

**Eighteenth Annual General Meeting and Extraordinary General Meeting Held on May 18, 2016**

Question & Answer (Refer to questions raised by Minority Shareholder Watchdog Group (MSWG) letter dated May 12, 2016)

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**Strategic and Financial Matters**

Q1 : The stronger performance of the USD in the currency market (2015: RM3.8559/USD1.00; 2014: RM3.2521/USD1.00) allowed UCHI to register an operating profit of 46%, surpassing the estimated 40%.

What is the Groups targeted operating profit for FY2016?

*A1 : To our best knowledge as of to-date, we anticipate revenue in USD for the financial year ending 2016 to be flat. Assuming USD is maintained at the current level of around RM4.00 per USD1.00 for the year ending 2016 and considering the ever-increasing operating cost, we are targeting an operating profit margin of approximately 43%.*

Q2 : It was stated in the Managing Director's statement that the Group is making efforts to explore new markets, exhibiting and promoting products at international exhibitions in Taiwan, Hong Kong and Germany.

Could the Board update shareholders on the outcome of these efforts?

*A2 : The Company participates in international exhibition every year in an effort to explore new markets. Through the exhibition, we make known to the world our technical capability and corporate identity; eventually we attracted increasing numbers of interested customers. Unfortunately, most of the enquiries are currently at sample development stage or sample evaluation stage and have yet to contribute significant revenue.*

Q3 : In the Company's reply to MSWG in 2015, the Board stated that in FY2015, 20 new products were in R&D pipeline, of which 6 of them were scheduled to be launched in 2015. The new products consisting electronic control modules for both Art-of-Living Product Group and Biotechnology Product Group. The products were in their various stages of research and development cycle.

(i) Could the Board update shareholders on the status of the products that were in the R&D pipeline?

(ii) Would there be any new products that will be introduced in FY2016?

*A3 : We always have a number of projects in our R&D pipeline, in various stages of R&D cycle i.e. basic research, pre-development, concept evaluation, software programming, circuitry design, system construction, hardware design, tooling design, prototype development and evaluation, design confirmation, pilot run, troubleshooting and finally mass production. R&D projects currently in the pipeline mainly consist of electronic control modules for both Art-of-Living Product Group and Biotechnology Product Group. Some of which are scheduled to be launched in 2016.*

*As a technical partner to our customers, we are bonded by the Confidentiality Clause in our Agreement with the customers. In order to protect both the interest of our customers and shareholders, we are restricted from disclosing any information at this moment to any third parties until the projects are launched. However 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.*

### **Corporate Governance Matter**

**Q4 :** The recent amendments to Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements requires companies to publish the summary of key matters discussed at the AGMs onto the companies' website for AGMs held on or after 1 July 2016. In line with this, we hope the Board would publish the summary of proceedings for this AGM on the Company's website.

*A4 : We are aware of the recent amendments to Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") which requires companies to publish the summary of key matters discussed at the Annual General Meeting ("AGM") onto the companies' website commencing July 1, 2016.*

*In order to enhance the spirit of transparency and good Corporate Governance practices, we shall publish the summary of proceedings of this AGM on the Company website, ahead of Bursa Malaysia's implementation date.*

**Q5 :** Under Chapter 15 Section 15.08A Part (3) of the Main Market Listing Requirements, the Company should provide, in its Annual Report, a statement about the activities of the Nominating Committee in discharging its duties for the financial year which should include a policy on board composition having regard to the mix of skills, independence and diversity [including gender diversity]. In this respect, we noted that the Board has addressed the board composition in the areas of mix of skills and independence. However, we noted that there is no woman director on Board and there was no disclosure on the policy on gender diversity.

Could the Board explain what measures and actions have been taken to address the issue on the gender diversity?

*A5 : It is specified in our Board of Directors Charter and in our Corporate Governance Statement under the sub-title Board Balance (Page 26 of the Annual Report 2016) that the Board adopts the Company's Corporate Human Resource Policy to provide a diversified and equal work environment throughout the Company i.e. free of discrimination of any form irrespective of an individual's gender, race, age and religion. As such, the evaluation of the suitability of Board composition is purely based on the candidates' competency, skills, character, time, commitment, knowledge, experience and other qualities in meeting the needs of the Company.*

*We also wish to highlight that 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.*

## **EGM**

### **Ordinary Resolution 3, 6 & 7**

**Q6 :** In line with good corporate governance practices, MSWG does not encourage the practice of giving ESOS to non-executive directors as they are there to monitor the ESOS allocation to the employees and the executive directors.

Under the proposed ESOS, we note that non-executive directors are eligible to subscribe for new shares of the Company. Could the Board provide rationale for allocating the ESOS to non-executive directors?

*A6 : Grant of options to Non-Executive Director was proposed in accordance to the Bye-Laws of Employee Share Option Scheme 2016 ("ESOS 2016"), subject to shareholders approval at the forthcoming Extraordinary General Meeting. The Bye-laws specified rules, terms and conditions of the ESOS 2016, which was established in accordance to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").*

*The rationale for the proposal in respect of Non-Executive Director, is to attract and retain capable individuals whose contributions are significant to the Group in light of the responsibilities and liabilities inherent in their appointments, albeit in non-executive capacities.*

*Grant of options to Non-Executive Director has been consistently applied since 2006 under the existing Employee Share Option Scheme 2006. In order to manage the concerns over distraction of the oversight responsibilities of the Directors, the Company shall ensure continuity of the following measures which has been practised since the establishment of ESOS 2006:*

*a) The responsibility to oversee the ESOS allocation does not fall only on one Director, but it is the responsibility of the Audit Committee as a whole. The Audit Committee currently consists of 3 members. The ESOS allocation is reviewed by the Audit Committee with the Directors do not participate in the deliberation or discussion of their own allocation, if any.*

*b) The Company grants option to eligible persons on the date of offer which will be fixed on the 10<sup>th</sup> or the immediate working day after 10<sup>th</sup> should 10<sup>th</sup> is a non-working day. While for newly appointed Director, options shall be granted on the same working day upon shareholders' approval. This is to ensure that the Management or Directors will not manipulate the ESOS for personal gain.*

*With the above measures, the Board is confident that the highest standards of corporate governance are observed throughout the Group so that the affairs are conducted with integrity, transparency and professionalism with the objective of safeguarding shareholders' investment, enhancing shareholders value as well as the interests of other stakeholders.*