

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

**SUMMARY OF KEY MATTERS DISCUSSED AT THE EXTRAORDINARY 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 THURSDAY, 31 MARCH 2022 AT 9.00 A.M.**

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There were no other matters raised by the shareholders at the Extraordinary General Meeting (“EGM”), save for the following:-

**Questions and Answers arising from the letter from the Minority Shareholder Watch Group (“MSWG”)**

**Question:**

The allocation and granting of the ESOS Options will be on a staggered basis over the duration of the Proposed ESOS. The ESOS Committee may at its sole and absolute discretion decide whether the ESOS Options will be subject to any vesting period, and if so, to determine the vesting conditions, including whether such vesting, are subject to performance targets, of which such determination will be carried out at a later date after the establishment of the Proposed ESOS and the formation of the ESOS Committee (page 2 of the circular to shareholders dated 25 March 2022).

Under what circumstances will the ESOS Committee allow the granting of New ESOS Options without being subject to any vesting period and performance targets?

**Response:**

The allocation and granting of the ESOS Options will be on a staggered basis over the duration of the Proposed ESOS. The ESOS Committee may at its sole and absolute discretion decide whether the ESOS Options will be subject to any vesting period, and if so, to determine the vesting conditions, including but not limited to performance targets, seniority, competency, competitiveness, of which such determination will be carried out at a later date after the establishment of the Proposed ESOS and the formation of the ESOS Committee.

In the event any Eligible Person is a member of the ESOS Committee, such Eligible Person shall not participate in the deliberation or discussion of their own allocation of the ESOS Options as well as allocation of the ESOS Options to persons connected with him/her.

**Question:**

In line with better corporate governance, MSWG does not encourage the practice of giving options to independent non-executive directors (“INEDs”) as they are not executive management and as they are responsible for monitoring the option allocation to employees and executive directors. The very definition of ESOS i.e. Employees’ Share Option Scheme alludes to it being applicable to employees; independent directors are not employees.

Under the Proposed New ESOS allocation, there are four INEDs namely Benny T. Hu @ Ting Wu Hu, N. Chanthiran A/L Nagappan, Chen, Chia-Yin, and Prof. Low Teck Seng who are eligible to participate in the Proposed New ESOS and subscribe for new Key ASIC shares (Resolutions 3 to 6, Notice of EGM). The risk is that the independent directors may be fixated with their share price and this may affect their impartial decision-making, which should be made without reference to share price considerations.

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- (a) Why is the Proposed New ESOS extended to the four INEDs since they do not perform executive roles; the directors' fee and other benefits they receive are supposed to be adequate to compensate the services rendered by them?
- (b) It is stated that the Proposed New ESOS is to recognise the contributions and services of the Eligible Persons that are considered vital to the operations and continued growth of the Key ASIC Group and to reward such Eligible Persons by allowing them to participate in Key ASIC Group's profitability by way of potentially realising capital gains that may arise from appreciation in the price of the Key ASIC Shares (page iii of the circular to shareholders dated 25 February 2022).

What were the performance metrics adopted by the ESOS Committee to assess the eligibility of INEDs under the previous ESOS? Are such metrics applicable to INEDs under the Proposed New ESOS?

**Response:**

- (a) It is common in the US and other countries that directors including INED and even advisors or anyone who has helped or can help with the success of the company to be allotted ESOS so that their contribution or effort is tied to the success of the company. INEDs are contributing to the Company.
- (b) There are multiple parameters including but not limited to the introduction of business opportunities, strategic planning and contribution to future development in the performance metrics used by the ESOS Committee in assessing the eligibility of INEDs under the previous and Proposed New ESOS.

**Question:**

Given that all the five directors are interested parties in the Proposed New ESOS (Resolution 2 to 6, Notice of EGM), who will be the members of the ESOS Committee which is tasked to assess the eligibility of the recipients and to decide on the number of New ESOS Options to be granted?

**Response:**

The ESOS Committee will have the overall responsibility in administering the Proposed New ESOS, which will be implemented in accordance with the By-laws as well as the Main Market Listing Requirements.

The ESOS Committee will comprise the Managing Director, Executive Director, Independent Directors and representatives from Management who will assess the eligibility of the recipients and decide on the allocation of the ESOS Options based on individual KPIs, length of service, job performance and/or such other factors as the ESOS Committee deems fit. The respective ESOS Committee member will abstain from participating in the discussion and deliberation of their own eligibility and ESOS Options allocation.

The allocation of the ESOS Options under the Proposed New ESOS will also be verified by the Audit Committee in compliance with the eligibility and allocation criteria at the end of each financial year.

**Question:**

One of the intended objectives of the ESOS is to allow Eligible Persons to participate in the group's profitability by way of potentially realising capital gains that may arise from appreciation in the price of the Key ASIC shares (page iii of the circular to shareholders dated 25 February 2022).

Key ASIC was loss-making for the past 10 years except for FY18. What are the measures being taken to turnaround the company and do the Board expect the company to turnaround in the foreseeable future?

**Response:**

Automotive, healthcare and renewable energy are expected to have substantial growth in the next few years largely driven by the demand for electronic vehicles, telehealth and green energies. The use of IoT and AI over high-speed connectivity will enhance the growth further. The Group has been engaging in increasing number of potential customers in these fast-growing sections. The Group is capitalizing the core competencies in IoT specifically in the IoMT and AI enable the Group to have competitive advantage in the contribution to the business in the future.

**Other Questions raised by the Shareholders during the EGM**

**Question:**

How does this ESOS exercise benefit the shareholders?

**Response:**

ESOS is a type of incentive commonly offered in the Technology field especially in the semiconductor industry where talented people are the asset and key success of the Company. Through this ESOS exercise, it attracts, motivates, and retain talents, where they have vested interest in the growth and success of the Company, they are strived to keep the competitive position in the domestic market and also to be more competitive in the global marketplace, which opens the door to increased profits and benefit the shareholders.

**Question:**

Will the Board reward the shareholders who attended the EGM with vouchers?

**Response:**

The Board would consider the shareholders' request on door gift for the next General Meeting.

**Question:**

How does this ESOS exercise affect share price of the Company since the share price is already low?

**Response:**

Share price are affected by a few factors: -

- i. Global market
- ii. Local stock market
- iii. Policies announced by the government in the budget
- iv. Industry trends
- v. Profitability of the company

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ESOS is an incentive scheme to attract talents, which helps the Company remain competitive and build excellent products to the market, which leads to a positive outlook to the Company's share price in the long run.

**Question:**

When will the Company turn profitable?

**Response:**

Currently, the semiconductor industry is experiencing shortage issue in the capacity of foundries, which is the reason for the shortfall in the Group's revenue. The Group is working hard to get more business for the future and to get capacity fulfilled. Even though the demand is high and there is a surge in price, times are challenging as the foundries have limited capacity to produce, only 50% of the capacity could be fulfilled. The issue will be eased when there is more capacity in the foundries, but it takes time for foundries to be built and completed.