

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

MINUTES OF THE SEVENTEENTH ANNUAL GENERAL MEETING OF KEY ASIC BERHAD (“KEY ASIC” OR “COMPANY”) CONDUCTED ENTIRELY THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT KEY ASIC’S HEADOFFICE AT 6TH FLOOR, UNIT 3, 8, FIRST AVENUE, BANDAR UTAMA, 47800 PETALING JAYA, SELANGOR DARUL EHSAN, ON FRIDAY, 25 NOVEMBER 2022 AT 9.00 A.M.

Present at Broadcast Venue : Mr Eg Kah Yee (Chairman/Chief Executive Officer)
Datuk Md Zubir Ansori Bin Yahaya (Independent Non-Executive Director)

Present via video conferencing : Ms Chen, Chia-Yin (Independent Non-Executive Director)
Prof. Low Teck Seng (Independent Non-Executive Director)
Mr Benny T. Hu (Non-Independent Non-Executive Director)

1. CHAIRMAN

On behalf of the Board, the Chairman welcomed all present at the Company’s Seventeenth Annual General Meeting (“17th AGM”), which was held remotely from the various locations through live streaming.

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

2. QUORUM

The Chairman informed that there was a quorum and he called the meeting to order at 9.05 a.m.

3. NOTICE

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.

Chairman invited Management to brief the shareholders on the flow of the meeting, the voting procedures and how to raise questions at the meeting through the Remote Participation & Voting (“RPV”) application.

Management informed that the Company had received a letter dated 30 October 2022 from the Minority Shareholders Watch Group (“MSWG”) and the questions raised by MSWG would be addressed during the Question and Answer Session.

As this AGM was conducted entirely through live streaming from the Broadcast Venue at the Head Office of the Company, the resolutions tabled at the AGM were voted remotely using the RPV application. The voting on the resolutions could be done any time during the meeting or the end of the AGM. Vaersa Advisory Sdn. Bhd. had been appointed as the Independent Scrutineer to validate the votes cast.

Management further briefed the shareholders on the manner of raising questions to the Board during the AGM and the voting procedures.

Management passed the chair back to the Chairman to continue with the meeting.

4. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2022 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

The Audited Financial Statements for the financial year ended 31 May 2022, 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 2022, together with the Reports of the Directors and Auditors thereon, were received and noted.

5. RESOLUTION 1: PAYMENT OF DIRECTORS' FEES FOR THE PERIOD FROM 1 JUNE 2022 UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY

The Chairman informed that the Board had proposed the payment of Directors' Fees amounting to RM216,130 for the period from 1 June 2022 until the next AGM of the Company.

The following motion was put to the meeting for consideration:-

"THAT the payment of Directors' Fees of RM216,130 for the period from 1 June 2022 until the next Annual General Meeting of the Company be approved."

6. RESOLUTION 2: RE-ELECTION OF CHEN, CHIA-YIN PURSUANT TO CLAUSE 76(3) OF THE COMPANY'S CONSTITUTION

The Chairman informed the meeting that Ms Chen, Chia-Yin, who was retiring pursuant to Clause 76(3) of the Company's Constitution and being eligible, had offered herself for re-election.

The following motion was put to the meeting for consideration:-

"THAT Chen, Chia-Yin, 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 DATUK MD ZUBIR ANSORI BIN YAHAYA PURSUANT TO CLAUSE 78 OF THE COMPANY'S CONSTITUTION

The Chairman informed the meeting that Datuk Md Zubir Ansori Bin Yahaya, who was retiring pursuant to Clause 78 of the Company's Constitution and being eligible, had offered himself for re-election.

The following motion was put to the meeting for consideration:-

"THAT Datuk Md Zubir Ansori Bin Yahaya, retiring pursuant to Clause 78 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 their services.

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: SPECIAL RESOLUTION
WAIVER OF PRE-EMPTIVE RIGHTS UNDER SECTION 85 OF THE COMPANIES ACT 2016**

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

"THAT the shareholders of the Company do hereby waive their statutory pre-emptive rights to be offered new shares ranking equally to the existing issued shares of the Company under Section 85 of the Companies Act 2016 ("the Act"), read together with Clause 12(3) of the Constitution of the Company.

THAT the Directors be and are hereby authorised to issue any new shares (including rights or options over subscription of such shares) and with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, for such consideration and to any person as the Directors may determine subject to passing Ordinary Resolution 1 – Authority to Issue and Allot Shares of the Company pursuant to Sections 75 and 76 of the Act."

**10. RESOLUTION 6: ORDINARY RESOLUTION I
AUTHORITY TO ISSUE AND ALLOT SHARES OF THE COMPANY PURSUANT TO
SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

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

“THAT contingent upon the passing of the Special Resolution on waiver of pre-emptive rights under Section 85 of the Companies Act 2016 (“the Act”) and pursuant to Sections 75 and 76 of the Act, Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”) and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer (“New Shares”) from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being (“Proposed General Mandate”).

THAT such approval on the Proposed General Mandate shall continue to be in force until:

- a) the conclusion of the next Annual General Meeting of the Company held after the approval was given;*
- b) the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or*
- c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,*

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate.”

**11. RESOLUTION 7: ORDINARY RESOLUTION II
PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR
RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OF TRADING
NATURE**

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 the 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 2022 ("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;

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 Listing Requirements, in the Annual Report 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."

12. ANY OTHER BUSINESS

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

13. QUESTION AND ANSWER SESSION

At the invitation of the Chairman, Management read out the questions raised by MSWG in their letter dated 30 October 2022 and the response from the Board. The Chairman then addressed the questions submitted by shareholders during the AGM. The Question and Answer Session and Summary of Key Matters Discussed at the AGM is attached hereto as "Appendix A".

14. CONDUCT OF POLL

Having dealt with all the items on the agenda and the Question and Answer Session, the meeting proceeded to vote on Resolutions 1 to 7 by poll. The Chairman adjourned the meeting at 9.41 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 9.55 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 7 carried.

15. CLOSURE

The meeting concluded at 9.57 a.m. with a vote of thanks to the Chair.

Dated:

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

CHAIRMAN

*TJA: KEL: LMY
Minutes of the Seventeenth Annual General Meeting held on 25 November 2022*

KEY ASIC BERHAD
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(Incorporated in Malaysia)

QUESTION AND ANSWER SESSION AND SUMMARY OF KEY MATTERS DISCUSSED AT THE SEVENTEENTH ANNUAL GENERAL MEETING (“17TH AGM”) OF THE COMPANY CONDUCTED ENTIRELY THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT KEY ASIC’S HEADOFFICE AT 6TH FLOOR, UNIT 3, 8, FIRST AVENUE, BANDAR UTAMA, 47800 PETALING JAYA, SELANGOR DARUL EHSAN, ON FRIDAY, 25 NOVEMBER 2022 AT 9.00 A.M.

Questions and Answers arising from the letter from the Minority Shareholders Watch Group (MSWG)

Operational & Financial Matters

Question 1:

The non-recurring engineering services segment reported an impairment loss on intangible assets of RM2.882 million for FY2022. Please clarify whether it was intellectual property or software licenses rights that was impaired and please elaborate on the reason for the impairment.

Response:

The impairment loss on intangible assets of RM2.882 million for FY2022 was the impairment made on intellectual property. The impairment was made because the recoverable amount of the intangible assets was lower than the carrying value.

Question 2:

The United States of America has recently imposed sweeping restrictions which prohibit the sale of cutting-edge semiconductor chips and advanced equipment to China, as well as knowledge from any US citizens, residents and green card holders. What is the Board’s view on the impact of the new controls on the group’s business?

Response:

The restrictions cover named companies in China and not “sweeping restrictions”. In fact, the restrictions are not imposed on China as a country but mainly on manufacturing equipment of 7nm and below. There is no negative impact on the Group in the foreseeable future. Perhaps there will be positive impact as China will invest more and give bigger incentives to attract non-US companies to invest or participate in their semiconductor market.

Question 3:

The performance of the group’s non-recurring engineering services has been declining with the segmental revenue and segmental results deteriorating from RM12.781 million and RM3.244 million for FY2018 to RM0.261 million and -RM8.744 million for FY2022. What were the reasons for the declining trend of revenue and segmental results and what are the measures being taken by the group to address the financial bleeding?

Response:

The reason for the declining trend in revenue was mainly the global shortage of the production capacity, which has resulted in a large volume of backlog. Hence, the revenue of the Group has been affected by the availability of the manufacturing capacity.

The Group will continue to qualify more manufacturing partners. At the same time, the Group is working closely with the manufacturing partner in order to reduce the backlog and convert it to revenue.

Sustainability and Corporate Governance Matters**Question 4:**

Practice 1.3 of the Malaysian Code on Corporate Governance 2021 advocates a separation of the positions of the chairman and CEO in order to promote accountability and facilitate the division of responsibilities between them. A chairman leads the board in overseeing the management team, including deciding on the appointment, compensation and replacement of CEO, while the CEO focuses on the business and day-to-day management of the company. As such, a separation of the roles of the chairman and the CEO increases the board's independence from management and thus leads to better monitoring and oversight.

Besides the Board consisting of a majority of Independent Directors, what are the other measures that have been put in place to ensure the independence of the Board in overseeing the management team, especially since the Chairman who leads the Board is also the CEO of the Company?

Response:

As an additional measure and to ensure there is check and balance as well as objective review by the Board, the Chairman of the Board is not a member of the Audit Committee, Nomination Committee or Remuneration Committee.

Question 5:

The total expenses incurred for the internal audit function of the Company for FY2022 were RM16,000 (Page 26 of Annual Report 2022). The fee is rather small (approximately RM1,333 per month) when compared to the audit fee of RM187,636 paid to external auditor for FY2022.

- a) Given the low audit fee, how does the Audit Committee assure itself that there would be adequate coverage and an effective audit function?
- b) What are the areas covered by the internal auditors during FY2022?
- c) How many internal audit reports were issued during FY2022?

Response:

- (a) The activity of the Group is not voluminous, and the Company has a Standard Operating Procedure in place. The Audit Committee is of the opinion that it is sufficient to carry out an 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 Auditors.

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QUESTION AND ANSWER SESSION AND SUMMARY OF KEY MATTERS DISCUSSED AT THE SEVENTEENTH ANNUAL GENERAL MEETING HELD ON FRIDAY, 25 NOVEMBER 2022

- (b) The areas covered by the Internal Auditors during FY2022 were IT General Control Review, Sales & Marketing Review and Enterprise Risk Management review.
- (c) There were three internal audit reports issued during FY2022.

Other questions raised by the Shareholders and the Company's response during the 17th AGM

Question 1:

Why is the cost of sales, as stated in the 2022 Annual Report, so high?

Response:

Since the COVID-19 pandemic started, the Company had seen a huge spike in demand for semiconductor chips, especially for the automotive industry and electronic devices, such as laptops, smartphones and internet connectivity devices due to people working from home and learning remotely as a result of the worldwide lockdown. However, there was a huge shortage in the supply of semiconductor chips and foundry capacity. The Board was of the view that the best time to invest, especially in the area of sales and marketing, is when the market demand is strong. The Company had been building up a strong sales pipeline for the future as it would take a long time to close a deal and design a chip. The Company had managed to secure new chip design contracts with total value of over RM28 million over a period of three years as announced in October 2022.

Question 2:

When will the Company become profitable and start to pay dividend?

Response:

With a strong pipeline being built in the recent quarters, the Company expects to secure more new contracts in addition to the chip design contracts of over RM28 million in value. The Board hopes the Company will become profitable in the near future as soon as the foundry capacity recovers to the normal level and the backlog orders are cleared.

Question 3:

What is the Company's future outlook?

Response:

As mentioned in our response to the previous questions, the Company had been building up a strong pipeline and entered into several new contracts on chip design. However, it will take some time to design the chip and deliver to customers and therefore, revenue might not be reflected immediately.

Question 4:

Will the Board consider giving door gifts such as e-vouchers or e-wallet credits for those participating in this AGM as a token of appreciation?

Response:

The Board will consider the shareholder's request for door gifts for the next AGM.

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QUESTION AND ANSWER SESSION AND SUMMARY OF KEY MATTERS DISCUSSED AT THE SEVENTEENTH ANNUAL GENERAL MEETING HELD ON FRIDAY, 25 NOVEMBER 2022

Question 5:

This year's loss is even higher than last year's, as per the 2022 Annual Report. Why is this so and what are you doing to curb the losses? This will impact the stock price and as shareholders, we want to see the stock price going up instead of down.

Response:

Stock price movements are driven by a few factors, one of which is the overall market condition and not solely on the individual company's performance. Although the orders and demand for chips remain strong, the global issue on shortage of semiconductor chips and foundry capacity has resulted in the difficulty to convert orders into revenue and thus, a higher loss is recorded for the financial year 2022.

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KEY ASIC BERHAD

Seventeenth Annual General Meeting

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

Date: Friday, 25 November 2022 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	%
Resolution 1 (Ordinary)	508,431,498.00	99.9978%	20	80.0000%	11,344	0.0022%	5	20.0000%	508,442,842.00	100.0000%	25	100.0000%
Resolution 2 (Ordinary)	508,432,698.00	99.9980%	22	88.0000%	10,144	0.0020%	3	12.0000%	508,442,842.00	100.0000%	25	100.0000%
Resolution 3 (Ordinary)	508,432,598.00	99.9980%	21	84.0000%	10,244	0.0020%	4	16.0000%	508,442,842.00	100.0000%	25	100.0000%
Resolution 4 (Ordinary)	508,432,598.00	99.9980%	21	84.0000%	10,244	0.0020%	4	16.0000%	508,442,842.00	100.0000%	25	100.0000%
Resolution 5 (Special)	508,419,098.00	99.9953%	20	80.0000%	23,744	0.0047%	5	20.0000%	508,442,842.00	100.0000%	25	100.0000%
Resolution 6 (Ordinary)	508,418,898.00	99.9953%	19	76.0000%	23,944	0.0047%	6	24.0000%	508,442,842.00	100.0000%	25	100.0000%
Resolution 7 (Ordinary)	159,403,910.00	99.9936%	18	85.7143%	10,144	0.0064%	3	14.2857%	159,414,054.00	100.0000%	21	100.0000%



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