

Thirteenth Annual General Meeting Held on May 24, 2011
Question & Answer (Refer to questions raised by Minority Shareholder Watchdog Group (MSWG) letter dated 19th May 2011)

Q1. As reported, the escalating operating cost is one of the challenges that the Group has identified. Due to this, the Group continues to fortify its strong foundation and strive for cost optimization by reengineering its production processes as well as enhancing its resilience, adaptability and efficiency in meeting customer's needs.

I) As the reengineering process itself needs careful planning around a clear vision of longer term goals, what are the strategies that have been designed or implemented by the Group to achieve its goals?

II) The central challenge in reengineering is to understand where and how a Company can create value for both customers and shareholders. What are the Group's plans to address the challenge? How could the Group address risks, manage staff fears and maintain motivation in the reengineering process?

A1. (I) *Shareholders' value creation is our ultimate goal and we strive to exceed customer satisfaction. Our strategies to impress customers are, among others, to shorten our design cycle time and provide innovative solution to our customers.*

Uchitecture, as mentioned in the Chairman statement, is designed to provide our research and development (R&D) team state-of-the-art facilities and equipment in order to present customers with innovative solution in shorter design cycle.

Furthermore, we anticipate that increasing cost could be a potential threat for shareholders' value creation. Therefore, Uchitecture is also designed to enhance operational efficiency that allow for flexibility of operations so as to further control cost.

(II) *Uchitec has Performance Management System in place where every department or division is required to design their Departmental Key Performance Indicator (KPI) in conjunction with Uchitec's ultimate goal and mission. Employees are educated about the importance of achieving the Departmental KPI. The achievement of KPI is further reflected in the employee performance appraisal and reward system*

Q2. For the year under review, Research & Development (R&D) expenses have increased by 20.3% from RM3.4 million in 2009 to RM4.1 million in 2010. What are the budgeted expenses for R&D in 2011 and was it set against a certain targeted percentage of revenue or criteria?

A2. *Increase in research and development expenses for the year ended December 31, 2010 as compared to December 31, 2009 is in line with the 21% increase in Group revenue mainly due to completion of energy-savings project.*

It is our practice that the Board of Directors shall allocate an annual budget for research and development activities for the following year during the Board meeting towards the end of the year. For the year ending December 31, 2011, the Board of Directors allocated 7% of the Group revenue for research and development expenses.

- Q3. Amongst the major products manufactured by the Group, which product registered the highest revenue (including amount) in 2010 and what was the percentage increase from 2009 to 2010? Would the strong sales for this product be sustainable in the light of rapidly changing technology and threat from new similar products introduced?
- A3. *Currently, control modules for Art-of-Living products registered around 80% of the Group's revenue. There was no significant change in the percentage of product group contribution in 2009 and 2010.*

To our best knowledge, we expect growth in revenue in USD for the year ending December 31, 2011.

Rapidly changing technology affects the sustainability of revenue of all our products. In order to ensure sustainability of our revenue, continuously exceed customer satisfaction is vital. In an effort to strengthen our technological capabilities and enhance the value of our product offerings, Uchitecture, as mentioned in the Chairman Statement, was introduced.

Furthermore, Uchitec has remained its neutral position to all customers or potential customers since its incorporation. Therefore, a new similar product could be a threat and at the same time could be a potential business to Uchitec.

- Q4. MSWG noted that there was concentration of credit risks in terms of customer and country. It was disclosed on page 81 (Note 29) that revenue from sales of a 'Customer A' amounted to RM74.0 million constituting 73.3% of the Group revenue of RM100.9 million in 2010. On page 77 (Note 27), trade receivables from European countries amounted to RM5.0 million constituting 70.4% of total Group trade receivables of RM7.1 million as at end of 2010. Would the Board not be concerned with the high concentration of credit risk and what measures have been adopted to mitigate the risk?
- A4. *Credit risk is one of the risks we identified in our nature of business. Therefore, accounts receivable is closely monitored in our monthly Performance Measure Meeting and statement was sent to the customers every week to follow up on remittance inward from customers.*

Uchitec has not suffered from any bad debts written off since incorporation and the number of day receivable from customers has been improving from 60 days in 2005 to 22 days in 2010

Financial Year	2005	2006	2007	2008	2009	2010
No. of Day Receivable (days)	60	47	47	38	51	22*

* *The deferment of shipment (as explain in question no. 5) on December 31, 2010 has attributed to the lower no. of day receivable in 2010. However, assuming there was no deferment of shipment, the no. of day receivable will be 26 days, also a significant improvement as compared to previous years.*

Our account shows high concentration of one direct customer. In fact, Uchitec is actively involved in project discussion with the direct customer and end customers, frequent customer meeting and customer visit to the direct and end customers. These, to certain extent, enable Uchitec to gain insight into the credibility of our direct and end customers.

- Q5. At the Balance Sheet level 2010, the Company's Finished Good (FG) inventory holding amount increased by 154.7% from RM1.2 million in 2009 to RM3.0 million in 2010. What were the reasons for the increase in FG inventory holding?
- A5. *On December 29,2010, Prime Minister of Malaysia, YAB Dato' Sri Mohd. Najib bin Tun Haji Abdul Razak declared December 31, 2010 as a public holiday for Malaysia in conjunction with Malaysia's victory in AFF Suzuki Cup.*

In order not to affect our commitment on delivery to our customers, we opted to substitute the public holiday with a later date but there was no freight and forwarding services available on December 31, 2010. This has affected our shipment planned to be shipped on December 31, 2010 and caused the increase in finished goods holding as of December 31, 2010.

The finished goods were shipped immediately upon resumption of freight and forwarding services on January 3, 2011.

Despite the abovementioned deferment, the no. of day turnover for finished goods for the year ended December 31, 2010 is still within the range of 20 days.

Financial Year	2006	2007	2008	2009	2010
No. of Day Turnover (days)- Finished Goods	20	17	20	20	16

Q6. In terms of production capacity, what was the utilization rate of the Plant in the People's Republic of China performed in 2010? If it was not fully utilized, would management anticipate a full utilization in the near future?

A6. *Currently, about 80% of the production capacity in Uchi Technologies (Dongguan) Co., Ltd. ('UTD') is utilized.*

The investment in UTD is a long-term plan and we anticipate that the production capacity shall be fully utilized in the next three years.

Q7. Board diversity is encouraged to improve the quality of decision-making and to reduce the risk of "group think". In this regard, we would like to encourage the Board to establish a policy on boardroom diversity, including measures to bring about gender diversity on the Board.

A7. *The Nomination Committee is authorized, among others:*

- to assist the Board annually in reviewing the required mix of skills of experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board; and*
- to carry out annually the process to be implemented by the Board for assessing the effectiveness of the Board as a whole, the Committees of the Board and for assessing the contribution of each individual Director.*

The profile and credential of the Board members were reviewed by the Nomination Committee on November 23, 2010 and recommended to the Board. The Board is of the opinion that the existing Board members have a wide range of business, financial and technical skill and experience for effective functioning of the Board.

Furthermore, the Board is gender blind. Appointment is made on various valid grounds and gender is not one of them. As and when a need arises to appoint another director, a recommendation will be made by the Nomination Committee irrespective of the candidate's gender. Anyway, Miss Ow Chooi Khim, Alternate Director to Kao, Te-Pei also known as Edward Kao, is a member of the Board of the subsidiary companies, namely Uchi Optoelectronic (M) Sdn. Bhd., Uchi Electronic (M) Sdn. Bhd. and Uchi Technologies (Dongguan) Co., Ltd.

Q8. It is suggested that the contact number and e-mail address of the senior independent director be stated in the Annual Report for shareholders and other stakeholders to voice their concerns.

A8. The Board of Directors will disclose the e-mail address of the Senior Independent Director in the next Annual Report for shareholders and other stakeholders to voice their concern.

In the mean time, we shall update the said information in our website by May 31, 2011.