

PINTARAS JAYA BERHAD
Registration No. 198901012591 (189900-H)
(Incorporated in Malaysia)

Questions raised by shareholders and answers/responses from the Chairman during the Thirty-First Annual General Meeting (“AGM”) of Pintaras Jaya Berhad (“PJB” or “Company”) held on a fully virtual basis at the broadcast venue at No. 8, Jalan Majistret U1/26, Hicom-Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan on Friday, 27th November 2020 at 10.00 a.m.

QUESTIONS AND ANSWERS

The Company had received a letter dated 22 October 2020 from the Minority Shareholders Watch Group (“MSWG”) dated 22 October 2020, the questions raised by the MSWG and the answers/responses given by the Company were as detailed hereunder:-

Strategy & Financial Matters

1. Covid-19 Pandemic (“Covid-19”)

To what extent has the pandemic impacted PJB’s operations and financial position in financial year 2021 (“FY2021”)? What are the measures taken to address any adverse risk?

Response: The pandemic has severely impacted the economies of Malaysia (“MY”) and Singapore (“SG”) and therefore directly affected the construction industry such as lesser projects and increase in operating costs due to the implementation of Covid-19 restrictions and measures. The biggest risks are related to Covid-19 prevention and financial sustainability. The measures which have been taken by the Company to address the risks, including but not limited to, strict adherence to the Government’s Standard Operating Procedures in projects sites and workplaces and closely monitoring and managing the Company’s costs.

2. Construction

a) On-going projects

- (i) What is the current progress of the Group’s existing projects? Are the projects on track to be completed within the stipulated timeframe?

Response: Yes, the Group’s existing projects in both MY and SG are substantially on track. Generally, extension of time has been given to all projects due to Covid-19.

- (ii) Are there any of the Group’s current projects facing cost overruns or other issues? If so, what is PJB’s strategy to manage the issues?

Response: Yes, we have encountered some projects with cost overruns and the Management would mitigate the issue by close monitoring of costs and improving the efficiency of the machineries and manpower allocation.

- b) What is PJB’s current construction order book? What is the targeted order book replenishment in FY2021?

Response: The Company’s current construction order book has exceeded RM500 million whilst the targeted order book replenishment was above RM400 million.

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- c) The construction activities remained subdued. Competition remains very intense and tender rates are at rock-bottom (Page 35 if the Annual Report).

How will the Board boost PJB's competitive edge?

Response: PJB would continue to work on its competitive edge such as improving its operational efficiency, allocating resources efficiently and drawing synergies from those capabilities in MY and SG.

- d) The contribution from PJB's construction operations in SG was about 21% higher at RM297 million compared to last financial year ("FY"). Growth will likely come from PJB's SG operations where it continues to have a strong tender book (Page 33 of the Annual Report 2020).

- (i) What is the targeted growth rate for SG operations for next FY?

Response: The targeted growth rate for SG operations was above 10%.

- (ii) What is the size of the current tender book in SG?

Response: The current tender book in SG was approximately RM2.5 to 3.0 billion.

- (iii) What has been the Group's success rate in winning tenders in SG?

Response: Above 10%.

3. Manufacturing

- a) What is the latest capacity utilisation rates for PJB's factories? What are the planned optimal utilisation rates that the Group expects for the factories in FY2021?

Response: The capacity utilisation rate of the Company was recorded at approximately 80% on a single shift whilst the planned optimal utilisation rate was recorded at approximately 90-100% on a single shift.

- b) The Group's manufacturing revenue of RM28.5 million decreased by 21% compared to last FY. Profit before tax shrank by 58% to only RM1.7 million. Competition remained very intense amidst subdued demand and coupled with Covid-19, it was challenging even to be profitable (Page 36 of the Annual Report 2020).

- (i) How will the Board address the shrunk revenue from manufacturing?

Response: Demand would be dependent on the local economic performance. The Company is working hard to increase its exports regionally especially SG.

- (ii) Given the abovementioned situation, what is the outlook for PJB's manufacturing to remain profitable in FY2021?

Response: The Company should be able to remain profitable.

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4. To achieve a higher revenue, improve on PJB's earnings and diversify its income streams, PJB will continuously (Page 35 of the Annual Report 2020), among others:

- Seek new markets and actively explore new business segments;
- Upgrade and expand the fleet of equipment;

a) Which are the new markets and business segments targeted by the Group?

Response: The Company was in the midst of exploring new potential markets in South East Asia region. The Company had no report for new business segments as of the meeting date.

b) How much budget will be set aside to upgrade and expand the Group's fleet of equipment in the next two financial years?

Response: The Group did not allocated a fixed budget as the capital expenditure ("CAPEX") would be tailored to respond in accordance with the market situation and demand. The CAPEX of the Group for financial year 2020 ("FY2020") was recorded at approximately RM62 million, most of which were spent in the first half of FY2020 before the pandemic.

Corporate Governance & Sustainability Matters

1. The Company in its Corporate Governance Report for FY2020 (Page 20) states that it has applied Practice 6.2 of the Malaysian Code on Corporate Governance ("MCCG").

The Company has stated that the Remuneration Committee ("RC") has written Terms of Reference ("TOR") which deals with its authority and duties and these terms are disclosed on the Company's website.

However, we are unable to locate the RC's TOR on your corporate website.

Please take note.

Response: The Company took note of it. The TOR of the RC has been uploaded on the Company's website.

2. The Company in its Corporate Governance Report for FY2020 (Page 40) states that it has applied Practice 12.3 of MCCG.

Practice 12.3 of MCCG refers to facilitating or providing platform for shareholders to vote remotely without being physically present at the Company's AGM.

The Company's explanation on the application of Practice 12.3 of MCCG is as follows; "The Company's AGM is held within the capital city and in a location, which is near to its Registered Office and easily accessible by the public. In addition to the above, shareholders are entitled to appoint proxy/proxies to vote on their behalf in their absence".

Practice 12.3 is not about the choice of venue or the availability of proxy voting, as such the Company has not applied Practice 12.3 of MCCG.

Please take note.

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Response: Practice 12.3 of the MCCG has been applied to the AGM and the Company would consider further on the enhancement of shareholders' participation.

3. On sustainability, how is the Company intending to manage the environmental aspect, especially in relation to PJB's construction works?

Response: On environmental stewardship, the Management of the Company is conscious of the need to reduce the carbon footprint of the Company and hence, they are gradually upgrading the Company's plant and equipment to those which are energy saving and focus on wastage control and recycling efforts for all projects in order to achieve sustainability in long run.

The Board had received five (5) questions from a shareholder, Mr. Fong Ting Wong. All the questions raised by Mr. Fong were duly addressed by the Chairman during the meeting:-

1. The construction site in SG was closed on 6 April 2020. Has work on the construction site return to pre-Covid-19 levels?

Response: The construction site in SG has resumed to about 80% to 90% of pre-Covid-19 levels. It would take another one or two months to return to pre-Covid-19 status.

2. Has the supply and cost of manpower been affected by Covid-19?

Response: Yes, there was a shortage of manpower especially in SG.

3. Is the housing and construction market still doing well in SG?

Response: From the tender books and order books, the Management was of the view that housing and construction in SG are still doing well.

4. What is the value of work still at hand currently?

Response: Referred to Q&A No. 2 from MSWG.

5. Will the housing and construction market in MY improve in the new FY?

Response: The Company was of the view that the housing and construction market in MY would improve in financial year 2022 ("FY2022") based on the current market condition.

There were questions received from the virtual AGM platform and the questions were as follows:-

1. What is the condition and outlook of the construction sector in SG and MY?

Response: Referred to Q&A No. 2 from MSWG.

2. Does our Company faced more intense competition in SG?

Response: Yes, the Company is facing very much more intense competition in SG.

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3. What is the gross margin currently in SG and MY?

Response: The gross margin in SG was recorded at around 20% which was higher than the gross margin in MY.

4. How much are the order books in SG and MY?

Response: 90% of the RM500 million total order book of the Company was from SG.

5. How much of the latest order book is from MY?

Response: The remaining 10% of the RM500 million total order book was from MY.

6. How much revenue a year that the MY construction business needs to maintain to achieve a breakeven level?

Response: The Company's breakeven level was achieved at RM100 million before Covid-19. The Company was in the midst of working to reduce its operating costs to achieve a lower level of breakeven point.

7. Page 124 of the Annual Report stated that the Company had failed to collect the claim of RM9.9 million. Has the Company made the relevant provision in the past?

Response: Yes, the Company has made the necessary provision.

8. What are the utilization rates of the construction business in SG and MY for 1st quarter financial year 2021 ("1QFY21")?

Response: The utilization rate of the construction business in SG for 1QFY21 was recorded at approximately 70% - 80% whilst the utilization rate of MY was recorded at approximately 50%.

9. SG business has become so big now compared to MY. How much time has Dr Chiu spent in SG? Is Dr Chiu hands-on for the SG operation?

Response: The Chairman replied that he was unable to spend his time in SG during the year due to Covid-19. However, he has participated in management discussions and meetings although he was not hands-on for the operations in SG. The Chairman added that the operations in SG was managed by a competent team which was led by Mr. Jimmy Lim.

10. Does the current market size and business condition in SG allow the Company to dream big to possibly achieve roughly SGD200 million revenue by FY2022 for Pintary SG?

Response: Dr Chiu replied that it was a matter of time to achieve a revenue of SGD200 million by Pintary SG. The Group is looking forward to grow in a sustainable manner.