Board would address the questions raised by MSWG during the Question and Answer Session.

The Chairman further briefed the shareholders on the administrative matters and how to raise questions to the Board during the AGM. The Chairman invited the poll administrator to brief the shareholders on the voting procedure.

4. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

The Audited Financial Statements for the financial year ended 31 May 2021, together with the Reports of the Directors and Auditors, having been circulated to all the members of the Company within the statutory period, were tabled before the meeting.

The Audited Financial Statements for the financial year ended 31 May 2021, together with the Reports of the Directors and Auditors thereon, were received and noted.

5. RESOLUTION 1: APPROVE THE PAYMENT OF DIRECTORS’ FEES OF RM144,000 FOR THE FINANCIAL YEAR ENDING 31 MAY 2022

The Chairman informed that the Board had proposed the payment of Directors’ Fees amounting to RM144,000 for the financial year ending 31 May 2022.

The following motion was put to the meeting for consideration.

“THAT the payment of Directors’ Fees of RM144,000 for the financial year ending 31 May 2022 be hereby approved.”

6. RESOLUTION 2: RE-ELECTION OF EG KAH YEE PURSUANT TO CLAUSE 76(3) OF THE COMPANY’S CONSTITUTION

The Chairman informed the meeting that Eg Kah Yee had offered himself for re-election.

The following motion was put to the meeting for consideration.

“THAT Eg Kah Yee, retiring pursuant to Clause 76(3) of the Company’s Constitution and being eligible, be re-elected as a Director of the Company.”

7. RESOLUTION 3: RE-ELECTION OF PROF. LOW TECK SENG PURSUANT TO CLAUSE 76(3) OF THE COMPANY'S CONSTITUTION

The Chairman informed the meeting that Prof. Low Teck Seng had offered himself for re-election.

The following motion was put to the meeting for consideration.

"THAT Prof. Low Teck Seng, retiring pursuant to Clause 76(3) of the Company's Constitution and being eligible, be re-elected as a Director of the Company."

8. RESOLUTION 4: RE-APPOINTMENT OF MESSRS. UHY AS AUDITORS OF THE COMPANY

The Chairman informed the meeting that the Company's External Auditors, Messrs. UHY, had expressed their willingness to continue office.

The following motion was put to the meeting for consideration.

"THAT Messrs. UHY be hereby re-appointed as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting AND THAT the Directors be authorised to fix their remuneration."

9. RESOLUTION 5: ORDINARY RESOLUTION I

AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE SHARES

The Chairman informed that the full text of the Ordinary Resolution was set out in the Notice of meeting and the following motion was put to meeting for consideration:

THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue 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 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 Securities for the listing of and quotation for the additional shares so issued on the Bursa Securities AND FURTHER THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.

10. RESOLUTION 6: ORDINARY RESOLUTION II

CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – BENNY T. HU @ TING WU HU

The Chairman informed that the full text of the Ordinary Resolution was set out in the Notice of meeting and the following motion was put to meeting for consideration:

“THAT approval be and is hereby given for Benny T. Hu @ Ting Wu Hu, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company.”

11. RESOLUTION 7: ORDINARY RESOLUTION III

CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – N. CHANTHIRAN A/L NAGAPPAN

As Resolution 7 was to deal with the Chairman’s continuation in office, he passed the chair to the Company’s Executive Chairman/Chief Executive Officer, Mr Eg Kah Yee (“Mr Eg”), to proceed with Resolution 7.

Mr Eg informed that the full text of the Ordinary Resolution was set out in the Notice of meeting and the following motion was put to meeting for consideration:

“THAT approval be and is hereby given for N. Chanthiran a/l Nagappan, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company.”

Mr Eg passed the chair back to the Chairman to continue with the meeting.

12. RESOLUTION 8: ORDINARY RESOLUTION IV

PROPOSED NEW AND RENEWAL OF EXISTING SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OF TRADING NATURE

The Chairman informed that the interested Directors and major shareholders and persons connected to them had abstained from all deliberations and voting in respect of the proposed shareholders’ mandate. The interested directors and major shareholders had also undertaken to ensure that the persons connected to them would abstain from voting on the proposed shareholders’ mandate.

The Chairman informed that the full text of the Ordinary Resolution was set out in the Notice of meeting and the following motion was put to meeting for consideration:

“THAT pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), the Company and its subsidiaries (“the Group”) be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related party as set out in Section 1.4 of the Circular to Shareholders dated 30 September 2021 (“Related Party”) provided that such transactions and/or arrangements are:-

- (a) necessary for the day-to-day operations;*
 - (b) are undertaken in the ordinary course of business at arm’s length basis and are on normal commercial terms which are not more favourable to the Related Party than those generally available to the public; and*
 - (c) are not detrimental to the minority shareholders of the Company,*
- (collectively known as “Shareholders’ Mandate”);*

AND THAT such approval, shall continue to be in force until: -

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company, at which time it will lapse, unless by a resolution passed at such AGM, the authority is renewed; or*
- (b) the expiration of the period within the next AGM of the Company after that date is required to be held pursuant to Section 340 of the Companies Act, 2016 (“the Act”) (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or*
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,*

whichever is earlier;

AND THAT the estimated aggregate value of the transactions conducted pursuant to the Shareholders’ Mandate during a financial year will be disclosed, in accordance with the MMLR, in the Circular of the Company for the said financial year;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders’ Mandate.”

13. ANY OTHER BUSINESS

The Chairman informed that no notice for other business pursuant to the Companies Act 2016 had been received.

14. QUESTION AND ANSWER SESSION

At the invitation of the Chairman, Mr Eg read out the questions raised by MSWG in their letter dated 2 November 2021 and the response from the Board (attached hereto as "Appendix A"). Mr Eg went on to address the following questions submitted by the shareholders during the 16th AGM:-

(i) **Question:**

What is the Company's future outlook?

Response:

The Board views the future outlook of the Group as positive. The Group had invested funds in developing the necessary technologies for the market such as Internet of Medical Things (IoMT), Internet of Things (IoT) and Artificial Intelligence (AI) technologies. Although the Group had been receiving orders, the COVID-19 pandemic and the global lockdown had caused unpredictable shut down of customers' operations and factories. With the current ease of COVID-19 restrictions in many countries including Malaysia, the Board hopes that this would lessen the impact of pandemic on the Group. The Board also foresees the production capacity and the availability to deliver chips would recover to normal level over the next year. Nevertheless, the pandemic is still unpredictable in the future.

(ii) **Question:**

How much is the impact due to Movement Control Order?

Response:

The Group had been impacted by the pandemic lockdown globally other than in Malaysia especially for the on-going negotiations where the Group would need to take a longer time to complete the deals.

(iii) **Question:**

How much is cost saving of this virtual AGM as compare to physical one?

Response:

The cost saving is about RM5,000 for conducting the AGM virtually as compared with physical AGM. The virtual AGM is handled by the Company's own IT team and the cost would be lower compared with virtual meeting done by third party.

(iv) **Question:**

Will the Board consider giving door gift such as e-voucher or e-wallets for those participated in this AGM?

Response:

The Board would consider the shareholder's request on door gift for the next AGM.

There being no further questions raised, the Chairman proceeded with the polling process.

15. CONDUCT OF POLL

Having dealt with all the items on the agenda, the meeting proceeded to vote on Resolutions 1 to 8 by poll. The Chairman adjourned the meeting at 9.59 a.m. for the Poll Administrator and the Scrutineer to complete the counting and verification of the votes.

Upon completion of the counting of votes by the Poll Administrator and verification of the results by the Scrutineer, the Chairman called the meeting to order at 10.16 a.m.

At the invitation of the Chairman, the Scrutineer presented the results of the poll (attached hereto as "Appendix B") to the meeting.

Based on the results presented, the Chairman declared Resolutions 1 to 8 carried.

16. CLOSURE

The Chairman closed the meeting at 10.21 a.m. and thanked those present for their attendance.

Dated: 12 November 2021

**READ & CONFIRMED AS
A CORRECT RECORD BY**

CHAIRMAN

KEY ASIC BERHAD [200501024949 (707082-M)]

QUESTIONS AND ANSWERS ARISING FROM THE LETTER FROM THE MINORITY SHAREHOLDER WATCH GROUP (“MSWG”)

Operational & Financial Matters

Question:

The Group has been incurring losses for the last 3 financial years since 2019. For FY2021, it recorded loss after tax of RM7.95 million attributed mainly to higher expenses (page 10 of Annual Report (“AR”) 2021).

- (a) Is the Group expected to turnaround and register profits in FY2022? What are the strategies and the key drivers to turnaround in 2021 and going forward?
- (b) Administrative expenses have increased by 48% to RM6.13 million in FY2021 (FY2020: RM4.14 million) (page 53 of AR 2021). What are the reasons for the substantial increase in administrative expenses? Please provide a breakdown. What would be the expected level of administrative expenses going forward?

Response:

- (a) The Group does not forecast historically and will make the announcement of financial in accordance to the Listing Rules. The Group has been engaging with potential customers in the fast-growing sectors such as automotive, healthcare and renewable energy. The core competencies of the Group in IoT, IoMT and AI enable the Group to have competitive advantage in digitalization of these industries.
- (b) The increase in administrative expenses is mainly due to ESOS expenses.

Question:

The pandemic lockdown has caused delays in production of chips. Global shortage of production capacity has affected the Group’s revenue despite its strong bookings. The strong demand for all kinds of chips is expected to continue in FY2022. However, the capacity of manufacturing partners is likely to be tight with unpredictable disruptions due to pandemic (page 9 & 11 of AR 2021).

- (a) Please elaborate on the impact of chip shortage on the Group’s prospects.
- (b) Given that microchip or wafer production are outsourced to external parties, what is the Company’s strategy to mitigate and manage the supply chain risks?

Response:

- (a) The shortage of capacity is largely due to the unpredictable closures of the facilities when employees are infected. The global shortage generally is 30%-50% of the demand depending on the periods of the closures. The impact on the Group is similar to the global impact over time.
- (b) The Group will continue to qualify more manufacturing partners.

Question:

The Group has made significant breakthrough in FY2021 in its Internet of Things ("IoT") and Artificial Intelligence ("AI") technologies. It has filed several more patents in its leading-edge IoT technologies in the areas of security and this capability is essential, especially in the medical, automotive, renewable energy and public service applications. It will continue to focus on innovation based on IoT and AI technologies (page 7 of AR 2021).

- (a) Please elaborate further on the level of innovation and the level of differentiation of the IoT products/applications and AI system-on-chips it has designed and developed? What are its competitive advantages?
- (b) Internet of Medical Things ("IoMT") continues to be the focus of the Group in the healthcare sectors (page 10 of AR 2021). When does the Group expect the newly launched IoT products/chips (KeyPATH, SPG 102-V2, MCard2/MDrive2) to start contributing to the Group's profitability?
- (c) What are the Company's plan to market these new products overseas? What are the opportunities and challenges in these markets?

Response:

- (a) IoT products/applications that we developed are based on our own IoT chip SGP101 that has been awarded more than 10 patents in US, China, Japan, Korea, Taiwan, Singapore and Malaysia. The IoT products/applications will be announced in due course. The AI SoC has already been implemented into some intelligent systems and it is one of the lowest power but high performance chips.
- (b) 2nd half of calendar year 2022 or early 2023 depending on the approval in area. Approval for medical products would require to be obtained from the relevant authorities such as US Food and Drug Administration and European CE. For selling in each country, approval from the local authority would be required as well.
- (c) We have been marketing our products overseas and the new products will be marketed through the same sales channel. IOMT devices are the next generation of wireless medical devices.

Question:

The Group's allowance for impairment losses on trade receivables amounting to RM18.96 million represents 96% of the Group's trade receivables of RM19.74 million in FY2021 (Note 9, page 94 of AR 2021).

- (a) What are the profiles of the customers with long outstanding trade receivables? Please include details such as country, amount due, overdue period etc.
- (b) What actions have been taken to recover the said amount?
- (c) What percentage of these impairments are expected to be non-recoverable?
- (d) To-date, how much of these impaired trade receivables have been recovered?

Response:

- (a) Amount due less than 120 days : RM0.5million
Amount due more than 120 days : RM19million
- (b) We continuously work with the customer on the collection.
- (c) As of now, we expect most if not all impairments to be recoverable.
- (d) None of the RM18.96 million impaired trade receivables have been recovered to date.

Question:

Write down of inventories amounted to RM82,261 in FY2021 (FY2020: RM59,306) (Page 57 of AR 2021).

- (a) What are the type of inventories that have been written down in FY2021?
- (b) What factors had triggered the need to write down the value of the inventories?
- (c) With the prolonged pandemic which may impact the saleability of inventories, are further write down of inventories expected in FY2022?

Response:

- (a) Raw material, and work in progress
- (b) Based on IAS 2, inventories should be measured at the lower of cost and net realisable value (IAS 2.9). Net realisable value ('NRV') is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale (IAS 2.6).
- (c) We do not forecast the future to the public historically.

Corporate Governance Matters

Question:

Practice 7.1 of the Malaysian Code on Corporate Governance advocates the detailed disclosure, on named basis, of the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments. The Company has stated in page 26 of its CG Report 2021 that it has applied this Practice whereby the remuneration of directors is disclosed based on a named basis, but no disclosure was made for each component of the remuneration (e.g. fees, salary, bonus, benefits in-kind and other emoluments) for each director. Hence, the Company has not applied this Practice.

This departure is also in breach of Appendix 9C, Part A (11) of the Main Market Listing Requirements ("MMLR"). The breach of this rule may result in sanction from Bursa Malaysia. When does the Board plan to adopt this Practice?

Response:

The disclosure of Directors' remuneration was made on a named basis in the Corporate Governance Report 2021. The Directors' remuneration for financial year 2021 consists only of Directors' fees for all Independent Non-Executive Directors and salary for the Chief Executive Officer. There were no other components of Directors' remuneration in respect of the financial year 2021.

Question:

Paragraph 9.21(2) of the MMLR requires companies to publish a summary of the key matters discussed at the AGM onto the Company's website soon after the conclusion of the AGM. As of 2 November 2021, summary of the key matters discussed at the 15th AGM held on 17 November 2020 was not available on the Company website under the section, Investor Relations. Why was the summary of the key matters discussed not uploaded onto the corporate website?

Response:

It has been uploaded.

Question:

The total fee for the internal audit function of the Group during the financial year ended 31 May 2021 was RM16,000 (page 13 of AR 2021).

- (a) Given that the fee is rather small (approximately RM1,333 per month), how does the Audit Committee assure itself that there would be adequate coverage and an effective audit function?
- (b) Audit Committee reviewed and discussed with the Internal Auditor, the Internal Audit Report and Internal Audit Follow-up Report on Research and Development (R&D) of Information and Technology (IT) Department, system of internal control of the Human Resource Department and the follow up Internal Audit Issues of the Human Resource Department and Procurement Department, including the management action plans based on the recommendation highlighted by the Internal Auditor (page 13 of AR 2021).

What were the key findings by the Internal Auditor?

Response:

- (a) The activity of the Group is not voluminous and the Company has good practice of Standard Operation Procedure. The Audit Committee is in opinion that it is sufficient to carry out internal audit once half yearly. From time to time, the Audit Committee will assess the need to increase the frequency and areas to be covered by the Internal Audit.
- (b) In the opinion of the Internal Auditor, there was no major findings and no element of fraud detected.

KEY ASIC BERHAD

Sixteenth Annual General Meeting

Venue: Unit 3, 6th Floor, 8, First Avenue, Bandar Utama, 47800 Petaling Jaya.

Date: Friday, 12 November 2021 at 9.00 a.m.

Result on Voting by Poll

Resolution	Vote For				Vote Against				Total Votes			
	No. of Units	%	No. of P/S	%	No. of Units	%	No. of P/S	%	No. of Units	%	No. of P/S	%
Ordinary Resolution 1	457,297,288.00	95.78%	15	79%	20,163,700	4.2231%	4	21.05%	477,460,988.00	100.00%	19	100.00%
Ordinary Resolution 2	457,297,488.00	95.78%	16	84%	20,163,500	4.2231%	3	15.79%	477,460,988.00	100.00%	19	100.00%
Ordinary Resolution 3	457,297,488.00	95.78%	16	84%	20,163,500	4.2231%	3	15.79%	477,460,988.00	100.00%	19	100.00%
Ordinary Resolution 4	457,297,488.00	95.78%	16	84%	20,163,500	4.2231%	3	15.79%	477,460,988.00	100.00%	19	100.00%
Ordinary Resolution 5	457,297,288.00	95.78%	15	79%	20,163,700	4.2231%	4	21.05%	477,460,988.00	100.00%	19	100.00%
Ordinary Resolution 6 -Tier 1	325,869,500.00	100.00%	1	100%	-	0.0000%	-	0.00%	325,869,500.00	100.00%	1	100.00%
Ordinary Resolution 6 -Tier 2	131,427,688.00	86.70%	13	72%	20,163,800	13.3014%	5	27.78%	151,591,488.00	100.00%	18	100.00%
Ordinary Resolution 7 -Tier 1	325,869,500.00	100.00%	1	100%	-	0.0000%	-	0.00%	325,869,500.00	100.00%	1	100.00%
Ordinary Resolution 7 -Tier 2	131,427,888.00	86.70%	14	78%	20,163,600	13.3013%	4	22.22%	151,591,488.00	100.00%	18	100.00%
Ordinary Resolution 8	129,927,988.00	86.57%	14	82%	20,163,500	13.4341%	3	17.65%	150,091,488.00	100.00%	17	100.00%



Am
Shirley Gan Hong Wai
12/11/21