



**REPLY TO QUERIES FROM MINORITY SHAREHOLDER WATCHDOG GROUP
15TH ANNUAL GENERAL MEETING HELD ON 11 MAY 2017**

Strategy and Financial Matters

1. The Company's revenue had increased from RM352.4 million in FY2015 to RM387.7 million in FY2016 as a result of various initiatives undertaken by the Board with continuing emphasis on product quality, cost efficiency and automation. How confident is the Board that the good performance can be sustained, moving forward?

Response

The Board is confident that the good performance demonstrated in year 2016 to continue going into year 2017 on grounds that the Group, with the stewardship of the Management to continue to leverage on its core competency to produce quality products at competitive pricing coupled with our plant expansion plans that were already completed and also those in the pipeline.

2. Under the Management Discussion & Analysis on page 12 of the Annual Report, it was reported the joint venture (JV) business in China had continuously incurred losses and the operations remained at below optimum levels.
 - (i) What were the reasons for the poor performance and what is the outlook, moving forward?
 - (ii) When would the Board expect the JV business in China to be at least breakeven?
 - (iii) How confident is the Board that the strategies formulated jointly with the partner would be able to improve the performance of the JV?

Response

- (i) The main reasons for the joint venture (JV) business in China to incur losses are the targeted customers in China are taking longer than we expected to evaluate and assess our products before purchase.
 - (ii) The Board expects the JV business in China to be at least breakeven in 3 - 4 years.
 - (iii) The Board is cautiously confident that the strategies formulated jointly with the partner would be able to improve the performance of the JV.
3. As noted in the Outlook and Prospect on page 13 of the Annual Report, the Company continued to improvise its products and placed substantial amount of emphasis on Research and Development (R&D) initiatives to maintain its edge and relevance in the industry. What is the total amount allocated to date for the R&D initiative and are there any plans to increase the allocation for these initiatives?

Response

The Group's R&D initiatives involve investment in R&D equipment, hiring of qualified R&D personnel and purchasing supplies specifically for R&D in order to develop new products or to meet specific customers' product specifications. Therefore, the Group continues to place adequate allocations for Research & Development initiatives and it usually grows in tandem with the growth in revenue.

4. What was the reason for the increased in the Group's administration expenses from RM17.9 million in 2015 to RM20.3 million in 2016?

Response

The reasons for the increased in the Group's administration expenses from RM17.9 million in 2015 to RM20.3 million in 2016 are mainly attributed to staff costs, insurance premiums and repairs and maintenance costs.

Corporate Governance Matters

Tenure of Independent Directors

1. We noted that four (4) out of five (5) Independent Directors (INEDs) have served the Board for more than 9 years, out of which three (3) INEDs have served more than 12 years. We hope that the Board would address the issue on Board's succession planning.

Response

The Board is of the opinion that all current Independent Directors are suitably qualified under the Listing Requirements with vast experience and qualifications and had provided valuable contributions to the Group's success. The Board also regularly evaluate and consider the number and composition of Independent Directors in the Board and is of the opinion now that the composition of the Board is adequate now and may even consider new appointments whenever suitable.

Board Members' Attendance

2. We noted that Mr Kwek Ju-Yang had attended only two out of four Board Meetings in FY2016. What are the reasons for Mr. Kwek Ju-Yang not being able to attend the Board Meetings during the financial year, given that Board Meetings were fixed on a pre-schedule basis.

Response

The Board wishes to inform that Mr Kwek Ju-Yang had urgent matters to attend during the specified time and was unable to attend the Board meetings as scheduled. The Board will continue to stress the importance for all Directors to attend and provide contributions during Board meetings.

Directors' Benefits

3. The Group is seeking shareholders' approval under the Resolution 2 for the benefits of up to RM288,000 payable to the Non-Executive Directors of the Company for the financial year ending 31 December 2017. Please provide the breakdown of the allowances payable to the Non-Executive Directors.

Response

The benefits are meant as compensation for time, effort and its costs spent on providing technical services to a subsidiary of the Company and necessary for the development of the Group.