

UCREST BERHAD
[199701004560 (420056-K)]
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-THIRD ANNUAL GENERAL MEETING OF THE COMPANY CONDUCTED ENTIRELY THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT LOT 6.04, LEVEL 6, KPMG TOWER, 8, FIRST AVENUE, BANDAR UTAMA, 47800 PETALING JAYA, SELANGOR DARUL EHSAN ON TUESDAY, 17 NOVEMBER 2020 AT 11.00 A.M.

There were no other matters raised by the shareholders at the Twenty-Third Annual General Meeting ("23rd AGM"), save for the following:-

Questions and Answers arising from the letter from the Minority Shareholder Watch Group ("MSWG")

Strategy & Financial Matters

Question

The Group has signed a strategic partnership agreement with China Non-Government Medical Institute Association that are responsible for overseeing the development of private healthcare industry in China where the Association will promote the adoption of iMedic™ to its member hospitals (page 8 of Annual Report 2020 ("AR2020")).

- (a) What is the duration of the strategic partnership agreement?
- (b) To-date, how many hospitals in China has adopted iMedic™?
- (c) To what extent has/will the strategic partnership contribute to the top and bottom line of the Group?

Response:

- (a) 5 years, renewable.
- (b) The Company will announce the progress of our business whenever it is appropriate to our shareholders and the Company. Right now, we are working on quite a number of the hospitals and some has adopted the iMedic™.
- (c) The media release on the partnership agreement was made on 18 May 2020, and no revenue was recorded in financial year ended 30 May 2020.

The Company do not provide official forecast of the future financial. We will announce the progress of this partnership whenever it is appropriate to the shareholders.

Question:

The Group has also successfully bundled iMedic™ with CPAP machines of an emerging leading manufacturer in China. The Group has also penetrated to respiratory clinics or sleep centers in the United States of America ("USA") enabling respiratory doctors to remotely manage sleep apnea or COVID-19 patients (page 8 of AR2020).

- (a) Given the above, why was there no revenue contribution from China and USA for FYE2020 (Note 26, page of AR2020) and in the 1st Quarter Results for the financial year ending 2021 (Note 3)?

- (b) Please clarify, how and to what extent, does the successful bundling of iMedic™ with CPAP machines, and the Group's penetration to respiratory clinics or sleep centers in the USA, contribute to the top and bottom line of the Group?

Response:

- (a) The media release on the collaboration with the China ventilator company was made on 17 June 2020, which is FY2021 and the revenue was not recorded in FY2020.

The media release on US Sleep Center was made on 3 May 2020. Again, the revenue was not recorded in FY2020, and imedic was bundled together with MCard of Key ASIC and UCrest will record revenue based on the accounting practice here in the country.

- (b) Today, CPAP machines are not Wi-Fi ready generally. MCard needs CPAP machines to be Wi-Fi IOT. Once the CPAP machines is connected to the Internet, there is a need for a healthcare cloud such as iMedic™. To enable telemedicine for respiratory patients, bundling of MCard and iMedic™ are necessary.

The success of this product will be derived from the success of the bundling strategy that we have with CPAP machine makers and also the respiratory or sleep centers.

Please take note that sleep centers are distribution channels to our iMedic™, and not the customers. Patients are the end user.

Question:

Revenue based on the geographical location of customers from Singapore was zero (2019: RM10.9 million) (Note 26(b), page 123 of AR2020).

Why did the Group lose its Singapore customer?

Response:

The revenue is largely from public sector and the budget was cut.

Question:

Consultancy fees of RM463,252 (2019: RM1,479) (Note 21, page 118 of AR2020).

- (a) To whom was the consultancy fees paid to?
- (b) What was the nature of the consultancy services provided to the Group?
- (c) What are the deliverables?
- (d) How has the consultancy services rendered benefitted the Group?

Response:

- (a) These are business confidential information and we respect Non-Disclosure Agreement ("NDA"). We do not disclose customers nor do we disclose suppliers.
- (b) Contract Software development
- (c) Software
- (d) It is part of the platform.

Question:

The Group's revenue has decrease significantly to RM12.3 million (2019: RM28.8 million) and there was a net loss of RM20.7 million (2019: RM6 million profit) (page 53 of Annual Report 2020 ("AR2020")) mainly due to high impairment loss on trade receivables and intangible assets. The Group recorded a negative net cash flow from operating activities of RM1.1 million (page 58 of AR2020).

Given that current trade payables increased to RM16.2 million (2019: RM8.5 million) (Note 16, page 116 of AR2020) and that there was negative net cash flow, how will the Group prepare itself to meet its trade payables obligations on a timely manner?

Response:

To date, we have reduced millions in the AR. We will try to reduce further before the calendar year end.

Question:

Accumulated impairment loss on trade receivables have increased significantly to RM17.9 million (2019: RM2.2 million) (Note 9, page 105 of AR2020)

- (a) What is the aging of these impaired trade receivables in the following categories: 1 to 3 years and over 3 years?
- (b) How much of the impaired trade receivables is related to the Group's major customers?
- (c) What actions have been taken to recover the said amount?
- (d) What is the probability of recovering the impaired amount?

Response:

(a) 1 to 3 years: RM14 million; Over 3 years; RM0.03 million

(a) Impairment was done across the board.

(b) We continuously work with the customer on the collection.

(c) The probability is very high.

Corporate Governance Matters

Question:

Prof. Low Teck Seng, the Independent Non-Executive Director ("INED") of the Company only attended 1 out of 3 Board meetings – 33% attendance during the financial year (page 19 of AR2020).

- (a) What are the reasons for him not being able to attend the other two Board meetings during the financial year since the full-year meeting schedule is usually prepared and circulated to the Directors in advance to allow Directors to plan their schedule?
- (b) Prof. Low Teck Seng, a Singaporean, vacated office pursuant to Rule 15.05(3)(C) of the Ace Market Listing Requirement of Bursa Malaysia Securities Berhad and was reappointed on 25 September 2020 (page 5 of AR2020).

The Board has 4 other INEDs, with Prof. Low Teck Seng vacating office, the Board's composition still comprises of a majority of INEDs. What is the rationale for the Nomination

Committee to immediately reappoint Prof. Low Teck Seng on 25 September 2020?

Response:

- (a) Prof. Low Teck Seng's attendance is supposed to be 50% instead of 33% during the financial year. This is because the meeting to review the third quarter result which supposed to be held on April 2020 was postponed to June 2020.
- (b) In the opinion of the Board of Directors, Prof. Low Teck Seng meets the criteria of character, experience, integrity, competence and time effectively discharge his role.

Question:

The total fee for the internal audit function of the Group during the financial year ended 31 May 2020 was RM16,000 (page 14 of AR2020).

- (a) Given that the fee is rather small (approximately RM1,333 per month), how does the audit committee assure itself that there would be adequate coverage and an effective audit function?
- (b) Audit Committee reviewed and discussed with the Internal Auditors, the Internal Audit Report on Procurement and Accounts Payable Management, Research and Development (R&D) of Information and Technology (IT) Department including the management action plans based on the recommendation highlighted by the Internal Auditors (page 14 of AR2020)

What were the major findings by the Internal Auditors?

Response:

- (a) The activity of the Group is not voluminous and the Company has good practice of Standard Operating Procedure. The Audit Committee is in the opinion that it is sufficient to carry out internal audit once half yearly. From time to time, the Audit Committee will assess the need to increase the frequency and areas to be covered by the Internal Audit.
- (b) In the opinion of the Internal Auditor, there was no major findings and no element of fraud detected.

Question:

The Nomination Committee ("NC") had on 29 July 2020, assessed the independence of the Independent Directors. The NC had recommended to the Board for recommendation to the shareholders on the continuation in office of Thong Kooi Pin and Abdul Razak Bin Dato' Haji Ipap as Independent Non-Executive Directors of the Company at the AGM, both have served the Company for more than 12 years from the date of their first appointment on 18 December 2006 and 1 June 2001 respectively.

The NC comprises Mr. Thong Kooi Pin (chairman) and En. Abdul Razak Bin Dato' Haji Ipap (member).

How effective is the NC given that both members of the NC are long-tenured and would have their independence reviewed by each other?

Response:

In the opinion of the Board of Directors, Mr Thong Kooi Pin and En. Abdul Razak Bin Dato' Haji Ipap meet the criteria of character, experience, integrity, competence and time to effectively discharge their roles.

Question:

In line with better corporate governance, MSWG does not encourage the practice of giving options to independent non-executive directors as they play the governance role (and not an executive role) in the Company and are responsible for monitoring the option allocation to employees and executive directors.

Under Resolution 10, shareholders' approval is being sought for the Proposed Granting Of Employee Share Option Scheme ("ESOS") options to Dato' Dr. Mohd Fikri Bin Abdullah, being the Independent Non-Executive Director of the Company (page 139 of AR2020). The risk is that the independent director may be fixated with his share price and this may affect his impartial decision-making, which should be made without reference to share price considerations.

- (a) Why is the ESOS extended to Dato' Dr. Mohd Fikri Bin Abdullah, given that he does not perform an executive role? Is the directors' fee and other benefits that he receives not adequate to compensate the services rendered by him?
- (b) What are the performance metrics that will be adopted by the ESOS Committee to assess the eligibility of Dato' Dr. Mohd Fikri Bin Abdullah under the ESOS?

Response:

The Company have a very honorable board of directors and all of them have been making good proposals and decisions for the benefit of the shareholders and the Company. Performance and suitability of the directors are reviewed from time to time.

- (a) We recognise the contribution of the Director or Independent Director equally. In our program, ESOS are extended to all directors and employees.
- (b) In addition to the defined role and responsibility as Director of the Company, each director has different contributions based on their contribution, professional skills, expertise and knowledge or contacts that are relevant to the Company. All directors are assessed based on these criterion.

Other Questions raised by the Shareholders during the 23rd AGM

Question:

What is the latest status progress on imedic-sleeping disorder in the United States of America?

Response:

In view of the current pandemic, bulk of the government allocated expenses had been channeled towards the pandemic and only a small portion is available for sleep centres. The Company will continue its effort in the areas of respiratory and sleep apnea.

Question:

Shareholder had faced long loss from investment since 2018. Why huge dropped in sales turnover? Kindly elaborate nil revenue from segment service in details and how Company is going to sustain its operation with the turnover of RM188,200.

Response:

Significant dropped in sales' turnover was mainly due to the Public Sector and cut of budget. The Company sustain its operation via Private Placement.

Question:

Any ongoing effort to recover the debts receivable? Why sudden spike in trade payable for the financial year ended May 2020 from RM8.4million to RM16.1million? Would like to suggest all debt owing to creditors should be settle by way of issuance of new shares.

Response:

We will continuously work with customers on the collection. To date, we have received millions in AR, will try to reduce further before the calendar year end.

Question:

Are there any local company that had engaged in the services provided by the Company and how much is the contribution to Company's income?

Response:

There are business confidential information and we respect Non-Disclosure Agreement (NDA), we do not disclose customers nor do we disclose suppliers.

Question:

Any plans to expand the services in the local market?

Response:

Will consider