

MALAYSIAN PACIFIC INDUSTRIES BERHAD

Registration No. 196201000323 (4817-U)

Key Pertinent Questions and Answers at the 59th Annual General Meeting of MALAYSIAN PACIFIC INDUSTRIES BERHAD (“MPI” or “the Company”) held fully virtual through live streaming from the broadcast venue at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Wednesday, 4 November 2020 at 3.00 p.m.

1. What is the impact of COVID-19 on the global semiconductor industry and MPI business?

The overall semiconductor industry is witnessing a slowdown due to the ongoing trade war between China and the United States of America (“Trade War”) and COVID-19 pandemic. Despite the unfavourable market conditions, MPI Group continued to grow in revenue and profit mainly attributed to the increasing in-sourcing demand in China and growing demand for personal computers and servers worldwide. Moreover, as the Group had continued production during the Movement Control Order period, it was able to meet customers’ delivery timeline which has further strengthened its relationship with key customers which have potential upsides in the future.

2. How do you plan to leverage your strong cash position?

MPI Group is utilising its healthy net cash position to strengthen the business during the COVID-19 pandemic. The Group would continue investing in automation, machinery, research & development, talent and capacity expansion. MPI Group is also looking out for good merger and acquisition opportunities for inorganic business growth.

3. Refer to page 131 of the annual report. what was the reason for the increase in personnel expenses to RM352 million in FY2020 from RM314 million in FY2019?

The higher personnel expenses were due to business expansion and in tandem with higher revenue achieved during FY2020.

4. Other operating expenses decreased to RM22 million in FY2020 as compared with RM35 million in FY2019. What constituted the decrease?

The decrease in other operating expenses was mainly due to lower foreign exchange losses and provision for slow-moving inventories.

5. We noted that the Company has adopted MS ISO 37001:2016 as its Anti-Bribery and Corruption Management System. What is the status of the Company’s ISO 37001 certification?

MPI and one of its subsidiaries, Carsem (M) Sdn Bhd, have undergone the final audit by SIRIM QAS International Sdn Bhd in October 2020 and expect to obtain the ISO 37001 certification by early 2021.

6. **Can you share the China and Taiwan OSAT (Outsourced Semiconductor Assembly & Test) market outlook? How had the new OSAT players in China affect the business of Carsem Semiconductor (Suzhou) Co., Ltd and what are the solutions to overcome it?**

As OSAT is a capital-intensive industry, MPI Group competes in innovation and technology. The Group will continue to focus on growth profitability, cash preservation and cautious investment.

The market re-alignment arising from the Trade War has benefited MPI's China plant. Chinese customers are buying-in to the Group's technology, quality and service. MPI Group will continue to invest in its China plant as the outlook for OSAT in China remains positive.

7. **Can you update us on the outlook of OSAT under the Trade War background?**

The Trade War, which brought about many trade-related uncertainties, had caused disruption in supply chain and slowdown in demand. The Group endeavours to find the right balance in all segments of its business and to provide innovative technology in its products.

8. **Can you provide the revenue breakdown based on sectors, such as automotive, 5G, sensors, etc?**

MPI has set its strategy 5 years ago to be the best OSAT partner for the automotive market with 50% of its revenue from the automotive sector. Currently, the approximate ratio is automotive sector 45%: sensor products 20%: industrial and communication applications 35%.

9. **Has MPI benefited from the 5G boom?**

Yes, MPI Group is focusing on the 5G router market, including devices for radio-frequency and power management. In addition, the Group is also building up a team with 5G technology competency to support various machines and processing techniques.

10. **Can you share the prospect of SiC and Gallium nitride (GaN) in the Electric Vehicle industry and what are the strategies for MPI Group to catch the wave?**

SiC and GaN technology are emerging in the Electric Vehicle industry and smartphone market. MPI has launched its first high power packaging production line with a leading radio-frequency player using the advanced SiC and GaN technologies.

11. **There were free MPI shares vested in FY2020. However, there were no increase in the number of shares of MPI as at the end of FY2020.**

Please explain the mechanism on the vesting of the free MPI shares to eligible executives. (Page 126 of the annual report).

There was no change in the issued share capital of MPI as at the end of FY2020 because the shares vested were transferred from the Executive Share Scheme Trust to the eligible executives.