

Nineteenth Annual General Meeting Held on May 23, 2017

Question & Answer (Refer to questions raised by Minority Shareholder Watchdog Group (MSWG)
letter dated May 19, 2017)

Strategic and Financial Matters

Q1: As disclosed in the Management Discussion & Analysis, the Operating Profit Margin had declined to 45.6% in FY2015 compared to 43% in FY2016. This was due to increase in material & labour costs, provision for expected rework claims and increase research & development expenses.

What are the measures taken by the Group to improve its Operating Profit Margin?

A1: *Apart from fluctuation in USD which is managed via a Forward Contract Management Policy, we anticipate that factors that will play a hand in determining our performance for FY2017 include material shortages or fluctuation in material prices and increasing labour costs due to manpower shortage.*

In order to address the aforementioned issues, we aim to enhance supplier relationship management so as to tap into our suppliers' capabilities. This way, we will be able to minimise supply risk exposure, increase our responsiveness to market changes and shorten our order fulfilment lead times.

Additionally, in ensuring management efficiency, the Group recognises that scale economies play an important role in improving our productivity ratio. With that in mind, we will endeavour to encourage positive performances and improved business processes. Consequently, we aspire to eliminate unnecessary work that consumes time without adding value, simplify tasks that contribute to product quality service, and implement new systems that are able to improve our overall processes and ensure quality outcomes.

Q2: The art-of-living product group contributed 79% of the revenue while the balance was contributed by Biotech products.

Would the Board expect similar revenue mix for FY2017?

A2: *To our best knowledge, based on the customers forecast received as of to-date, we do not expect any significant changes to the revenue mix for FY2017.*

Q3: The Group's largest export market is the European region, where 94% of the Group's revenue is derived.

What is the growth potential in other regions?

A3: *UCHITEC is an Original Design Manufacturer and providing innovative solutions is our value to customers. We believe R&D is our reason of existence and we focus on our R&D' innovation to provide customers with:*

- *Fit solutions that will enable our customers to be the first to launch new products with new features; and*
- *Better cost efficient and equal performance / better performance solutions.*

Our achievements so far testify our technical strength and we endeavour to exploit our resources towards creating innovative value in order to grow our business.

Today, global business landscape is changing. Businesses have increasingly embraced technology to bring success to business and this is the opportunity where UCHITEC comes into play. Therefore, we believe we have a good growth potential in regions where businesses recognise importance of technology and innovation.

Corporate Governance Matter

Q4: What was the reason for Non-Executive Directors to be paid salaries & other emoluments as disclosed on page 33 of the Annual Report 2016?

A4: *There are no salaries paid to Non-Executive Directors. The amounts disclosed under the heading "Salaries & Other Emoluments" for Non-Executive Directors are purely consist of other emoluments, i.e. equity-settled share-based payment arising from the granting of share options to Directors (Page 32 of Annual Report). All Directors of the Company are eligible to participate in the Employee Share Option Scheme 2016 which was approved by the shareholders' at the Eighteenth Extraordinary General Meeting held on May 18, 2016 and was established in accordance to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").*

The rationale for the granting of share options to Non-Executive Director is to recognised and reward their contributions and efforts as they play a constructive role in contributing towards the growth and performance of the UCHITEC Group. Their participation in the equity of the Company is expected to enhance their level of commitment and contribution as well as enable UCHITEC to attract and retain capable individuals to act as non-executive Directors of UCHITEC who will then also contribute to the overall strategic direction of the UCHITEC Group.