

**NOTES TO THE FINANCIAL REPORT  
FOR THE PERIOD ENDED JUNE 30, 2017**

**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, 2016 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:

<b>MFRSs and Amendments to MFRSs</b>		<b>Effective for annual period beginning on or after</b>
MFRS 9	Financial Instruments	January 1, 2018
MFRS 15	Revenue from Contracts with Customers	January 1, 2018
MFRS 16	Leases	January 1, 2019
Amendments to MFRS 2	Classification and Measurement of share-based Payment Transactions	January 1, 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	January 1, 2018
Amendments to MFRS 140	Transfers of Investment Property	January 1, 2018
IC Int. 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2016.

**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 the issuance of 1,387,800 new ordinary shares for cash pursuant to the Employees' Share Option Scheme of the Company at exercise price RM1.70 per ordinary shares.

## 7. DIVIDENDS PAID

	<b>6 months ended June 30</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2015	-	19,390
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2016	<b>21,831</b>	-
	<b>21,831</b>	19,390

## 8. REVENUE

	<b>6 months ended June 30</b>		<b>6 months ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>USD'000</b>
Revenue	63,914	57,744	14,510	14,094

  

	<b>3 months ended June 30</b>		<b>3 months ended June 30</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>USD'000</b>
Revenue	31,456	27,139	7,230	6,845

## 9. SEGMENT INFORMATION

### Segment revenue and results

	<b>Investment holding</b>	<b>Manufacturing</b>	<b>Trading</b>	<b>Eliminations</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>6 months ended June 30, 2017</b>					
<b>Revenue</b>					
External sales	-	63,914	-	-	63,914
Inter-segment sales	1,047	-	399	(1,446)	-
Total revenue	1,047	63,914	399	(1,446)	63,914
<b>Results</b>					
Profit/(loss) before tax	1,559	29,473	132	151	31,315
Income tax expense	(579)	(132)	(35)	-	(746)
Net profit/(loss) for the year	980	29,341	97	151	30,569
<b>6 months ended June 30, 2016</b>					
<b>Revenue</b>					
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
<b>Results</b>					
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

**Segment assets and liabilities**

	<b>Investment holding RM'000</b>	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>6 months ended June 30, 2017</b>					
<b>Assets</b>					
Segment assets	222,450	165,288	8,404	(80,132)	316,010
Income tax asset	110	67	34	-	211
<b>Consolidated total assets</b>	<b>222,560</b>	<b>165,355</b>	<b>8,438</b>	<b>(80,132)</b>	<b>316,221</b>
<b>Liabilities</b>					
Segment liabilities	35,867	54,082	218	(25,457)	64,710
Income tax liabilities	407	1,043	17	324	1,791
<b>Consolidated total liabilities</b>	<b>36,274</b>	<b>55,125</b>	<b>235</b>	<b>(25,133)</b>	<b>66,501</b>

**Revenue from major products and services**

	<b>6 months ended June 30</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipments	<b>63,849</b>	57,284
Mixed signal microprocessor based application and system integration products	<b>6</b>	233
Others	<b>59</b>	227
	<b>63,914</b>	<b>57,744</b>

**Geographical information**

	<b>6 months ended June 30</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Europe	<b>61,726</b>	55,120
Asia Pacific	<b>1,878</b>	2,373
United States of America	<b>310</b>	251
	<b>63,914</b>	<b>57,744</b>

Information about the Group's assets by locations are detailed below:

	<b>RM'000</b>
<b>6 months ended June 30, 2017</b>	
Malaysia	286,175
People's Republic of China	30,046
	<b>316,221</b>

Information about the Group's liabilities by locations are detailed below:

	<b>RM'000</b>
<b>6 months ended June 30, 2017</b>	
Malaysia	64,308
People's Republic of China	2,193
	<b>66,501</b>

## 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, 2016.

## 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, 2016.

## 14. PERFORMANCE REVIEW

Revenue in RM and Profit Before Tax for the quarter ended June 30, 2017 increased by 16% and 36% to RM31.5 million and RM16.7 million respectively as compared to the quarter ended June 30, 2016 (Revenue: RM27.1 million; Profit Before Tax: RM12.3 million) mainly due to:

- increase in demand for the Group's products and services; and
- appreciation of USD against Ringgit Malaysia during the reporting quarter (June 30, 2017: RM4.3508:USD1.00; June 30, 2016: RM3.9648:USD1.00); and
- increase in net fair value gain arising from foreign currency forward contract (June 30, 2017: RM1.4 million net fair value gain; June 30, 2016: RM0.7 million net fair value loss).

There were no significant changes to the cost structure where material consumption made up the highest percentage of the Group's expenditure at 55%, followed by employee benefit expense at 26%, depreciation and amortization at 8%.

## 15. FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER

	<b>Current Quarter</b>	<b>Immediate Preceding Quarter</b>	<b>Changes</b>
	June 30, 2017	March 31, 2017	
	RM'000	RM'000	%
Revenue	31,456	32,458	(3)
Operating profit	14,502	13,490	8
Profit before tax	16,689	14,626	14
Profit after tax	16,323	14,246	15

The Group recorded a profit before taxation of RM16.7 million for the current quarter as compared to RM14.6 million in the immediate preceding quarter ended March 31, 2017 mainly due to:

- increase in net fair value gain arising from foreign currency forward contract (June 30, 2017: RM1.4million; March 31, 2017: RM0.4million); and
- recognition of equity-settled share-based payments in the current quarter was reduced to RM30,408 as opposed to RM693,444 incurred in the quarter ended March 31, 2017 for the fair value of share options granted to eligible employee under the Uchi Technologies Berhad's Employees' Share Option Scheme 2016.

## 16. COMMENTARY ON CURRENT YEAR PROSPECT

Barring any unforeseen circumstances, based on customers incoming orders which has been positive and encouraging, the Group expects revenue growth in USD in the mid to high single digit for the financial year ending December 31, 2017.

We do not expect any significant changes in our principal geographical areas of distribution and product group contributions. Factors that will affect our performance this year include fluctuations in USD, material shortages or fluctuations in material prices and increasing labour costs.

Nonetheless, 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 June 30		6 months ended June 30	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Estimated tax expense:				
Current	<u>366</u>	<u>372</u>	<u>746</u>	<u>701</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. OTHER INCOME

	3 months ended June 30		6 months ended June 30	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest on short-term deposits	<b>1,596</b>	1,471	<b>3,142</b>	2,860
Gain/ (loss) on disposal of property, plant and equipment	<b>(27)</b>	(1)	<b>(27)</b>	(2)
Net foreign exchange loss	<b>(837)</b>	(249)	<b>(1,695)</b>	(2,646)
Miscellaneous income	<b>11</b>	29	<b>97</b>	30
	<u><b>743</b></u>	<u>1,250</u>	<u><b>1,517</b></u>	<u>242</u>

## 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 16, 2017.

## 21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of June 30, 2017.

## 22. FINANCIAL INSTRUMENTS

As of June 30, 2017, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD8,600,000 at approximately RM4.3175 per United States Dollar. The settlement will complete in January 2018.

As of June 30, 2017, 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	8,600	37,130	28

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

Type of Financial Assets	Individual 3 months ended June 30 RM'000	Cumulative 6 months ended June 30 RM'000
Foreign Currency Forward Contracts		
- Realised gain / (loss)	(1,213)	1,778
- Unrealised gain / (loss)	2,657	28

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, 2016.

## 24. DIVIDENDS DECLARED OR PAYABLE

A final dividend of 8 Sen per share, exempt from income tax for the year ended December 31, 2016, has been paid on July 26, 2017 to depositors registered in the Record of Depositors at the closed of business on June 30, 2017.

As of the date of this announcement, there were no dividends declared or payable for the year ending December 31, 2017.

## 25. TRADE AND OTHER RECEIVABLES

	6 months ended June 30 RM'000
Trade receivables	10,582
Interest receivable	1,855
Other receivables	184
	<u>12,621</u>

The average credit periods granted to trade receivables on sale of goods range from 30 to 45 days. No interest is charged on trade receivables outstanding balance.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing analysis of trade receivables:

	<b>6 months ended June 30</b>
	RM'000
1 to 30 days	8,275
31 to 60 days	1,940
61 to 90 days	320
91 to 120 days	19
> 120 days	28
	<b>10,582</b>

## 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:

	<b>3 months ended June 30</b>		<b>6 months ended June 30</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>'000</b>	'000	<b>'000</b>	'000
Profit for the period attributable to owners of the Company (RM)	<b>16,323</b>	11,889	<b>30,569</b>	25,304
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	<b>436,727</b>	393,935	<b>436,727</b>	393,935
Basic earnings per share (sen)	<b>3.74</b>	3.02	<b>7.00</b>	6.42

### *Diluted earnings per share*

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

	<b>3 months ended June 30</b>		<b>6 months ended June 30</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>'000</b>	'000	<b>'000</b>	'000
Profit for the period attributable to owners of the Company (RM)	<b>16,323</b>	11,889	<b>30,569</b>	25,304
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	<b>436,727</b>	393,935	<b>436,727</b>	393,935
Shares deemed to be issued for no consideration in respect of employee share options (unit)	<b>791</b>	411	<b>791</b>	411
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	<b>437,518</b>	394,346	<b>437,518</b>	394,346
Diluted earnings per share (sen)	<b>3.73</b>	3.01	<b>6.99</b>	6.42

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

The breakdown of the retained earnings of the Group as at June 30, 2017 and December 31, 2016 into realised and unrealised profits or losses, is as follows:

	<b>As at June 30, 2017 RM'000</b>	<b>As at December 31, 2016 RM'000</b>
Total retained earnings/ (accumulated losses) of the Group		
- Realised	125,249	130,075
- Unrealised	79	(143)
	<u>125,328</u>	<u>129,932</u>
Less: Consolidation adjustments	(15,624)	(15,774)
Total retained profits as per statement of financial position	<u>109,704</u>	<u>114,158</u>

The determination of realised and unrealised profits or losses are identified and disclosed in accordance with the 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.

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.