

Seventeenth Annual General Meeting Held on May 21, 2015

Question & Answer (Refer to questions raised by Minority Shareholder Watchdog Group (MSWG) letter dated May 13, 2015)

Strategic and Financial Matters

Q1 : Both the Chairman's Statement and Managing Directors Statement mentioned on the Company's plan to expand its research and development (R&D) activities.

- (i) Is the Company introducing any new product to the market in FY2015 or in a foreseeable future?
- (ii) Would the cost allocated to R&D for FY2015 remain at 7% of the revenue?

AI : *Uchitec's revenue was categorised into electronic control modules for two(2) main Product Groups i.e.*

- (a) Art-of-Living Product Group, comprising electronic control modules for high-end consumer electrical appliances mainly for fully-auto coffee machine; and*
- (b) Biotechnology Product Group, which consists of electronic control modules for laboratory and industrial equipment such as high-precision weighing scales and centrifuges.*

As of now, we have about 20 new products in our R&D pipeline, of which 6 of them are scheduled to be launched in 2015. The new products consist of electronic control modules for both Art-of-Living Product Group and Biotechnology Product Group. They are currently in their various stages of research and development cycle.

As a technical partner and bonded by the Confidentiality Clause in our Agreement with the customers, we are restricted from disclosing any information at this moment to any third parties until the projects are launched. The Board is aware of its responsibility to ensure informative, timely and accurate disclosure of material information concerning the Company to the public and shall make necessary announcement when necessary.

For FY2014, the product mix of Art-of-Living and Biotechnology products over total revenue was 77% and 23% respectively. In view of the potential synergy of our technical strength and the requirement of Biotechnology products, the Company has targeted to grow Biotechnology products contribution to 50% in the long run.

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Based on the current R&D plan and project on hand, 7% of the Group's revenue allocated is sufficient to fund our R&D projects for the year ending December 31, 2015.

Q2 : Segment information on page 92 of the Annual Report reveals that the FY2014 revenue and profit for trading segment dropped by 30% to RM791,535 and 55% to RM12,599 respectively against 2013.

(i) What was the reason for the drop in the trading segment revenue and profit?

(ii) What are the measures taken by the Board to improve the performance of the segment?

A2 : *Trading segment refers to trading of complete electric module among subsidiaries. The drop in revenue and profit for trading segment was mainly affected by the product mix of sales orders delivered during the year.*

These inter-companies transactions were eventually eliminated and consolidated as sales to external customers under Manufacturing segment. As such, the performance of trading segment will not harm the overall Company performance.

For FY2014, external manufacturing sales increased from RM93,952,033 for FY2013 to RM95,450,347.

Corporate Governance Matter

Q3 : We noted that there was a 60% drop in the cost incurred for internal audit function from RM99,016 for FY2013 to RM40,136 for FY2014.

What was the reason for this?

A3 : *RM40,136 for FY2014 was the actual cost incurred for internal audit function undertaken throughout the financial year ended December 31, 2014. Whilst, the higher cost incurred for the year ended 2013 was mainly due to:*

(a) *underprovision of internal audit fee for the year ended December 31, 2012 of RM29,016, which was taken up in 2013; and*

(b) *internal auditors training program amounted RM30,000, being the cost to develop a new batch of in-house internal auditors in order to further enhance the internal audit system. Such training program is not an annual cost to the Company and shall only be incurred as and when required.*

Excluding the above extraordinary items, there was no substantial change in the cost incurred for internal audit function for FY2014 as compared to FY2013.