

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-FOURTH 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 FRIDAY, 12 NOVEMBER 2021 AT 11.00 A.M.

There were no other matters raised by the shareholders at the Twenty-Fourth Annual General Meeting (“24th AGM”), save for the following:-

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

Operational & Financial Matters

Question:

The Group has posted a revenue of RM25.5 million (2020: RM12.3 million) and a net profit of RM11.6 million (2020: loss of RM20.7 million (page 8 of Annual Report 2021 (“AR2021”)).

What are the opportunities/management’s priorities in the next 12-18 months for the Group’s products and services to ensure profit sustainability?

Response:

We do not forecast the future revenue to the public historically and when we do, we would have to announce through the company secretary to Bursa Securities Malaysia Berhad. In general, telehealth is a growing business especially triggered and accelerated by the COVID-19 pandemic. The market adoption for both doctors and patients as well as the government’s initiatives on this telehealth had been positive. Therefore, we expected the telehealth business would continue to grow.

Question:

iMedic™ continues to gain traction and adoption by doctors, contributing to most of the revenue of the Group (page 8 of AR2021).

To-date, what is the number of users for iMedic™ as opposed to pre-Covid pandemic times? Are the number of users expected to grow substantially?

Response:

The Company will announce the progress of our business whenever it is appropriate to our shareholders. In general, telehealth is a growing business and the market adoption had been positive and expected to continue to grow. The information on number of users is confidential, however, it had been reflected in the revenue growth.

Question:

Though the market is very receptive to telehealth, the heavily regulated market is influenced by the legislation of the country. The markets that are well regulated for telehealth services will see faster growth while others might have to wait for the change in the legislation (page 10 of AR2021).

- (a) Besides Singapore and Russia, what are the Group's plans in terms of international market expansion for its products and services?
- (b) Where are the markets that are well regulated for telehealth services which the Group plans to penetrate?

Response:

- (a) We are already in China and United States market, in addition to Singapore and Russia. We have inquiries from other countries and the Company will announce the progress of our business whenever it is appropriate to our shareholders.
- (b) Legislation for telehealth is nearly similar in most of the countries. Most of the countries had been taking step-by-step and conservative approach to regulate the market. We do get enquiries from everywhere in the world and the Company would be focusing on the current markets which had been developed. The Company would evaluate the opportunities from different countries especially on the legislation and statistics of each country before investing resources into it.

Question:

On 6 September 2021, UCrest Technology Ltd, a wholly owned subsidiary of the Company, entered into a Master Service Agreement with Limited Liability Company "Human Vaccine", a wholly owned subsidiary of Russia Direct Investment Fund ("RDIF") for production of Sputnik V vaccines, following the MOU signed between the Company and RDIF (Note 32, page 141 of AR2021).

When is the expected commencement of delivery of the Sputnik V vaccines? How and to what extent will it contribute to the Group's revenue for financial year ending 2022 and going forward?

Response:

Technology transfer was currently in progress and there are other steps to go through before delivery can commence. The specific commencement date for shipment was not available yet due to the requirements to obtain regulatory approval in each country. The Company will make the necessary announcements on the progress of the project whenever it is appropriate to our shareholders.

Question:

Impairment losses on trade receivables written off amounted to RM0.3 million (2020: Nil) (Note 8, page 103 of AR2021).

What comprises the trade receivables that have been written off? Are these trade receivables written off due from third parties or related parties?

Response:

The trade receivables written off were due from third parties.

Corporate Governance Matters

Question:

Dato' Dr. Mohd Fikri Bin Abdullah, the Independent Non-Executive Director of the Company only attended 4 out of 6 Board meetings – 66.7% attendance during the financial year (page 18 of AR2021).

What are the reasons for him not being able to attend the other two Board meetings during the financial year?

Response:

Dato' Dr Mohd Fikri Bin Adbullah is a cardiothoracic surgeon. He had scheduled to attend the said Board meetings, however, was unable to attend due to last-minute emergency work that need his urgent attention.

Question:

Practice 4.3 (Step up) - The board has a policy which limits the tenure of its independent directors to nine years.

UCrest's response: Adopted

MSWG's Comment:

Practice 4.3 (Step up) is read on a standalone basis. It does not provide for any extension of tenure beyond the 9-year tenure of Independent Directors. As such, by seeking shareholders' approval for retaining two (2) Independent Non-Executive Directors serving beyond twelve (12) years is contrary to Practice 4.3.

Please take note that UCrest has not adopted Practice 4.3 (Step up)

Response:

The Company will take note of this. The highlighted issue had been discussed in the Board meeting before recommending the retention of 2 Independent Non-Executive Directors who have served beyond the 9-year tenure to the shareholders for approval. The Board was of the view that the experience and knowledge that possessed by the said Independent Non-Executive Directors on the Company's business and technology had contributed substantially to the Company. Therefore, the Board had made the decision to recommend their continuation as Independent Non-Executive Directors.

Other Questions raised by the Shareholders during the 24th AGM

Question:

What are the challenges faced by the Company during the financial year ended 31 May 2021?

Response:

The challenges faced by the Company were similar to those faced by other companies. The positive impact is that the pandemic had helped to trigger and accelerate the telehealth business throughout the world. The iMedic platform is widely used by the government in different countries to manage COVID-19's patients at homes for recovery program. Patients, doctors and the government had made a lot of emphasis for the adoption of telehealth business. The downside of the pandemic

would be on the limitation of government's budget as allocation of budgets would be given for other COVID-19 program and activities which are at higher level of emergency.

Besides, the biggest challenge had been on the expansion of business during the lockdown period where business development and marketing activities were limited due to imposition of travel restrictions in most of the countries.

Question:

What have the Company done to stay resilient in this pandemic?

Response:

During the financial year 2021, the Company the opportunity to provide services relating to the production of vaccine for Russian Direct Investment Fund ("RDIF"). In addition to the regular business, the Company has expanded its focus into some opportunities related to COVID-19 pandemic and would continue to seek potential opportunities arising therefrom.

Question:

Please explain more on the business on the blockchain and cloud based Electronic Medical Records software as well as digital licensing fee.

Response:

The technology on blockchain used in the Company's system is to ensure the confidentiality and protection of the patients' medical records i.e. Electronic Medical Records (EMR) for compliance with the regulations on personal data protection. This technology has been implemented since six to seven years ago.

In regard to the digital licensing fees, the Company had been using a few models in practice i.e. Software as a Service (SAAS) model, whereby customers would have to pay a fixed fee for the usage based on headcount. The e-commerce model would be on pay-per-use basis i.e. sale transactions. iMedic operates as an e-commerce platform specifically for the doctors and patients, also for insurance and pharmaceutical companies and medical device makers. However, for large and government hospitals, the transaction-based model would not be feasible as government usually provide healthcare subsidy. Hence, licensing fees for that would be charged based on usage instead.

Question:

How does UCrest intend to grow the iMedic platform to compete with Teledoc or other platforms?

Response:

The Internet of Medical Things (IoMT) and Artificial Intelligence (AI) technologies including block chain are the core technologies of iMedic platform. The robustness of the platform has enabled it to grow fast and stay competitive in the market. Teledoc is an application that provides telehealth services via online chat and videoconference with the functions to issue medical certificate, provide medical prescription and delivery. iMedic platform provides a complete telehealth service compared to other platforms through integration with medical devices. iMedic is supported by Omron, the largest blood pressure monitor maker and other medical technologies that could perform symptoms tracking and other concepts of tele-medicine. Teledoc is mainly involved in the United States market which does not have a direct competition with iMedic platform unless the Company decided to penetrate the United States market.

Question:

What is the market share of iMedic platform by country and what is the target market penetration timeline?

Response:

We do not have the data on the market share of iMedic platform by country and currently in every country, there are about 50 companies providing telehealth services in the market. However, in the next two to three years, there might be slow down in the market.

Question:

Based on the latest Company's Quarterly Result for the period ended 31 August 2021, please explain the reason on the spike of cost of sales?

Response:

The spike in the cost of sales was mainly due to the investment and operational cost incurred for the execution of pandemic related projects.

Question:

Does UCrest have any patent application on the telemedicine developed by the Company?

Response:

The Company has filed in an application for patent protection at the United States Patent Office and is currently going through some enquiries with the lawyer and Patent Office.

Question:

How research and development is spent for developing the iMedic platform? The amount spent on capital expenditure/ research and development is quite low? Are JD Health, Ali Health, Ping An Health partners or competitors?

Response:

The Company started work on iMedic platform eight years ago and had always been cautious on spending as the market taking off is generally slow for telehealth. The ability to sustain and stay in the market is of utmost importance with the technology involved. The Company monitored the capital expenditure and spending carefully as it is a public listed company which would be accountable to the shareholders.

JD Health and Ali Health are new to the telehealth business. Ping An Health is currently listed on the Hong Kong Stock Exchange. The Company was currently working with Ping An Health and the necessary announcements will be made should there be a material outcome.

Question:

In regard to vaccine manufacturing partner with RDIF, what value does UCrest bring to the table? When will the revenue be recognised for the program?

Response:

The value-added service provided by the Company is to help RDIF manage the manufacturers for vaccine. The identification of qualified manufacturers had been a long process. Memorandum of Understanding with RDIF was signed in April 2021 and was currently still in the technology transfer process to manage the regulatory issues related to government. The manufacturing of vaccine is not easy especially during the pandemic as approval from government would be required and raw materials had been the concerns for the manufacturing country. Huge efforts would be needed to obtain approval of the central government and also on the export of vaccine. The Company had also partnered with local government in China to execute this plan.

The revenue for the vaccine program would be recognised upon shipment of the products.

Question:

UCrest frequently does fund raising, as the vaccine program mentioned does not require any capital requirement. What will this fund raised be used for?

Response:

The Company had obtained general mandate from the shareholders at its previous Annual General Meeting for the authority to issue shares and had subsequently obtained approval from Bursa Malaysia Securities Berhad for an extension of time to complete the implementation of private placement pursuant to the mandate. The fund raising was made to provide the Company with additional funding required due to the challenges arising from pandemic. The Company did not utilise all the mandate for private placement at one go, instead, it was done in small tranches within the approved limit.

Question:

What is the total amount of doses of vaccines produced so far and how many doses have been delivered to RDIF? What is the income and profit of vaccines manufacturing received so far?

Response:

The production of vaccines is not started yet. The Company does not provide forward looking financial projection or guidance to the market and has not provided any projection in the past and when we do, we would have to announce through the company secretary to Bursa Securities Malaysia Berhad.

Question:

Hospital segment is the user of iMedic and main group of revenue contributor. Why there is high provision of impairment allowance on the trade receivable every year? Does it mean that Hospital clients have high risk of default?

Response:

The deal is directly cut through with government instead of hospital, the collection of debt was largely dependent on the government budget, there had been delay in disbursement of fund for the past few years and now the COVID-19 pandemic.

Question:

How much is cost saving of this virtual AGM as compare to physical one?

Response:

The cost saving is about RM5,000 for conducting the AGM virtually as compared with physical AGM. The virtual AGM is handled by the Company's own IT team and the cost would be lower compared with virtual meeting done by third party.

Question:

Will the Board consider giving door gift such as e-voucher or e-wallets for those participated in this virtual AGM?

Response:

The Board would consider the shareholder's request on door gifts for the next AGM.