

Uchi Technologies Berhad
(Company No.: 457890-A)

Twelfth Annual General Meeting Held on May 26, 2010

Question & Answer

Q1. The chairman's statement per the annual report mentions that revenue of RM83.1 million and profit before taxation of RM27.7 million represented a decrease of 32% and 54% from the prior year. Can you explain if this trend is set to continue in the near term future? What is the company planning to do to improve its results in the near future?

A1. *The lower turnover for financial year 2009 was mainly due to lower sales volume as a result of the global economic slowdown and our transition to being energy-savings compliant.*

The lower sales affected by the transition to energy-savings compliant will not continue. All the energy-savings model has been successfully launched on time in accordance with customers requirements. Nonetheless, we are pleased to report that our current energy saving products has already comply with the year 2013 requirement of less than 0.5 watt. While whether the global economic slowdown will continue to set in, we are not in a position to predict.

However, for the financial year ending 2010, we are trying our best to achieve a 25% to 30% growth in USD revenue as compared to 2009.

Uchitec has been actively involved in the world electronic exhibition to develop new customers. Currently, there are several new projects on hand but has yet to finalise. We will make necessary announcement should the projects materialised.

Q2. How has the production capacity been increased with the completion of new plant in Dongguan City, Guangdong in the People's Republic of China?

A2. *The new manufacturing site in Dongguan can accommodate approximately 600 head count. We expect production capacity in Dongguan to increase to over 60% this year.*

Q3. Other gains and losses on the income statement has decreased from a gain of RM6,086,283 to a loss of RM14,597,400. Can you explain what makes this balance and how it has changed significantly?

The chairman's statement per the annual report mentions the recognition of foreign exchange loss upon the termination of a certain forward contract with a bank. Can

you provide further details on this? Can you also provide details on how the company manages its foreign exchange risk?

A3. *The loss of RM14.6 million was mainly due to:*

a) *Foreign exchange contract cancellation loss of RM8.9 million. Uchitec entered into foreign exchange contract to sell forward USD2.5 million every month to certain banks. However, due to the decline of sales in 2009 to an average of USD1.8 million, Uchitec had to cancel the foreign exchange contract.*

b) *Realised loss on foreign exchange of RM5.6 million. The realised loss on foreign exchange of RM5.6 million arised mainly due to the average book in rate of invoicing for financial year 2009 was RM3.51 per USD while the contract rate we entered was approximately RM3.30 per USD.*

Realised loss / gain on foreign exchange is unpredictable. Approximately 30% of the sales collection is mitigated by hedge arising from purchases in USD. Apart from this, Uchitec will ensure that the contract rate entered into shall be higher than or equivalent to the USD rate used for costing.

Q4. What are the company's plans on capital expenditure in the near future?

A4. *The new manufacturing site in China is sufficient to accomodate up to 600 head count. Our current manufacturing facilities both in Malaysia and China together with the outsourcing to SMI, is sufficient for our manufacturing need for the next 3 years.*

Therefore, for financial year ending 2010, we budgeted RM10 million for capital expenditure.

Q5. Does the company have organizational key performance indicators (KPI)? If so, what are they and how are they set each year?

A5. *The organisational KPI of Uchitec are as follows:*

- a) *No. of Days Receivable*
- b) *No. of Days Payable*
- c) *No. of Days Turnover-Stocks*
- d) *Customers Reject Rate*
- e) *% of Shipment On-Time*
- f) *% of Project On-Time*
- g) *% of Project Failure*

The followings are criteria for KPI setting:

- 1) *the historical trend*
- 2) *Industrial trend if any*
- 3) *Organisation's target which has to be realistic depends on the underlying affecting factors of individual KPI.*

Q6. The prime minister intends to transform Malaysia into a high income nation by shifting the focus from the manufacturing industry to the services industry. Would this have any impact on the company? If so, what would the impact be and what does the company intend to do to mitigate it?

A6. *Uchitec is an Original Design Manufacturer i.e. a research and development company with manufacturing facilities provided to our customers. Research and development is the soul of Uchitec. Uchitec deserves high profit margin from its irreplaceable research and development service but not the manufacturing services which can be replaced over times.*

It is Uchitec's plan that Malaysia will be the head quarter for Uchi group concentrating on knowledge based development and final quality inspection and assurance. While most of the manufacturing operation can be run in China plant or outsource to SMI.

Q7. Section 108 tax credit of the Income tax Act 1967 – will the company pay more dividends in order to exhaust the tax credit as it expires 31 Dec 2013? If not, what would they do in order to exhaust the tax credit?

A7. *Balance of tax credit is still pending IRB's confirmation. Once confirmation has been obtained from the IRB, Uchitec will use up 100% of the tax credit for dividend before Dec 31, 2013.*

Q8. How long is the current upward cycle in the tech sector will last?

A8. *We believe that tech sector will be the the leading driver in the future. This is the reason we continuously emphasize extensively on research and development enhancement. We reserved 7% of the revenue for research and development expenditure and plan to increase our research and development team to 70 head count by 2012.*

Q9. What is the visibility of current orders?

A9. *As of to date, we have received sales orders up to September 2010. The visibility of sales orders for 2010 is very much encouraging than 2009. However, we are uncertain of the economic condition of Europe.*

Q10. Mr. Huang, Teng-Yen is currently not seeking reappointment as a director. Will Kao Wang, Ying-Ying who was previously an alternate director to Huang, Teng-Yen, now become a director in his place?

A10. Madam Kao Wang, Ying-Ying does not intend to become a director in Mr. Huang's place.

Q11. What is the nature of additional provision for rework and warranty amounting to RM1.42million (2008: Nil)?

A11. Uchitec provides 18 months warranty period to our customers on our products quality. The provision for rework and warranty is the provision provided should there be any rework expenses or compensation incurred on products quality issue.

As of December 31, 2009, Uchitec provided RM2.7million Provision for Rework and Warranty in the Balance Sheet for products sold in 2009. Additional provision shall then be provided quarterly. This accounting practice shall be applied consistently commencing financial year 2009.

Q12. Trade and other receivables remained fairly flat at RM13.32 million (2008: RM13.94 million). It is also noted that the Group has a significant concentration of credit risk as most of the sales are made through a few major customers. Why is there fairly minimal movement and are the amounts realisable?

A12. Uchitec has not suffered from any bad debts written off since incorporation and the number of days receivable from customers has been improving from 60 days in 2005 to 51 days in 2009.

<i>Financial Year</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
<i>No. of Days Receivable (days)</i>	<i>60</i>	<i>47</i>	<i>47</i>	<i>38</i>	<i>51</i>

The fairly minimal movement in trade receivable balance as of 2009 as compared to 2008 despite a 32.4% decrease in Group's revenue is mainly due to higher sales in December 2009 amounted to RM9.7million (2008: RM9.9 million) in proportionate to the annual turnover in 2009 of RM83.1 million (2008: RM122.9 million). Most of the energy-savings projects were released by customer for production in the second half of 2009 and therefore bulk of the shipments for energy savings was scheduled to ship in December 2009 to meet the energy-savings compliant on January 1, 2010.

Q13. What is the reason for the decline in other investments from RM4.70 million in 2008 to RM0.40 million in 2009?

A13. The decline in other investments from RM4.7 million in 2008 to RM0.40 million in 2009 was mainly due to disposal of trust fund upon maturity. The proceeds from disposal of other investments amounted RM4,406,713 was shown in the Cash Flow Statements on Page 45 of the Annual Report 2009 and the corresponding gain on disposal of other investment was presented in Note 7 of the Notes to the Financial Statements on Page 57 of the Annual Report 2009.

Q14. MSWG is promoting high standards of corporate governance best practices in PLCs. In this regards, we hope the Board would give due consideration to address the followings:

Q14(i)i. Disclosing directors' remuneration by individual directors as recommended under the Malaysian Code on Corporate Governance rather than merely by bands / categories of directors.

A14(i). The Board of Directors will consider to disclose directors' remuneration by individual directors as recommended under the Malaysia Code on Corporate Governance.

Q14(ii). Formulating a Whistle-Blowing Policy to strengthen corporate governance across the Group.

A14(ii). Whistle Blowing Policy has been in placed since November 2007 and Mr. Ooi Hoay Seng, the Senior Independent Non-Executive Director was appointed as administrator.