

UCHI TECHNOLOGIES BERHAD

(199801001764) (457890-A)

(Incorporated in Malaysia)

Minutes of the Twenty-Third Annual General Meeting of the Company conducted on a fully virtual basis through live streaming and online remote voting from the Broadcast Venue at the Conference Room, Uchi Optoelectronic (M) Sdn Bhd, 3097, Tingkat Perusahaan 4A, Free Trade Zone, 13600 Prai, Pulau Pinang on Tuesday, 25 May 2021 at 2.00 p.m.

Attendance

As per Attendance List

The Meeting commenced at 2.00 p.m. with the requisite quorum being present.

Notice

The Notice convening the Meeting was taken as read.

1. CHAIRMAN'S ADDRESS

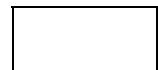
Mr. Charlie Ong Chye Lee, the Chairman of the Company, welcomed the members for their attendance at the Company's Twenty-Third Annual General Meeting ("23rd AGM") which was conducted live from the broadcast venue at the Conference Room, Uchi Optoelectronic (M) Sdn Bhd, 3097, Tingkat Perusahaan 4A, Free Trade Zone, 13600 Prai, Pulau Pinang. The Chairman continued to introduce the Board of Directors and the Company Secretary to the members. The Chairman commented that it was the first time for him as well as the Company to conduct a fully virtual AGM. He continued to seek for the Members' patience and forgiveness should there be any shortcomings or mistakes made during the AGM.

The Company Secretary informed the Chairman that the requisite quorum was present and proceeded to inform that visual recording and audio recording were strictly prohibited at the Meeting unless prior written consent was obtained.

The Chairman informed that the Annual Report together with the Notice of Meeting to hold the 23rd AGM of the Company was issued on 21 April 2021. Due to the implementation of the Movement Control Order 3.0, the Company had on 17 May 2021 issued a notification that the Company would conduct a fully virtual 23rd AGM. The Chairman further informed that there were a total of seven (7) ordinary resolutions to be tabled for consideration and approval from the shareholders. He informed that the ordinary resolutions required a simple majority of more than 50% votes from those members present in person or by proxies and voting at the Meeting. The Chairman further informed that voting would be by way of poll in line with the Listing Requirements of Bursa Malaysia Securities Berhad and declared that all resolutions in the Notice of the 23rd AGM shall be voted by way of electronic polling.

The Chairman notified that the electronic polling would be conducted via remote participation and voting ("RPV") facility by Agriteum Share Registration Services Sdn. Bhd. as the Poll Administrator and Symphony Merchant Sdn Bhd had been appointed as the Independent Scrutineers.

Chairman's signature



1. CHAIRMAN'S ADDRESS (CONTINUED....)

He also informed that only members and proxies appointed for the Meeting who were virtually participating in the Meeting were allowed to vote, raise questions or seek clarifications which were relevant to the proposed motions in the Agenda. To facilitate the online voting process, the members/proxies were to submit their votes any time from the commencement of the Meeting until the end of the voting session to be announced later.

He continued to highlight that in the event of equality of votes, he as the Chairman, would then exercise his casting vote as provided under Clause 62 of the Constitution of the Company.

The Chairman briefed that the Notice of the Meeting was enclosed in pages 2 to 5 of the Annual Report. It was unanimously agreed that the notice of the meeting be taken as read.

The Chairman informed that Ms Lee Phaik Im and Ms Oo Siew Phaik, both shareholders had offered to be proposer and seconder respectively for all the 7 resolutions of this 23rd AGM.

The Company Secretary proceeded to read out the questions the Company received earlier together with the replies from the Management as per Appendix I attached hereto.

2. RECEIVING OF THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2020 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

The Audited Financial Statements ("AFS") for the year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon, copies of which had been circulated, were tabled before the Meeting.

The Chairman highlighted to all present that the receipt of the AFS was meant for discussion only as the provision of Section 248(2) and 340(1)(a) of the Companies Act 2016 did not require a formal approval of the shareholders and hence, no resolution was put forward for voting.

The Chairman enquired if the Company received any question on this Agenda on the Q&A Platform during the meeting and the Company Secretary informed that they received similar questions from Choong Beng Hin on the Q&A Platform and she has already read out the questions together with the Management's reply earlier.

The Chairman then proceeded to the next Agenda after the Poll Administrator informed that the Company did not receive any other question on this Agenda at that point of time.

3. DECLARATION OF FINAL TAX EXEMPT DIVIDEND OF 9.5 SEN PER SHARE FOR THE YEAR ENDED 31 DECEMBER 2020

Members were informed that the proposed Ordinary Resolution 1 was to declare final tax exempt dividend of 9.5 sen per share for the year ended 31 December 2020.

Ms Lee Phaik Im proposed followed by Ms Oo Siew Phaik who seconded the motion.

As the Company did not receive any question on the said Agenda at that point of time, the Chairman proceeded to the next Agenda.

Chairman's signature

4. APPROVAL OF DIRECTORS' FEES OF RM450,200 FOR THE YEAR ENDING 31 DECEMBER 2021

Members were informed that the next agenda was to approve the payment of Directors' Fees of RM450,200 for the year ending 31 December 2021.

Ms Lee Phaik Im proposed followed by Ms Oo Siew Phaik who seconded the motion.

As the Company did not receive any question on the said Agenda at that point of time, the Chairman proceeded to the next Agenda.

5. RE-ELECTION OF MR KAO, DE-TSAN ALSO KNOWN AS TED KAO RETIRING UNDER CLAUSE 76(3) OF THE CONSTITUTION OF THE COMPANY

Members were informed that the next agenda was for the re-election of Mr Kao, De-Tsan also known as Ted Kao who retired under Clause 76(3) of the Constitution of the Company.

Ms Lee Phaik Im proposed followed by Ms Oo Siew Phaik who seconded the motion.

There being no questions on the said Agenda, the Chairman proceeded to the next Agenda.

6. RE-ELECTION OF MR CHARLIE ONG CHYE LEE RETIRING UNDER CLAUSE 76(3) OF THE CONSTITUTION OF THE COMPANY

As the proposed Ordinary Resolution 4 was to approve his own re-election, Mr Charlie Ong passed the Chair to Mr Tan Boon Hoe.

Mr Tan Boon Hoe informed the members that the proposed Ordinary Resolution 4 was for the re-election of Mr Charlie Ong Chye Lee who retired under Clause 76(3) of the Constitution of the Company.

Ms Lee Phaik Im proposed followed by Ms Oo Siew Phaik who seconded the motion.

Mr Tan informed the members that the Company did not receive question on the said Agenda, Mr Tan Boon Hoe then passed the Chair back to Mr Charlie Ong.

7. RE-APPOINTMENT OF DELOITTE PLT AS AUDITORS OF THE COMPANY AND TO AUTHORISE THE BOARD OF DIRECTORS TO FIX THEIR REMUNERATION

Members were informed that the next agenda was on the re-appointment of Deloitte PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

Ms Lee Phaik Im proposed followed by Ms Oo Siew Phaik who seconded the motion.

There being no questions on the said Agenda, the Chairman proceeded to the next Agenda.

Chairman's signature

8. CONTINUING IN OFFICE AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR FOR MR CHARLIE ONG CHYE LEE

As the proposed Ordinary Resolution 6 was to approve his continuing in office as an Independent Non-Executive Director, Mr Charlie Ong passed the Chair to Mr Tan Boon Hoe.

Mr Tan Boon Hoe informed the members that the proposed Ordinary Resolution 6 was to seek the approval of the shareholders for Mr Charlie Ong Chye Lee, who has served on the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company.

Members were informed that Mr Charlie Ong had served on the Board of the Company as an Independent Director since year 2008 and he had exceeded the 12th year of service. As the Board intended to retain Mr Charlie Ong as an Independent Director and in line with the Malaysian Code of Corporate Governance, the Board sought for shareholders' approval through a two-tier voting process.

Mr Tan further explained that under the two-tier voting process, shareholders' votes would be cast in the following manner:-

- i) Tier 1 shall comprise only the Large Shareholder that is entitled to exercise, or control the exercise of not less than 33% of the voting shares in the Company; and
- ii) Tier 2 shall be those shareholders other than Large Shareholder.

Ms Lee Phaik Im proposed followed by Ms Oo Siew Phaik who seconded the motion.

There being no questions on the said Agenda, Mr Tan Boon Hoe passed the Chair back to Mr Charlie Ong.

9. PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The Chairman briefed that the details and rationale of the Proposed Renewal of Share Buy-back Authority were stated on Page 5 and from Pages 8 to 13 of the Annual Report.

The following motion was proposed by Ms Lee Phaik Im and seconded by Ms Oo Siew Phaik:-

"THAT subject to the provisions under the Companies Act 2016 ("the Act"), the Constitution of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR") and the approvals of all relevant authorities (if any), the Company be and is hereby authorised to purchase such number of ordinary shares in the Company ("Uchi Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total number of issued shares of the Company as at the point of purchase ("Proposed Renewal of Share Buy-Back Authority").

Chairman's signature

9. PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (CONTINUED...)

THAT the maximum amount of funds to be utilised for the purpose of the Proposed Renewal of Share Buy-Back Authority shall not exceed the Company's retained profits.

THAT authority be and is hereby given to the Directors of the Company to decide at their discretion as may be permitted and prescribed by the Act and/or any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities for the time being in force to deal with any Uchi Shares so purchased by the Company in the following manner:

- (i) the Uchi Shares so purchased could be cancelled; or
- (ii) the Uchi Shares so purchased could be retained as treasury shares for distribution as share dividends to the shareholders of the Company and/or resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or
- (iii) combination of (i) and (ii) above; or
- (iv) in any other manner as prescribed by the Act and MMLR from time to time.

THAT the authority conferred by this resolution will be effective immediately from the passing of this ordinary resolution until:

- (i) the conclusion of the next annual general meeting of the Company following the general meeting at which such resolution was passed, at which time the authority would lapse unless renewed by ordinary resolution, either unconditionally or conditionally; or
- (ii) the passing of the date on which the next annual general meeting of the Company is required by law to be held; or
- (iii) the authority is revoked or varied by resolution of the shareholders of the Company in a general meeting;

whichever occurs first.

And THAT the Directors of the Company be and are authorised to take such steps to give full effect to the Proposed Renewal of Share Buy-Back Authority with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and/or to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company."

It was noted that there were no questions on the said Agenda.

Chairman's signature

10. VOTING SESSION

The Chairman called upon the members to proceed to cast their votes and further announced that the voting session would be open for another 10 minutes and would end at 3.00 p.m. Remote Voting Procedures were played on the screen to facilitate the online voting process.

At 3.00 p.m., the Chairman informed the closure of the online voting session and adjourned the Meeting to facilitate the counting of the votes. The Corporate Video was played on the screen.

11. DECLARATION OF POLL RESULTS

The Meeting resumed at 3.10 p.m. with the requisite quorum being present.

The Chairman then called the Meeting to order for the declaration of poll results. He informed that the poll voting results had been duly validated by the Independent Scrutineer.

The poll voting results were shared to the Meeting on the screen:-

Resolution(s)	Vote For		Vote Against	
	No. of Units	%	No. of Units	%
Ordinary Resolution 1	200,991,287	99.263933	1,490,400	0.736067
Ordinary Resolution 2	197,217,564	99.992317	15,153	0.007683
Ordinary Resolution 3	199,402,737	99.819312	360,950	0.180688
Ordinary Resolution 4	178,322,546	88.460758	23,261,241	11.539242
Ordinary Resolution 5	202,467,526	99.997253	5,561	0.002747
Ordinary Resolution 6 – Tier 1	86,007,026	100.00	0	0
Ordinary Resolution 6 – Tier 2	90,824,560	78.585796	24,749,201	21.414204
Ordinary Resolution 7	202,131,724	99.991213	17,763	0.008787

Based on the results, the Chairman declared that all the resolutions were carried.

Chairman's signature



12. CLOSURE

Before he closed the Meeting, the Chairman apologized for any shortcomings and informed that the Management would address those questions which they did not manage to read out during the Meeting via emails. He also thanked all shareholders for their support and participation at the Meeting.

There being no other business to discuss, the Meeting ended at 3.15 p.m. with a vote of thanks to the Chairman.

Signed as a correct record

CHAIRMAN

Date:

All Questions and Answers addressed to the Company in relation to the 23rd AGM are enclosed as Appendix II attached hereto.



**TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER**

Shareholder: Choong Beng Hin

Good afternoon to Mr Chairman and members of the board. Wish all good health and safety. My name is Choong Beng Hin and I am a shareholder.

Before I raise the questions in the Annual Report and the Financial Statements, I would like to congratulate the Board for the job well done as the company achieved an unprecedented record in profit for 2020 despite the challenging year. I am confident that under the leadership of our Chairman, you will take our company to new heights for many years to come.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder: Choong Beng Hin

Here are my questions:

Management Discussion & Analysis Report

It is reported on page 24 that the capacity utilization for our Malaysian operations is already more than 85%, and on page 25, it reports that our company is expecting a low single-digit revenue growth for the current financial year ending 2021. These statements appear that the growth in our business is therefore hindered by the ability to expand capacity to take advantage of the recovery of the world-wide economy. Please comment.

Answer:

Uchi Group has two sites for production, one located in Penang, Malaysia and another located in Dongguan, China.

Based on the latest demand, the management expects to see a high-single digit growth in 2021's revenue in USD terms and has updated such info on 24th of May via public announcement. In response to the higher production demand, the management has already made necessary adjustment to accommodate for such growth through workload distribution between the two factories. In the event of a surge in demand, there is still room to grow in our own manufacturing arms, or we will engage local EMS support for certain production processes to mitigate the fluctuations.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder: Choong Beng Hin

Question:

Financial Statements

Independent Auditors' Report (Page 53)

The 5-year pioneer status granted by MITI where the company income is exempted from income tax will expire in 2022. Has the company submitted an application for an extension period for this incentive? What is the status?

Answer:

Our existing Pioneer Status tax relief period will expire on December 31, 2022. We have planned to submit the new application in the second half of 2021 with our new innovative solutions and designs.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder: Choong Beng Hin

Question:

Note 7 - Other Gains & Losses (Page 78)

RM 1.397 million on Net Loss on Foreign Exchange was incurred. Is the loss reasonable when the company under its management has forward contracts amounting to RM 3.246 million in Financial Assets?

Answer:

The net loss on foreign exchange of RM1.397 million is derived from the realized and unrealized loss on foreign exchange. The realized and unrealized loss is accounted based on accounting standard and is unpredictable.

The “Other Financial Assets” of RM3.246 million (shown in note 26 on page 97 of annual report) is the fair value gain of the foreign currency forward contracts. The group enters into foreign currency forward contracts to manage the risk associated with anticipated sales and purchase transactions. The outstanding foreign currency forward contracts as at end of December 31, 2020 was USD18.4 million (USD16.9 million in 2019).



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder: Choong Beng Hin

Question:

Are RM 1.181 million for item Others recurring in nature and what are they?

Answer:

The RM 1.181 million is referring to the "Others" in note 7 on page 78 of annual report. The items in "Others" is majorly contributed by the income generated from the power generation of GCPV (Grid Connected Photovoltaic) system, and the miscellaneous income of scrap sales. To the best of our knowledge, power generation from the GCPV system (contractual tenure of 21 years starting from 2016) and the miscellaneous income of scrap sales are recurring in nature, but the actual amount could fluctuate due to factors like timing, prices, weathers, among others.

Question:

Note 13 – Investment Property (Page 86)

Since the property is not generating rental income, and on the other hand is incurring yearly operating expenses between RM 0.388 million and RM 0.384 million, can we save on these expenses?

Answer:

As the said property is our old factory, which is currently not under operation, thus until a worthwhile deal can be closed on the investment property, the Group is still required to pay for the direct operating expenses incurred from its fixed cost such as depreciation, quit rent, assessment, etc.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder: Choong Beng Hin

Question:

Note 26 - Other Financial Assets (Page 97)

The foreign currency forward contracts have increased 3.5 times to RM 3.246 million from 2019 contracts of RM 0.928 million. Are the company contract positions overly exposed when compared to its revenue over the 2 years period, which is hardly showing any significant change, and a low single-digit growth expected for 2021?

Answer:

The group enters into foreign currency forward contracts to manage the risk associated with anticipated sales and purchase transactions.

The “Other Financial Assets” of RM3.246 million and RM 0.928 million are the fair value of the foreign currency forward contracts for FY2020 and FY2019 respectively, they are not the actual contract amount for the foreign currency forward contracts. The outstanding foreign currency forward contracts as at end of December 31, 2020 was USD18.4 million (USD16.9 million in 2019).

Almost 100% of UCHITEC’s revenue was denominated in USD and approximately 30% of this revenue is allocated for payables in USD-natural hedge. The remaining 70% was exposed to currency fluctuation and is managed via a Forward Contract Management Policy which was approved by the Board of Directors in 2010. In 2020, UCHITEC sold forward a total contracted sum of USD23.2 million at an average rate of RM4.1792/ USD1.00 as opposed to a total contracted sum of USD 25 million at an average rate of RM4.1048/ USD1.00 in 2019.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholders : See Kian Seng, Lee Siu Ming,
Darren Ng Kok Cherng, Yih Chin Ee and Di Sheng Lim

Question:

See Kian Seng:

What your outlook for 2021 will it impact your production and please give us your take on the components you manufacture for the freezer to store vaccine?

Lee Siu Ming:

What is the company's revenue and profit growth for deep freezer components?

Darren Ng Kok Cherng:

What's the future outlook for Uchitec, given that there is a global semiconductor shortage?

Yih Chin Ee:

Does the worldwide semiconductor shortage affect operation? If yes, to what extent and what is the outlook?

Di Sheng Lim:

Q1: Will the global chip shortage problem bring significant impact to Uchitec's operation?

Q2: Covid19 impact?

Q3: Page 22 of annual report mentions "imbalance in the global supply of freight containers". 1. What is the percentage of air freight versus sea freight? 2. How much have freight cost and delivery lead time increased, as compared to pre-covid time? 3. Which party absorb the increased freight cost? 4. What is the outlook?



**TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER**

Answer:

Prospect of 2021: Although Covid-19 has devastated many industries, there are those that have seen increased demand during this difficult time. In Year 2021, we had a stronger first quarter (Q1) demand than in recent years, and based on the current customers' demand and forecast, we expect to have a high-single digit growth for the revenue of year 2021 in USD terms and have updated such info on 24th of May via public announcement. This is partly because Covid-19 has increased work-from-home and stay-at-home lifestyles as well as the requirement of essential equipment, causing a higher demand for our customers' products.

Consequently, the management has adjusted the production loading for our assembling arms to accommodate the demand.

Impact of Covid-19 on supply chain: Covid-19 has significantly impacted the global supply chain, especially in the field of semiconductors and logistic transportation. In order to mitigate the risks it has caused, Uchi has been taking great measures to increase our safety buffer stock, source resourcefully, reroute transportation for logistics, and work very closely with customers and suppliers. With these efforts, barring any unforeseen circumstances, we are cautiously optimistic to achieve revenue growth mentioned above and will strive to maintain our operating profit margin of at least 40% if USD is no less than 3.9.

Concerning Deep Freezer: As a sole supplier and in accordance with our company policy, we do not comment on individual customer nor their specific products. However, we do not expect significant change in the composition of product groups' revenue contribution, which will be quite similar to what we had from last year, which is 85% from Art-Of-Living and 15% from Biotech, with plus or minus 1 to 2 percent points(ppt) difference.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder: Tan Tai Ann, Yih Chin Ee and Di Sheng Lim

Question:

Tan Tai Ann:

In 2020, Biotechnology products contribution stand at 15%; does the management have any plan to increase the contribution of this sector to minimize the risk of over dependant on single largest customer?

Yih Chin Ee:

What are the plans to diversify the customer base and reduce over-dependence on the two key customers?

Di Sheng Lim:

Currently most of the revenue of Uchitec are coming from the coffee machine related business, will Uchitec venture into other new area, such as the electric vehicle(ev)?

Answer:

Finding new customers and product diversification are always on our business roadmap. But we must find the right target for Uchi, or we may lose the values that make UCHI special. In the current volatile economic situation, it is equally important to take good care of our existing valued customers as well focus on finding new ones. For both cases, we strive to concentrate, focusing on R&D activities, so as to maintain our technical competitiveness. On the other hand, we need to be very prudent in order to keep our financial status secure so that we can sustain the group with enough working capital to overcome potential challenges. This is key for our growth.

For 2021, barring any unforeseen circumstances, the group expects to see a high-single digit growth in revenue in USD terms which is contributed from the growth of both Art-Of-Living and Biotech product groups.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder: Tan Tai Ann

Question:

What is the contingency plan if there is any case of positive Covid detect in the company? What is the current manpower percentage needed to fulfil the need of operation to ensure smooth production?

Answer:

The global COVID-19 pandemic required us to respond quickly and vigilantly by introducing new measures to protect the health and well-being of our employees such as educating them on safe behaviours, facilitating work from home and most importantly, adhering strictly to the enhanced SOP.

Our current production is configured with the cell-stationed concept and has been partitioned into sectors to realize reasonable scalability and to lower the chance of a total production halt in case of detected Covid-19 cases in our workforce.

Uchi Group has two sites for production, one located in Penang, Malaysia and another located in Dongguan, China. In case of the detection of positive Covid cases, we will implement the catch-up plan by adjusting the loading between the two manufacturing arms and/or engaging local EMS support for certain production processes.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder: Tan Tai Ann and Kiat Heng Tee

Question:

Tan Tai Ann:

With the restriction of manpower during the Covid pandemic, does the management have any plan to migrate/improve the productivity towards industrial 4.0 or automation or robotic?

Kiat Heng Tee:

What is improvement roadmap (example: lean manufacturing) to further improve gross margin?

Answer:

As an ODM company doing business in a niche market, Uchi has never been short on challenges or competition in our 30-plus-year history, and we have been maintaining a reputable track records of our performance. This is a collective effort resulting from (A) the leadership of the company which has been always advancing for improvement in terms of R&D competitiveness and operation efficiency and (B) the support of all the stakeholders, i.e., employees, customers, shareholders, among others.

In addition to striving for operation efficiency and technical competitiveness, we also work closely with our customers, we believe that our current level of automation and internal upgrading plans are pertinent, efficient and suitable for Uchi to face challenges.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder: Tay Wan Ni

Question:

Any expansion plan?

Answer:

We do not have immediate plans for expansion in terms of production capacity as we have enough to cope with future growth. In the event of a surge in demand, we will engage local EMS support for certain production processes.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder: Tee Chwee Liong

Question:

Any plan to increase dividends?

Answer:

We have been adhering to our dividend policy of distributing at least 70% of our net profit. From 2015 to 2019, the payout ratio has been 85%, 97%, 155%, 91%, 95%. For this year, if shareholders approve on the resolution, the final dividend of 9.5 cents will be paid out in July. The final dividend of 9.5 cents, together with the interim dividend of 7.5 cents paid back in January 2021, brings the total dividend to be 17 cents, which will be equivalent to a payout ratio of 91% of our net profit for FY2020.

Previously, we had paid a special dividend in year 2017, and exercised a capital repayment in 2018, which not only rewarded our shareholders, but also exhibited good performance via much improved ROE (from 29.8% in 2017 to 46.7% in 2020). That also received recognition from The Edge Billion Ringgit Club Corporate Awards 2020 and Forbes Asia's Best Under A Billion 2020.

At this moment, we consider the level of cash on hand is in the comfortable range. As we are right in the middle of the COVID-19 pandemic, for many business entities, having enough cash on hand is a very good advantage during this period of economic downturn.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder : Ying Yoong Liew

Question:

Dear management, in view of low operating margin target of 40% (all time low since 2000) for FY21 (page 26 in Annual Report), can we still expect dividend payout for FY21 to be similar to FY20?

Answer:

For FY2021, barring any unforeseen circumstances, we are cautiously optimistic to achieve revenue growth announced and will strive to maintain our operating profit margin of at least 40% if USD is no less than 3.9.

We will also adhere to our current dividend policy to distribute at least 70% of our net profit.



**TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER**

Shareholder: Yih Chin Ee

Question:

First, I want to express my appreciation to the management for changing the physical AGM into a virtual AGM. It has helped to safeguard everyone's safety. Actually virtual AGM is now a new normal. It is convenient for shareholders who live outside Penang. To encourage more shareholder participation, can management continue to offer virtual AGM as an option even after the pandemic?

Answer:

We will consider your valued opinion and use this 23rd virtual AGM as a referential experience to decide on the future mode of AGM.

Question:

How much would Uchi Dongguan benefit if the currently stalled China-EU free trade agreement were to go ahead?

Answer:

So far we do not foresee any significant impact on the Group, however, we will take a wait-and-see stance for the said matter and observe for any development.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder: Yih Chin Ee

Question:

What is your view on Malaysia competitiveness in supporting continuous R&D in terms of talents, cost and government incentives?

Answer:

Uchi's technical competitiveness is based on the collaborative effort of our valued employees based both in Malaysia and China. Such an arrangement allows us to utilize the complementary strengths from our two R&D centers so as to generate better solutions and designs for our customers. We consider this, along with government incentives, to be a crucial and efficient investment.

Question:

Who are the competitors to the group ODM offerings and where are they based?

Answer:

In the interest of all parties, it is our company policy to refrain from commenting on our competitors.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder: Yih Chin Ee

Question:

What is the group's dependence on foreign workers? What are the steps taken to minimize the reputation and sanction risk due to non-compliance on worker treatment?

Answer:

Our current dependence on foreign workers for the Group is around 10% out of total workforce. It is our responsibility to always make sure and adhere to all the regulations, i.e., the labour law, employment act, agreement, SOP from Ministry of Health, among others, to ensure that we are fully compliant to all areas for all employees, local and foreign.



TWENTY-THIRD ANNUAL GENERAL MEETING (25TH MAY 2021)
QUESTION AND ANSWER

Shareholder: Di Sheng Lim

Question:

What is the outlook of global coffee machine market in medium and long term?

Answer:

We are unable to comment on the global coffee machine market as a whole since there are many different types of machines and many producers sharing the market. However, based on the trends of our Art-of-Living customer's demand for the past decade—the result of a strong partnership between Uchi and our customer—there have been positive signs of the partnership's success. Thus, in this specific perspective, we are cautiously optimistic in our belief of future Art-of-Living market growth.

Question:

What is the key to maintain the high margin above 50% in longer term?

Answer:

We strive to maintain our Operating Profit Margin (OPM) of at least 40% if USD is no less than 3.9. Uchi, as the sole supplier to our customers, strives to concentrate, focus on R&D activities so as to maintain our technical competitiveness. This enables our customers to have a leading edge in their markets, thus further solidifying our partnership. This is our key to grow.

Shareholder : Choong Beng Hin

Good afternoon to Mr Chairman and members of the board. Wish all good health and safety. My name is Choong Beng Hin and I am a shareholder.

Before I raise the questions in the Annual Report and the Financial Statements, I would like to congratulate the Board for the job well done as the company achieved an unprecedented record in profit for 2020 despite the challenging year. I am confident that under the leadership of our Chairman, you will take our company to new heights for many years to come.

Here are my questions:

Question:

Management Discussion & Analysis Report

It is reported on page 24 that the capacity utilization for our Malaysian operations is already more than 85%, and on page 25, it reports that our company is expecting a low single-digit revenue growth for the current financial year ending 2021. These statements appear that the growth in our business is therefore hindered by the ability to expand capacity to take advantage of the recovery of the world-wide economy. Please comment.

Answer:

Uchi Group has two sites for production, one located in Penang, Malaysia and another located in Dongguan, China.

Based on the latest demand, the management expects to see a high-single digit growth in 2021's revenue in USD terms and has updated such info on 24th of May via public announcement. In response to the higher production demand, the management has already made necessary adjustment to accommodate for such growth through workload distribution between the two factories. In the event of a surge in demand, there is still room to grow in our own manufacturing arms, or we will engage local EMS support for certain production processes to mitigate the fluctuations.

Shareholder : Choong Beng Hin

Question:

Financial Statements

Independent Auditors' Report (Page 53)

The 5-year pioneer status granted by MITI where the company income is exempted from income tax will expire in 2022. Has the company submitted an application for an extension period for this incentive? What is the status?

Answer:

Our existing Pioneer Status tax relief period will expire on December 31, 2022. We have planned to submit the new application in the second half of 2021 with our new innovative solutions and designs.

Shareholder : Choong Beng Hin

Question:

Note 7 - Other Gains & Losses (Page 78)

RM 1.397 million on Net Loss on Foreign Exchange was incurred. Is the loss reasonable when the company under its management has forward contracts amounting to RM 3.246 million in Financial Assets?

Answer:

The net loss on foreign exchange of RM1.397 million is derived from the realized and unrealized loss on foreign exchange. The realized and unrealized loss is accounted based on accounting standard and is unpredictable.

The “Other Financial Assets” of RM3.246 million (shown in note 26 on page 97 of annual report) is the fair value gain of the foreign currency forward contracts. The group enters into foreign currency forward contracts to manage the risk associated with anticipated sales and purchase transactions. The outstanding foreign currency forward contracts as at end of December 31, 2020 was USD18.4 million (USD16.9 million in 2019).

Shareholder : Choong Beng Hin

Question:

Are RM 1.181 million for item Others recurring in nature and what are they?

Answer:

The RM 1.181 million is referring to the "Others" in note 7 on page 78 of annual report. The items in "Others" are majorly contributed by the income generated from the power generation of GCPV (Grid Connected Photovoltaic) system, and the miscellaneous income of scrap sales. To the best of our knowledge, power generation from the GCPV system (contractual tenure of 21 years starting from 2016) and the miscellaneous income of scrap sales are recurring in nature, but the actual amount could fluctuate due to factors like timing, prices, weathers, among others.

Shareholder : Choong Beng Hin

Question:

Note 13 – Investment Property (Page 86)

Since the property is not generating rental income, and on the other hand is incurring yearly operating expenses between RM 0.388 million and RM 0.384 million, can we save on these expenses?

Answer:

As the said property is our old factory, which is currently not under operation, thus until a worthwhile deal can be closed on the investment property, the Group is still required to pay for the direct operating expenses incurred from its fixed cost such as depreciation, quit rent, assessment, etc.

Shareholder : Choong Beng Hin

Question:

Note 26 - Other Financial Assets (Page 97)

The foreign currency forward contracts have increased 3.5 times to RM 3.246 million from 2019 contracts of RM 0.928 million. Are the company contract positions overly exposed when compared to its revenue over the 2 years period, which is hardly showing any significant change, and a low single-digit growth expected for 2021?

Answer:

The group enters into foreign currency forward contracts to manage the risk associated with anticipated sales and purchase transactions.

The “Other Financial Assets” of RM3.246 million and RM 0.928 million are the fair value of the foreign currency forward contracts for FY2020 and FY2019 respectively, they are not the actual contract amount for the foreign currency forward contracts. The outstanding foreign currency forward contracts as at end of December 31, 2020 was USD18.4 million (USD16.9 million in 2019).

Almost 100% of UCHITEC’s revenue was denominated in USD and approximately 30% of this revenue is allocated for payables in USD-natural hedge. The remaining 70% was exposed to currency fluctuation and is managed via a Forward Contract Management Policy which was approved by the Board of Directors in 2010. In 2020, UCHITEC sold forward a total contracted sum of USD23.2 million at an average rate of RM4.1792/ USD1.00 as opposed to a total contracted sum of USD 25 million at an average rate of RM4.1048/ USD1.00 in 2019.

Shareholders : See Kian Seng, Lee Siu Ming, Darren Ng Kok Cherng, Yih Chin Ee, Di Sheng Lim, Lim Teng Hiang, and Song Yun Chua

Question:

See Kian Seng:

What is your outlook for 2021, will it impact your production and please give us your take on the components you manufacture for the freezer to store vaccine?

Can you specify the revenue and profit for the components you made for European brand Freezer (can't remember name)? Is it for storage for vaccines?

Lee Siu Ming:

What is the company's revenue and profit growth for deep freezer components?

Darren Ng Kok Cherng:

What's the future outlook for Uchitec, given that there is a global semiconductor shortage?

Yih Chin Ee:

Does the worldwide semiconductor shortage affect operation? If yes, to what extent and what is the outlook?

Di Sheng Lim:

Question 1: Will the global chip shortage problem bring significant impact to Uchitec's operation?

Question 2: Covid-19 impact?

Question 3: Page 22 of annual report mentions "imbalance in the global supply of freight containers".

1. What is the percentage of air freight versus sea freight?
2. How much have freight cost and delivery lead time increased, as compared to pre-covid time?
3. Which party absorb the increased freight cost?
4. What is the outlook?

Lim Teng Hiang:

I would like to know; will the current shortage of chips have an effect on the production and operation of the company core products?

Song Yun Chua:

Are we affected by the global chip shortage? Do we have enough inventory to ensure production is not disrupted? Thank you.

Biotechnology products seem to be not doing as well as the coffee machine product, why is this the case? Thank you.

Answer:

Prospect of 2021: Although Covid-19 has devastated many industries, there are those that have seen increased demand during this difficult time. In Year 2021, we had a stronger first quarter (Q1) demand than in recent years, and based on the current customers' demand and forecast, we expect to have a high-single digit growth for the revenue of year 2021 in USD terms and have updated such info on 24th of May via public announcement. This is partly because Covid-19 has increased work-from-home and stay-at-home lifestyles as well as the requirement of essential equipment, causing a higher demand for our customers' products.

Consequently, the management has adjusted the production loading for our assembling arms to accommodate the demand.

Impact of Covid-19 on supply chain: Covid-19 has significantly impacted the global supply chain, especially in the field of semiconductors and logistic transportation. In order to mitigate the risks it has caused, Uchi has been taking great measures to increase our safety buffer stock, source resourcefully, reroute transportation for logistics, and work very closely with customers and suppliers. With these efforts, barring any unforeseen circumstances, we are cautiously optimistic to achieve revenue growth mentioned above and will strive to maintain our operating profit margin of at least 40% if USD is no less than 3.9.

Concerning Deep Freezer: As a sole supplier and in accordance with our company policy, we do not comment on individual customer nor their specific products. However, we do not expect significant change in the composition of product groups' revenue contribution, which will be quite similar to what we had from last year, which is 85% from Art-Of-Living and 15% from Biotech, with plus or minus 1 to 2 percent points(pp) difference.

Shareholders : Tan Tai Ann, Yih Chin Ee, Di Sheng Lim, Chai Peng Wee and Kin Leong Wan

Question:

Tan Tai Ann:

In 2020, Biotechnology products contribution stand at 15%; does the management have any plan to increase the contribution of this sector to minimize the risk of over dependent on single largest customer?

Yih Chin Ee:

What are the plans to diversify the customer base and reduce over-dependence on the two key customers? My appreciation to the board for its capital discipline by returning excess capital to shareholders in the form of dividend. However, given the group has high ROE, could the board consider investing more of its capital to grow the business even faster, and compounding the return for shareholders at high ROE? What I suggest is for the board to consider investing more of its profits on expanding its existing CORE business (not in high-risk investment like in the share market etc.)

Di Sheng Lim:

Currently most of the revenue of Uchitec are coming from the coffee machine related business, will Uchitec venture into other new area, such as the electric vehicle(ev)?

Chai Peng Wee:

What is the future venture of Uchi technology especially in Biotechnology sector?

Kin Leong Wan:

Will Uchi invest into other new technology for e.g., EV, AI related? Mean to have more diversified industries.

Answer:

Finding new customers and product diversification are always on our business roadmap. But we must find the right target for Uchi, or we may lose the values that make UCHI special. In the current volatile economic situation, it is equally important to take good care of our existing valued customers as well focus on finding new ones. For both cases, we strive to concentrate, focusing on R&D activities, so as to maintain our technical competitiveness. On the other hand, we need to be very prudent in order to keep our financial status secure so that we can sustain the group with enough working capital to overcome potential challenges. This is key for our growth.

For 2021, barring any unforeseen circumstances, the group expects to see a high-single digit growth in revenue in USD terms which is contributed from the growth of both Art-Of-Living and Biotech product groups.

Shareholder : Tan Tai Ann

Question:

What is the contingency plan if there is any case of positive Covid detect in the company? What is the current manpower percentage needed to fulfil the need of operation to ensure smooth production?

Answer:

The global COVID-19 pandemic required us to respond quickly and vigilantly by introducing new measures to protect the health and well-being of our employees such as educating them on safe behaviors, facilitating work from home and most importantly, adhering strictly to the enhanced SOP.

Our current production is configured with the cell-stationed concept and has been partitioned into sectors to realize reasonable scalability and to lower the chance of a total production halt in case of detected Covid-19 cases in our workforce.

Uchi Group has two sites for production, one located in Penang, Malaysia and another located in Dongguan, China. In case of the detection of positive Covid cases, we will implement the catch-up plan by adjusting the loading between the two manufacturing arms and/or engaging local EMS support for certain production processes.

Shareholders : Tan Tai Ann and Kiat Heng Tee

Question :

Tan Tai Ann:

With the restriction of manpower during the Covid pandemic, does the management have any plan to migrate/improve the productivity towards industrial 4.0 or automation or robotic?

Kiat Heng Tee:

What is improvement roadmap (example: lean manufacturing) to further improve gross margin?

Answer:

As an ODM company doing business in a niche market, Uchi has never been short on challenges or competition in our 30-plus-year history, and we have been maintaining a reputable track records of our performance. This is a collective effort resulting from (A) the leadership of the company which has been always advancing for improvement in terms of R&D competitiveness and operation efficiency and (B) the support of all the stakeholders, i.e., employees, customers, shareholders, among others.

In addition to striving for operation efficiency and technical competitiveness, we also work closely with our customers, we believe that our current level of automation and internal upgrading plans are pertinent, efficient and suitable for Uchi to face challenges.

Shareholder : Tay Wan Ni

Question:

Any expansion plans?

Answer:

We do not have immediate plans for expansion in terms of production capacity as we have enough to cope with future growth. In the event of a surge in demand, we will engage local EMS support for certain production processes.

Shareholder : Tee Chwee Liong

Question:

Any plan to increase dividends?

Answer:

We have been adhering to our dividend policy of distributing at least 70% of our net profit. From 2015 to 2019, the payout ratio has been 85%, 97%, 155%, 91%, 95%. For this year, if shareholders approve on the resolution, the final dividend of 9.5 cents will be paid out in July. The final dividend of 9.5 cents, together with the interim dividend of 7.5 cents paid back in January 2021, brings the total dividend to be 17 cents, which will be equivalent to a payout ratio of 91% of our net profit for FY2020.

Previously, we had paid a special dividend in year 2017, and exercised a capital repayment in 2018, which not only rewarded our shareholders, but also exhibited good performance via much improved ROE (from 29.8% in 2017 to 46.7% in 2020). That also received recognition from The Edge Billion Ringgit Club Corporate Awards 2020 and Forbes Asia's Best Under A Billion 2020.

At this moment, we consider the level of cash on hand is in the comfortable range. As we are right in the middle of the COVID-19 pandemic, for many business entities, having enough cash on hand is a very good advantage during this period of economic downturn.

Shareholder : Ying Yoong Liew

Question:

Dear management, in view of low operating margin target of 40% (all time low since 2000) for FY21 (page 26 in Annual Report), can we still expect dividend payout for FY21 to be similar to FY20?

Answer:

For FY2021, barring any unforeseen circumstances, we are cautiously optimistic to achieve revenue growth announced and will strive to maintain our operating profit margin of at least 40% if USD is no less than 3.9.

We will also adhere to our current dividend policy to distribute at least 70% of our net profit.

Shareholder : Yih Chin Ee, Song Yun Chua and Lew Tuck Wai

Question:

Yih Chin Ee :

First, I want to express my appreciation to the management for changing the physical AGM into a virtual AGM. It has helped to safeguard everyone's safety. Actually, virtual AGM is now a new normal. It is convenient for shareholders who live outside Penang. To encourage more shareholder participation, can management continue to offer virtual AGM as an option even after the pandemic?

Song Yun Chua :

It is good to see our company conduct an online AGM this year. Please consider providing similar option for future meetings if possible, so that shareholders who live in other states can participate too. Thank you.

Lew Tuck Wai :

I fully support shareholder, Yee Chin Ee's proposal for Uchitec to continue providing remote participation for shareholders in future AGM as there are many shareholders are not based in Penang. We truly appreciate this opportunity to communicate directly with the Board and Management once a year.

Comment:

Amit Khindriya :

Appreciate Virtual AGM this year - Uchi needs to be more open to embrace technology and new Norm.

Answer:

We will consider your valued opinion and use this 23rd virtual AGM as a referential experience to decide on the future mode of AGM.

Shareholder : Yih Chin Ee

Question:

How much would Uchi Dongguan benefit if the currently stalled China-EU free trade agreement were to go ahead?

Answer:

So far, we do not foresee any significant impact on the Group, however, we will take a wait-and-see stance for the said matter and observe for any development.

Shareholder : Yih Chin Ee

Question:

What is your view on Malaysia competitiveness in supporting continuous R&D in terms of talents, cost and government incentives?

Answer:

Uchi's technical competitiveness is based on the collaborative effort of our valued employees based both in Malaysia and China. Such an arrangement allows us to utilize the complementary strengths from our two R&D centers so as to generate better solutions and designs for our customers. We consider this, along with government incentives, to be a crucial and efficient investment.

Shareholder : Yih Chin Ee

Question:

Who are the competitors to the group ODM offerings and where are they based?

Answer:

In the interest of all parties, it is our company policy to refrain from commenting on our competitors.

Shareholder : Yih Chin Ee

Question:

What is the group's dependence on foreign workers? What are the steps taken to minimize the reputation and sanction risk due to non-compliance on worker treatment?

Answer:

Our current dependence on foreign workers for the Group is around 10% out of total workforce. It is our responsibility to always make sure and adhere to all the regulations, i.e., the labor law, employment act, agreement, SOP from Ministry of Health, among others, to ensure that we are fully compliant to all areas for all employees, local and foreign.

Shareholder : Di Sheng Lim

Question:

What is the outlook of global coffee machine market in medium and long term?

Answer:

We are unable to comment on the global coffee machine market as a whole since there are many different types of machines and many producers sharing the market. However, based on the trends of our Art-of-Living customer's demand for the past decade—the result of a strong partnership between Uchi and our customer—there have been positive signs of the partnership's success. Thus, in this specific perspective, we are cautiously optimistic in our belief of future Art-of-Living market growth.

Shareholders : Di Sheng Lim and Song Yun Chua

Question:

Di Sheng Lim:

What is the key to maintain the high margin above 50% in longer term?

Song Yun Chua:

Despite Covid-19 impact, our company has been performing remarkably well, especially in the past two quarters if compared with its corresponding period of the previous year. Do management expect this trend to be sustainable? Thank you.

Answer:

We strive to maintain our Operating Profit Margin (OPM) of at least 40% if USD is no less than 3.9. Uchi, as the sole supplier to our customers, strives to concentrate, focus on R&D activities so as to maintain our technical competitiveness. This enables our customers to have a leading edge in their markets, thus further solidifying our partnership. This is our key to grow.

Beyond this, we prefer not to comment further in order to avoid giving out misleading info, as many of the factors are not under our control.

Shareholder : Kiat Heng Tee

Question:

What will be the financial impact to the company due to current MCO3.0 of 60% workforce allowed in factory?

Answer:

The global COVID-19 pandemic required us to respond quickly and vigilantly by introducing new measures to protect the health and well-being of our employees such as educating them on safe behaviors, facilitating work from home and most importantly, adhering strictly to the enhanced SOP.

Our current production is configured with the cell-stationed concept and has been partitioned into sectors to realize reasonable scalability and to lower the chance of a total production halt in case of detected Covid-19 cases in our workforce.

Barring any unforeseen circumstances, we are cautiously optimistic to achieve revenue growth announced and will strive to maintain our operating profit margin of at least 40% if USD is no less than 3.9.

Shareholders : See Kian Seng and Victor Au Yong

Question:

See Kian Seng:

What is next 3 years plan for Uchi and had current covid 19 affected productions? Any plan for M&A in near future?

Victor Au Yong:

Is there plan for any mergers or acquisitions for Uchitec in the coming 1-2 years?

Answer:

The global COVID-19 pandemic required us to respond quickly and vigilantly by introducing new measures to protect the health and well-being of our employees such as educating them on safe behaviors, facilitating work from home and most importantly, adhering strictly to the enhanced SOP.

Our current production is configured with the cell-stationed concept and has been partitioned into sectors to realize reasonable scalability and to lower the chance of a total production halt in case of detected Covid-19 cases in our workforce.

Barring any unforeseen circumstances, we are cautiously optimistic to achieve revenue growth announced and will strive to maintain our operating profit margin of at least 40% if USD is no less than 3.9.

We are not against healthy M&A activities in which our employees', investors' and customers' rights and benefits will be protected or further improved. Currently, there are no M&A proposals on our company's horizon.

Shareholders : Teh Peng Tin and Wai San Chan

Question:

Teh Peng Tin:

How much does the company spend on this virtual AGM ? Would the board kindly consider giving us E-voucher to redeem the company products, as a token of appreciation for attending this RPV. Thank you.

Wai San Chan:

How much is the expense for holding today virtual AGM?

Answer:

Thank you for your question. We are unable to disclose as it might create inconveniences to the service providers. And thank you for your proposal on the giving out E-voucher, we will consider that.

Shareholder : Piek Yee Tai

Question:

Overall, noticed that normally the financial results in second half of the year are better than first half of the year. Is there any reason?

Answer:

Thank you for your question. The demand from our customers is in general exhibiting a seasonal change that has a higher volume in second half than that of the first half.

Shareholder : Quah Kiat Gin

Question:

Can you provide in detail of what biotechnology product/ subsegment has been produce by Uchitec? E.g.: freezer xx%, weighing scale yy%.

Answer:

Thank you for your question. The company would not comment on any customer nor their specific product.

Shareholder : Lim Teng Hiang

Question:

Going forward, will the company be allocation any capex to expand the biz of the company? And what is the allocation amount?

Answer:

We do not have immediate plans for expansion in terms of production capacity as we have enough to cope with future growth.

We have averagely budgeted CapEx for RM 5M/year. A recent major investment was made in FY2018 with a value of more than 9M. For Y2021, we have planned to invest in production machine replacement and upgrades, server upgrades and software system enhancement. The total expenditure will be within the budget.

Shareholder : Lew Tuck Wai

Question:

Uchitec's Group operating profit margin increase further to 51.5%, the highest since achieving 53% in FY2006. What are the reason(s) for this high profit margin despite facing the challenges of the Covid-19 Pandemic? Can

the profit margin be sustained for FY2021 as the just released 1st Quarter 2021 results also showed strong profit margin.

The Sustainability Statement on page 28 highlighted the decline in average on-time delivery performance due to the disruptions in the global supply chain caused by the Covid-19 pandemic. Has Uchitec managed to reduce the impact of this disruptions in current financial year?

Answer:

Increased in profit margin for FY2020 mainly due to product mix, total cost reduced and gain on fair value. For 1st Qtr. 2021, the strong profit margin resulted from increased in turnover.

Covid-19 has significantly impacted the global supply chain, especially in the field of semiconductors and logistic transportation. In order to mitigate the risks it has caused, Uchi has been taking great measures to increase our safety buffer stock, source resourcefully, reroute transportation for logistics, and work very closely with customers and suppliers. With these efforts, barring any unforeseen circumstances, we are cautiously optimistic to achieve revenue growth mentioned above and will strive to maintain our operating profit margin of at least 40% if USD is no less than 3.9.

Shareholder : Chong Ghee Chew

Question:

The Pioneer status will expire next year. What is the management plan to maintain and ensure the profit and dividend payout will not be affected?

Answer:

Our existing Pioneer Status tax relief period will expire on December 31, 2022. We have planned to submit the new application in the second half of 2021 with our new innovative solutions and designs.

We strive to maintain our Operating Profit Margin (OPM) of at least 40% if USD is no less than 3.9. Uchi, as the sole supplier to our customers, strives to concentrate, focus on R&D activities so as to maintain our technical competitiveness. This enables our customers to have a leading edge in their markets, thus further solidifying our partnership. This is our key to grow.

We have been adhering to our dividend policy of distributing at least 70% of our net profit. From 2015 to 2019, the payout ratio has been 85%, 97%, 155%, 91%, 95%. For this year, if shareholders approve on the resolution, the final dividend of 9.5 cents will be paid out in July. The final dividend of 9.5 cents, together with the interim dividend of 7.5 cents paid back in January 2021, brings the total dividend to be 17 cents, which will be equivalent to a payout ratio of 91% of our net profit for FY2020.

Shareholder : Teh Peng Tin

Question:

The company is making profit now, when are the company to give us Bonus Issues?

Answer:

Thank you for your question. The company announced its Dividend Policy by distributing at least 70% of our net profit. Hence, the retained earnings are going to be focused on dividend payment at this moment. However, the company will keep this option open, and announcement will be made when there is any.

Shareholder : Song Yun Chua

Question:

For our two major customers in coffee making industry, are they sourcing exclusively from our company? Or do they have multiple suppliers for the same components? Thank you.

Answer:

Thank you for your question. We are the sole supplier to our Art-of-Living customers.

Shareholders : Lew Tuck Wai and Yee Peng Tan

Question:

Lew Tuck Wai:

If the good performance as shown in the 1st Quarter 2021 results continues, Uchitec will be generating healthy free cash flow. I hope Uchitec will use some of the funds to buy back shares of Uchitec when there is market correction. It has been shown that share buy-back at appropriate levels will grow or enhance shareholders' value in the long term. Thank you.

Yee Peng Tan:

The management have any plan in share buy back plan or other corporate exercise?

Answer:

Thank you for your suggestion and opinion. This is the reason the company needs the Share Buy-Back authority approved by the shareholders in case company's shares are under value, but we must be very prudent in deciding when the right time is to buy our own shares.

Please refer to page 8~13 of Annual Report 2020 for the detail of Share Buy- Back statements including its rationale.

Announcement will be made immediately once we have exercised Share Buy-Back. Thank you.

Shareholder : Amit Khindriya

Question:

Please comment if we have plan to venture on to Automotive given director who has vast experience in Auto.

Answer:

Thank you for your question and sorry for not able to answer your question on time.

At this moment, doing business in auto industry is not beneficial for Uchi in terms of profit margin and may impose much higher burden than Uchi can bear. The disruption of semiconductor supplies has heavily impacted auto industry and will be extending into 2022.

As an ODM company doing business in a niche market, Uchi has never been short on challenges or competition in our 30-plus-year history, and we have been maintaining a reputable track records of our performance. This is a collective effort resulting from (A) the leadership of the company which has been always advancing for improvement in terms of R&D competitiveness and operation efficiency and (B) the support of all the stakeholders, i.e., employees, customers, shareholders, among others.

In addition to striving for operation efficiency and technical competitiveness, we also work closely with our customers, we believe that our current level of automation and internal upgrading plans are pertinent, efficient and suitable for Uchi to face challenges.

Shareholder : Choong Beng Hin

Question:

Do we expect huge increase in their fees?

Answer:

Thank you for your question referring to the director fee. After benchmarked against other listed Company, and considering the contribution, and business model of the Company, the Board is of the opinion that the Director's remuneration is reasonable. It is to reflect the contribution of the Directors strategic navigation as well as the increased in Director's responsibility in corporate governance.

Shareholder : Wee Jin Lim

Question:

In Hwang's Research dated 25Feb21, "Its customer, which manufactures Deep Freezers used within the vaccine logistics supply chain, could provide a near-term earnings catalysts." What is your comment on the above statement?

In Hong Leong Investment Bank Initiating Coverage Rpt this year, " Potential indirect vaccine exposure Biotech could serve as future catalyst in this pandemic era. In the biotech division, Uchi supplies control systems such as high precision weighing scales, centrifuges and deep freezers. One of the products in Uchi's pioneer status list includes the ultra-low temperature and mass sensing control system. This device is designed for the storage of biological materials (such as virus, bacteria, eukaryotic cells, stem cell and blood) mainly used in blood banks, hospitals, epidemic prevention services, research institutes and biomedical engineering facilities. Contribution from the biotech division to Uchi's revenue is now at 15-21% for FY16-FY20 but this area provides an avenue for future growth." What is your comment on the above statement?

Answer:

For 2021, barring any unforeseen circumstances, the group expects to see a high-single digit growth in revenue in USD terms which is contributed from the growth of both Art-Of-Living and Biotech product groups.

Shareholder : Lew Tuck Wai

Comment:

I wish to put on record compliments to the Board and Management for achieving very good results despite the on-going Covid-19 pandemic. Also, a word of thanks to the Board for declaring good dividends which further enhances shareholders value. Please keep up the good work in FY2021 and beyond.

Response:

Thank you for your support.