

**NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements (Condensed Report) is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard (MFRS) 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Group's financial statements for the financial year ended December 31, 2014 have been prepared in accordance with MFRSs.

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

MFRSs and Amendments to MFRSs		Effective for annual period beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	January 1, 2018
MFRS 15	Revenue from Contracts with Customers	January 1, 2018
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Amendments to MFRS 10 and MFRS 128	Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
Amendments to MFRS 101	Disclosure Initiative	January 1, 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	January 1, 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	January 1, 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	January 1, 2016
Amendments to MFRSs	Annual Improvements to MFRSs 2012 – 2014 Cycle	January 1, 2016

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2014.

2. AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements was not subject to any qualification.

3. SEASONAL OR CYCLICAL FACTORS

The Group serves a wide base of multi national companies in the consumer and industrial electrical and electronic appliances industries. The demand for the Group's products in the normal course of event is seasonal with demand peaking during the third quarter of the year.

4. UNUSUAL MATERIAL EVENT

There was no unusual material event during the reporting quarter.

5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amount from either the prior interim period or prior financial years.

6. CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the reporting period except those disclosed in Note 25.

7. DIVIDENDS PAID

	12 months ended December 31	
	2015	2014
	RM'000	RM'000
Final tax exempt dividend of 6 Sen per ordinary share of RM0.20 each, for 2013	-	22,287
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2014	18,594	-
Final tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2014	19,208	-
	37,802	22,287

8. REVENUE

	12 months ended		12 months ended	
	December 31		December 31	
	2015	2014	2015	2014
	RM'000	RM'000	USD'000	USD'000
Revenue	112,612	95,459	29,206	29,353

	3 months ended		3 months ended	
	December 31		December 31	
	2015	2014	2015	2014
	RM'000	RM'000	USD'000	USD'000
Revenue	30,400	24,428	7,083	7,420

9. SEGMENT REPORTING

	Investment holding	Manufacturing	Trading	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
12 months ended December 31, 2015					
Revenue					
External sales	-	112,608	4	-	112,612
Inter-segment sales	2,012	1	718	(2,731)	-
Total revenue	2,012	112,609	722	(2,731)	112,612
Results					
Profit/(loss) before tax	52,738	47,400	299	(50,055)	50,382
Income tax expense	(972)	(22)	(98)	8	(1,084)
Net profit/(loss) for the year	51,766	47,378	201	(50,047)	49,298
Other information					
Capital expenditure	-	474	-	(229)	245
Depreciation and amortization	2	6,825	-	(36)	6,791

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
12 months ended December 31, 2015					
Consolidated Balance Sheet					
Assets					
Segmental assets	220,533	141,378	8,110	(90,700)	279,321
Income tax asset	133	202	38	-	373
Consolidated total assets	<u>220,666</u>	<u>141,580</u>	<u>8,148</u>	<u>(90,700)</u>	<u>279,694</u>
Liabilities					
Segmental liabilities	20,348	61,943	269	(35,062)	47,498
Income tax liabilities	226	938	33	333	1,530
Consolidated total liabilities	<u>20,574</u>	<u>62,881</u>	<u>302</u>	<u>(34,729)</u>	<u>49,028</u>
12 months ended December 31, 2014					
Revenue					
External sales	-	95,450	9	-	95,459
Inter-segment sales	52,138	3	783	(52,924)	-
Total revenue	<u>52,138</u>	<u>95,453</u>	<u>792</u>	<u>(52,924)</u>	<u>95,459</u>
Results					
Profit/(loss) before tax	52,139	38,852	285	(49,956)	41,320
Income tax expense	(713)	(432)	(74)	8	(1,211)
Net profit/(loss) for the year	<u>51,426</u>	<u>38,420</u>	<u>211</u>	<u>(49,948)</u>	<u>40,109</u>
Other information					
Capital expenditure	-	12,456	-	-	12,456
Depreciation and amortization	3	6,171	-	(37)	6,137
Consolidated Balance Sheet					
Assets					
Segmental assets	184,282	147,585	7,847	(97,879)	241,835
Income tax asset	71	290	42	-	403
Consolidated total assets	<u>184,353</u>	<u>147,875</u>	<u>7,889</u>	<u>(97,879)</u>	<u>242,238</u>
Liabilities					
Segmental liabilities	19,322	71,006	232	(42,846)	47,714
Income tax liabilities	116	1,033	15	341	1,505
Consolidated total liabilities	<u>19,438</u>	<u>72,039</u>	<u>247</u>	<u>(42,505)</u>	<u>49,219</u>

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the group have been brought forward without amendments from the financial statements for the year ended December 31, 2014.

11. MATERIAL SUBSEQUENT EVENT

There was no significant or material events subsequent to the end of the period reported on that have not been reflected in the financial statements for the said period.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets arising since December 31, 2014.

14. PERFORMANCE REVIEW

Revenue in RM and Operating Profit for the quarter ended December 31, 2015 increased by 25% and 34% to RM30.4 million and RM13.9 million respectively as compared to the quarter ended December 31, 2014 (Revenue: RM24.4 million; Operating Profit: RM10.4 million) mainly due to appreciation of USD against Ringgit Malaysia during the reporting quarter. (December 31, 2015: RM4.2920:USD1.00; December 31, 2014: RM3.2922:USD1.00).

15. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

Profit before tax for the current quarter increased by 42% to RM16.0 million from RM11.3 million in the immediate preceding quarter ended September 30, 2015 mainly due to the unrealised fair value gain on derivative financial instruments of RM4.5 million (note 19) accounted for in the current quarter as opposed to unrealised fair value loss of RM6.3 million for the quarter ended September 30, 2015.

16. COMMENTARY ON CURRENT YEAR PROSPECT

To the best of our knowledge, in line with the volatile economic condition, the Group expects revenue in USD to remain flat for the next financial year.

Nevertheless, the Group is confident that we will remain profitable and maintain a strong balance sheet.

17. VARIANCE OF ACTUAL AND FORECASTED PROFIT AND SHORTFALL IN PROFIT GUARANTEE

Not applicable.

18. INCOME TAX EXPENSES

	3 months ended December 31		12 months ended December 31	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Estimated tax expense:				
Current	<u>126</u>	<u>213</u>	<u>1,084</u>	<u>1,211</u>

The Group's income tax for the year under review reflects an effective tax rate which is lower than the statutory income tax rate due mainly to one of its subsidiary companies, Uchi Optoelectronic (M) Sdn. Bhd. was granted pioneer status by the Ministry of International Trade and Industry (MITI) for the design, development and manufacture of touch screen advance display, high precision light measurement (optoelectronic) equipment & mix signal control system for centrifuge / laboratory equipment.

Under this incentive, upon certain terms and conditions being fulfilled, 100% of the statutory income derived from the design, development and manufacture of the abovementioned products will be exempted from income tax for a period of five years commencing from January 1, 2013.

The applicable statutory income tax rate of the foreign subsidiary company incorporate in the People's Republic of China is 25%.

19. PROFIT FOR THE YEAR

Profit for the year is arrived at:

	3 months ended December 31		12 months ended December 31	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
After (charging)/ crediting:				
Fair value (loss)/ gain on derivative financial instruments:				
Realised	(2,711)	(79)	(4,605)	1,229
Unrealised	4,473	(2,875)	(4,955)	(3,165)
Gain/ (loss) on disposal of property, plant and equipment	(3)	(2)	1,372	67
Gain/ (loss) on foreign exchange:				
Realised	139	1,853	3,503	1,423
Unrealised	(1,130)	(734)	(1,026)	(218)
Reversal of allowance for doubtful debts no longer required	113	-	113	-
Depreciation and amortization expenses	(1,550)	(1,707)	(6,791)	(6,137)
Provision for rework and warranty no longer required	-	430	-	430
Reversal of allowance for obsolete inventories no longer required	-	150	-	150
Impairment loss recognised on trade receivables	-	(176)	-	(176)
Provision for rework and warranty	(30)	-	(30)	-
Allowance for obsolete inventories	(85)	-	(85)	-
Interest on short-term deposits	1,321	893	4,721	3,411

Other than the above, there were no interest expense, provision for and write off of inventories, gain or loss on disposal of investment, impairment of assets, and exceptional items for the year ended December 31, 2015.

20. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT YET TO BE COMPLETED

As of the date of this announcement, the Company is proposing the following:

- a bonus issue of up to 43,212,910 new ordinary shares of RM0.20 each in Uchi Technologies Berhad on the basis of one (1) bonus share for every ten (10) existing shares held, on an entitlement date to be determined later;
- establish a new employees' share option scheme of up to fifteen percent (15%) of the issued and paid-up share capital (excluding treasury shares) of Uchi Technologies Berhad at any one time over the duration of the scheme for eligible employees and Directors (including non-executive Directors) of the Company and its subsidiary companies (excluding subsidiaries which are dormant), after the expiration of the existing employees' share option scheme on 7 August 2016;
- increase in the authorised share capital of the Company from RM100,000,000 comprising 500,000,000 ordinary shares of RM0.20 each to RM160,000,000 comprising 800,000,000 ordinary shares of RM0.20 each; and

- iv. amendments to the memorandum and articles of association of the Company to facilitate the proposed increase in authorised share capital

The corporate proposals are conditional upon approval being obtained from the relevant authorities and the shareholders at the forthcoming Extraordinary General Meeting.

21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of December 31, 2015.

22. FINANCIAL INSTRUMENTS

As of December 31, 2015, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD12,400,000 at approximately RM3.9376 per United States Dollar. The settlement will complete in December 2016.

As of December 31, 2015, the outstanding forward contracts are as follows:

Type of Derivatives	Contract Value USD'000	Notional Value RM'000	Fair Value (favourable) RM'000
Foreign Currency Forward Contracts - Less than 1 year	12,400	48,827	(4,955)

Summary of the losses arising from the fair value changes of financial liabilities was as follow:

Type of Financial Liabilities	Individual 3 months ended December 31 RM'000	Cumulative 12 months ended December 31 RM'000
Foreign Currency Forward Contracts		
- Realised gain / (loss)	(2,711)	(4,605)
- Unrealised gain / (loss)	4,473	(4,955)

The above foreign currency forward contracts were entered into by the Group to minimize its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. In line with the Group's Forward Contract Management Policy, hedging is only considered for firm commitments and highly probable transactions of which hedging shall not exceed the net exposure value. The cash requirement for settling these foreign currency forward contracts is solely from the Group's working capital. These derivatives and their underlying exposures will be monitored on an on-going basis.

Foreign Currency Forward Contracts are stated at fair value, which is equivalent to the marking of the Foreign Currency Forward Contracts to market, using prevailing market rate. Foreign Currency Forward Contracts with positive market values (unrealised gain) are included under current assets and Foreign Currency Forward Contracts with negative market values (unrealised losses) are included under current liabilities in the statement of financial position.

23. MATERIAL LITIGATION

There was no material litigation pending since December 31, 2014.

24. DIVIDENDS DECLARED OR PAYABLE

An interim dividend of 5 Sen per share of RM0.20 each, exempt from income tax for the year ended December 31, 2015, was paid on January 26, 2016 to depositors registered in the Record of Depositors at the closed of business on December 31, 2015.

As of the date of this announcement, the Board of Directors proposed a final dividend of 6 Sen per share of RM0.20 each, exempt from income tax for the year ending December 31, 2015. The date of the entitlement and payment for the aforesaid dividend shall be determined by the Board of Directors at a later date. The final dividend will be tabled at the forthcoming Annual General Meeting for the shareholders' approval.

25. SHARE CAPITAL

	12 months ended December 31	
	2015	
	No. of shares	RM'000
Authorised:		
Ordinary shares of RM0.20 each	<u>500,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of RM0.20 each:		
At beginning of the period	378,955,400	75,791
Issue of shares pursuant to ESOS	<u>15,912,300</u>	<u>3,183</u>
At end of the period	<u>394,867,700</u>	<u>78,974</u>

During the financial year, the issued and paid up share capital of the Company was increased from RM75,791,080 to RM78,973,540 by way of issue of 15,912,300 ordinary shares of RM0.20 each for cash pursuant to the Employees Share Option Scheme (ESOS) of the Company at exercise prices ranging from RM1.15 to RM1.55 per ordinary share.

As of December 31, 2015, out of the total number of 394,867,700 of ordinary shares of RM0.20 each issued and paid-up, 7,070,700 are held as treasury shares. Hence, the number of outstanding ordinary shares of RM0.20 each in issue and fully paid is 387,797,000.

26. EARNINGS PER SHARE

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	12 months ended December 31	
	2015	2014
	'000	'000
Profit for the period attributable to owners of the Company (RM)	49,298	40,109
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	379,947	371,196
Basic earnings per share (sen)	<u>12.97</u>	<u>10.81</u>

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

	12 months ended December 31	
	2015	2014
	'000	'000
Profit for the period attributable to owners of the Company (RM)	<u>49,298</u>	<u>40,109</u>
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	379,947	371,196
Shares deemed to be issued for no consideration in respect of employee share options (unit)	<u>736</u>	<u>1,144</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	<u>380,683</u>	<u>372,340</u>
Diluted earnings per share (sen)	<u>12.95</u>	<u>10.77</u>

27. DEFERRED TAX ASSETS/ (LIABILITIES)

	Opening balance RM'000	Recognised in profit or loss RM'000	Closing balance RM'000
12 months ended December 31, 2015			
Deferred tax assets			
Unused capital allowances	5	(5)	-
Unused tax losses	21	(21)	-
Provision for rework and warranty	56	1	57
Inventories	3	4	7
Others	181	74	255
	<u>266</u>	<u>53</u>	<u>319</u>
Deferred tax liabilities			
Gain on revaluation of properties	(621)	26	(595)
Property, plant and equipment	(845)	118	(727)
	<u>(1,466)</u>	<u>144</u>	<u>(1,322)</u>
Net	<u>(1,200)</u>	<u>197</u>	<u>(1,003)</u>
12 months ended December 31, 2014			
Deferred tax assets			
Unused capital allowances	5	-	5
Unused tax losses	22	(1)	21
Provision for rework and warranty	205	(149)	56
Inventories	56	(53)	3
Others	342	(161)	181
	<u>630</u>	<u>(364)</u>	<u>266</u>
Deferred tax liabilities			
Gain on revaluation of properties	(647)	26	(621)
Property, plant and equipment	(1,051)	206	(845)
	<u>(1,698)</u>	<u>232</u>	<u>(1,466)</u>
Net	<u>(1,068)</u>	<u>(132)</u>	<u>(1,200)</u>

28. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On March 25, 2010 Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On December 20, 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group as at December 31, 2015 and September 30, 2015 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	As at December 31, 2015	As at September 30, 2015
	RM'000	RM'000
Total retained earnings/ (accumulated losses) of the Group		
- Realised	116,176	119,395
- Unrealised	1,223	1,584
	<u>117,399</u>	<u>120,979</u>
Less: Consolidation adjustments	(15,688)	(15,723)
Total retained profits as per statement of financial position	<u>101,711</u>	<u>105,256</u>

Comparative information is not presented in the first financial year of application pursuant to the directive issued by Bursa Malaysia on March 25, 2010.

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements”, as issued by the Malaysian Institute of Accountants on December 20, 2010. A charge or credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an assets or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directive of Bursa Securities and is not made for any other purposes.