

**NOTES TO THE FINANCIAL REPORT
FOR SIX MONTHS ENDED JUNE 30, 2016**

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, 2015 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	January 1, 2018
MFRS 15 Revenue from Contracts with Customers	January 1, 2018
Amendments to MFRS 9 and Mandatory Effective Date of MFRS 9 and Transition	January 1, 2018
MFRS 7 Disclosure	

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2015.

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

	6 months ended June 30	
	2016	2015
	RM'000	RM'000
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2014	-	18,594
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2015	19,390	-
	19,390	18,594

8. REVENUE

	6 months ended June 30		6 months ended June 30	
	2016 RM'000	2015 RM'000	2016 USD'000	2015 USD'000
Revenue	57,744	52,810	14,094	14,601

	3 months ended June 30		3 months ended June 30	
	2016 RM'000	2015 RM'000	2016 USD'000	2015 USD'000
Revenue	27,139	27,184	6,845	7,434

9. SEGMENT REPORTING

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
6 months ended June 30, 2016					
Revenue					
External sales	-	57,744	-	-	57,744
Inter-segment sales	1,018	-	346	(1,364)	-
Total revenue	1,018	57,744	346	(1,364)	57,744
Results					
Profit/(loss) before tax	1,747	24,395	119	(256)	26,005
Income tax expense	(612)	(60)	(29)	-	(701)
Net profit/(loss) for the year	1,135	24,335	90	(256)	25,304
Other information					
Capital expenditure	-	50	-	-	50
Depreciation and amortization	-	3,022	-	(18)	3,004
Consolidated Balance Sheet					
Assets					
Segmental assets	213,655	138,091	8,272	(67,387)	292,631
Income tax asset	133	229	38	-	400
Consolidated total assets	213,788	138,320	8,310	(67,387)	293,031
Liabilities					
Segmental liabilities	27,205	37,159	346	(11,477)	53,233
Income tax liabilities	357	913	28	333	1,631
Consolidated total liabilities	27,562	38,072	374	(11,144)	54,864
6 months ended June 30, 2015					
Revenue					
External sales	-	52,806	4	-	52,810
Inter-segment sales	1,044	1	326	(1,371)	-
Total revenue	1,044	52,807	330	(1,371)	52,810

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
6 months ended June 30, 2015					
Results					
Profit/(loss) before tax	852	22,192	99	(64)	23,079
Income tax expense	(457)	(50)	(39)	-	(546)
Net profit/(loss) for the year	<u>395</u>	<u>22,142</u>	<u>60</u>	<u>(64)</u>	<u>22,533</u>
Other information					
Capital expenditure	-	404	-	(229)	175
Depreciation and amortization	<u>1</u>	<u>3,548</u>	<u>-</u>	<u>(18)</u>	<u>3,531</u>
Consolidated Balance Sheet					
Assets					
Segmental assets	183,394	140,252	8,000	(66,013)	265,633
Income tax asset	<u>71</u>	<u>414</u>	<u>42</u>	<u>-</u>	<u>527</u>
Consolidated total assets	<u>183,465</u>	<u>140,666</u>	<u>8,042</u>	<u>(66,013)</u>	<u>266,160</u>
Liabilities					
Segmental liabilities	19,991	38,780	313	(10,352)	48,732
Income tax liabilities	<u>266</u>	<u>1,031</u>	<u>26</u>	<u>341</u>	<u>1,664</u>
Consolidated total liabilities	<u>20,257</u>	<u>39,811</u>	<u>339</u>	<u>(10,011)</u>	<u>50,396</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, 2015.

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, 2015.

14. PERFORMANCE REVIEW

The Group managed to register a 4% growth in operating profit for the quarter ended June 30, 2016 of RM11.8 million (June 30, 2015: RM11.4 million) mainly due to appreciation of USD against Ringgit Malaysia (June 30, 2016: RM3.9648:USD1.00; June 30, 2015: RM3.6567:USD1.00), despite revenue in USD for the reporting quarter decreased by 8% to USD6.8million (June 30, 2015: USD7.4 million) as a consequence of lower sales volume.

For the six months period ended June 30, 2016, the Group's revenue in USD decreased by a negligible 3% (2016: USD14.1 million; 2015: USD14.6 million) while the operating profit increased by 10% to RM25.3million (2015: RM23.0 million). Quarter to quarter fluctuation in sales order is normal in the course of the Group's business and therefore, the Group's internal target as disclosed in Note16 shall remain unchanged.

15. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group recorded a profit before taxation of RM12.3 million for the current quarter as compared to RM13.7 million in the immediate preceding quarter ended March 31, 2016 mainly due to seasonal lower sales volume which is normal in the course of the Group's business.

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 financial year ending December 31, 2016.

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		6 months ended	
	June 30		June 30	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Estimated tax expense:				
Current	<u>372</u>	<u>241</u>	<u>701</u>	<u>546</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 mainly due 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 QUARTER

Profit for the quarter is arrived at:

	3 months ended		6 months ended	
	June 30		June 30	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
After (charging)/ crediting:				
Fair value (loss)/ gain on derivative financial instruments:				
Realised	(654)	(1,800)	285	77
Unrealised	(119)	1,361	181	(3,166)
Gain/ (loss) on disposal of property, plant and equipment	(1)	(16)	(2)	163
Gain/ (loss) on foreign exchange:				
Realised	(1,897)	255	(1,348)	2,047
Unrealised	1,648	143	(1,298)	(1,206)

Depreciation and amortization expenses	(1,493)	(1,744)	(3,004)	(3,531)
Interest on short-term deposits	<u>1,471</u>	<u>1,173</u>	<u>2,860</u>	<u>2,150</u>

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 current quarter ended June 30, 2016.

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

There were no corporate proposals announced but yet to be completed as of August 17, 2016.

21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of June 30, 2016.

22. FINANCIAL INSTRUMENTS

As of June 30, 2016, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD12,500,000 at approximately RM4.1302 per United States Dollar. The settlement will complete in May 2017.

As of June 30, 2016, 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	12,500	51,627	181

Summary of the losses arising from the fair value changes of financial assets /(liabilities) was as follow:

Type of Financial Liabilities	Individual 3 months ended June 30 RM'000	Cumulative 6 months ended June 30 RM'000
Foreign Currency Forward Contracts		
- Realised gain / (loss)	(654)	285
- Unrealised gain / (loss)	<u>(119)</u>	<u>181</u>

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, 2015.

24. DIVIDENDS DECLARED OR PAYABLE

A final dividend of 6 Sen per share of RM0.20 each, exempt from income tax for the year ended December 31, 2015, has been paid on July 22, 2016 to depositors registered in the Record of Depositors at the closed of business on June 30, 2016.

As of the date of this announcement, there were no dividends declared or payable for the year ending December 31, 2016.

25. SHARE CAPITAL

	6 months ended June 30	
	2016	
	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	394,867,700	78,974
Bonus issue	39,238,049	7,848
Issue of shares pursuant to ESOS	<u>7,991,710</u>	<u>1,598</u>
At end of the period	<u>442,097,459</u>	<u>88,420</u>

During the current interim period, the issued and paid up share capital of the Company was increased from RM78,973,540 to RM88,419,492 by way of issue of:

- i. A bonus issue of 39,238,049 new ordinary shares of RM0.20 each through capitalisation of an amount of RM7,847,610 from the share premium account on the basis of one new ordinary share of RM0.20 each for every ten existing ordinary shares of RM0.20 each held; and
- ii. Issues of 7,991,710 ordinary shares of RM0.20 each for cash pursuant to the Employees Share Option Scheme (ESOS) of the Company at exercise prices ranging from RM0.89 to RM1.56 per ordinary share.

As of June 30, 2016, out of the total number of 442,097,459 of ordinary shares of RM0.20 each issued and paid-up, 7,070,800 are held as treasury shares. Hence, the number of outstanding ordinary shares of RM0.20 each in issue and fully paid is 435,026,659.

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:

	6 months ended June 30	
	2016	2015
	'000	'000
Profit for the period attributable to owners of the Company (RM)	25,304	22,533
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	393,935	374,578
Basic earnings per share (sen)	<u>6.42</u>	<u>6.02</u>

Diluted earnings per share

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

	6 months ended June 30	
	2016	2015
	'000	'000
Profit for the period attributable to owners of the Company (RM)	25,304	22,533
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	393,935	374,578
Shares deemed to be issued for no consideration in respect of employee share options (unit)	411	1,073
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	394,346	375,651
Diluted earnings per share (sen)	6.42	6.00

27. DEFERRED TAX ASSETS/ (LIABILITIES)

	Opening balance	Recognised in profit or loss	Closing balance
	RM'000	RM'000	RM'000
6 months ended June 30, 2016			
Deferred tax assets			
Provision for rework and warranty	57	-	57
Inventories	7	-	7
Others	255	(6)	249
	<u>319</u>	<u>(6)</u>	<u>313</u>
Deferred tax liabilities			
Gain on revaluation of properties	(595)	-	(595)
Property, plant and equipment	(727)	-	(727)
	<u>(1,322)</u>	<u>-</u>	<u>(1,322)</u>
Net	<u>(1,003)</u>	<u>(6)</u>	<u>(1,009)</u>
6 months ended June 30, 2015			
Deferred tax assets			
Unused capital allowances	5	-	5
Unused tax losses	20	-	20
Provision for rework and warranty	56	-	56
Inventories	2	-	2
Others	180	5	185
	<u>263</u>	<u>5</u>	<u>268</u>
Deferred tax liabilities			
Gain on revaluation of properties	(988)	-	(988)
Trade receivables	(1)	-	(1)
Property, plant and equipment	(474)	-	(474)
	<u>(1,463)</u>	<u>-</u>	<u>(1,463)</u>
Net	<u>(1,200)</u>	<u>5</u>	<u>(1,195)</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 June 30, 2016 and March 31, 2016 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	As at June 30, 2016 RM'000	As at March 31, 2016 RM'000
Total retained earnings/ (accumulated losses) of the Group		
- Realised	116,450	131,991
- Unrealised	488	(1,038)
	116,938	130,953
Less: Consolidation adjustments	(15,944)	(15,746)
Total retained profits as per statement of financial position	100,994	115,207

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.