

**NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD ENDED SEPTEMBER 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:

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
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 1,779,700 new ordinary shares for cash pursuant to the Employees' Share Option Scheme of the Company at exercise prices ranging from RM1.70 to RM1.81 per ordinary shares and the Company had disposed off a total of 331,500 shares in treasury shares at RM2.7352 per share.

7. DIVIDENDS PAID

	9 months ended September 30	
	2017	2016
	RM'000	RM'000
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2015	-	19,390
Final tax exempt dividend of 6 Sen per ordinary share of RM0.20 each, for 2015		26,102
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2016	21,831	-
Final tax exempt dividend of 8 Sen per ordinary share of RM0.20 each, for 2016	35,041	
	56,872	45,492

8. REVENUE

	9 months ended September 30		9 months ended September 30	
	2017	2016	2017	2016
	RM'000	RM'000	USD'000	USD'000
Revenue	101,877	89,234	23,388	21,881

	3 months ended September 30		3 months ended September 30	
	2017	2016	2017	2016
	RM'000	RM'000	USD'000	USD'000
Revenue	37,963	31,490	8,878	7,787

9. SEGMENT INFORMATION

Segment revenue and results

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
9 months ended September 30, 2017					
Revenue					
External sales	-	101,877	-	-	101,877
Inter-segment sales	1,558	-	615	(2,173)	-
Total revenue	1,558	101,877	615	(2,173)	101,877
Results					
Profit/(loss) before tax	2,563	49,761	219	108	52,651
Income tax expense	(867)	(216)	(62)	-	(1,145)
Net profit/(loss) for the year	1,696	49,545	157	108	51,506
9 months ended September 30, 2016					
Revenue					
External sales	-	89,234	-	-	89,234
Inter-segment sales	1,546	-	505	(2,051)	-
Total revenue	1,546	89,234	505	(2,051)	89,234
Results					
Profit/(loss) before tax	2,926	41,321	212	(186)	44,273
Income tax expense	(935)	(119)	(54)	-	(1,108)
Net profit/(loss) for the year	1,991	41,202	158	(186)	43,165

Segment assets and liabilities

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
9 months ended September 30, 2017					
Assets					
Segment assets	189,758	173,443	8,487	(69,065)	302,623
Income tax asset	110	67	34	-	211
Consolidated total assets	189,868	173,510	8,521	(69,065)	302,834
Liabilities					
Segment liabilities	1,002	42,021	237	(14,336)	28,924
Income tax liabilities	272	1,107	21	324	1,724
Consolidated total liabilities	1,274	43,128	258	(14,012)	30,648

Revenue from major products and services

	9 months ended September 30	
	2017 RM'000	2016 RM'000
Touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipments	101,753	88,406
Mixed signal microprocessor based application and system integration products	6	444
Others	118	384
	101,877	89,234

Geographical information

	9 months ended September 30	
	2017 RM'000	2016 RM'000
Europe	98,599	85,381
Asia Pacific	2,795	3,536
United States of America	483	317
	101,877	89,234

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

	RM'000
9 months ended September 30, 2017	
Malaysia	272,306
People's Republic of China	30,528
	302,834

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

	RM'000
9 months ended September 30, 2017	
Malaysia	28,071
People's Republic of China	2,577
	30,648

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 September 30, 2017 increased by 21% and 17% to RM38.0 million and RM21.3 million respectively as compared to the quarter ended September 30, 2016 (Revenue: RM31.5 million; Profit Before Tax: RM18.3 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 (September 30, 2017: RM4.2761:USD1.00; September 30, 2016: RM4.0439:USD1.00); and
- reversal of provision for rework and warranty no longer required of RM1,040,990, which was previously recognized in the quarter ended December 31, 2016 for expected rework claims on products sold.

There were no significant changes to the cost structure where material consumption made up the highest percentage of the Group's expenditure at 59%, followed by employee benefit expense at 26%, depreciation and amortization at 9%.

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

	Current Quarter	Immediate Preceding Quarter	Changes
	September 30, 2017	June 30, 2017	
	RM'000	RM'000	%
Revenue	37,963	31,456	21
Operating profit	19,220	14,502	33
Profit before tax	21,336	16,689	28
Profit after tax	20,937	16,323	28

The Group recorded a profit before taxation of RM21.3 million for the current quarter as compared to RM16.7 million in the immediate preceding quarter ended June 30, 2017 mainly due to:

- increase in demand for the Group's products and services (Revenue for 3 months ended September 30, 2017: USD8.9 million; June 30, 2017: USD7.2 million); and
- reversal of provision for rework and warranty no longer required of RM1,040,990, which was previously recognized in the quarter ended December 31, 2016 for expected rework claims on products sold.

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		9 months ended	
	September 30		September 30	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Estimated tax expense:				
Current	<u>399</u>	<u>407</u>	<u>1,145</u>	<u>1,108</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%.

On October 2, 2017, Uchi Optoelectronic (M) Sdn. Bhd. has received letter from Malaysian Investment Development Authority (MIDA) dated September 21, 2017 granting Uchi Optoelectronic (M) Sdn. Bhd. pioneer status for the design, development and manufacture of real-time centralised energy measurement and control system, high precision hot fluid temperature control system and ultra-low temperature and mass sensing control system for bio-chem equipments. 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 from the production date which will be fixed by the authorities at a later date.

19. OTHER INCOME

	3 months ended		9 months ended	
	September 30		September 30	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest on short-term deposits	1,583	1,490	4,725	4,350
Gain/ (loss) on disposal of property, plant and equipment	38	(6)	11	(8)
Net foreign exchange gain/ (loss)	(478)	156	(2,173)	(2,490)
Miscellaneous income	370	16	467	46
	<u>1,513</u>	<u>1,656</u>	<u>3,030</u>	<u>1,898</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 November 16, 2017.

21. GROUP BORROWINGS AND DEBT SECURITIES

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

22. FINANCIAL INSTRUMENTS

As of September 30, 2017, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD10,300,000 at approximately RM4.3398 per United States Dollar. The settlement will complete in June 2018.

As of September 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	10,300	44,700	1,017

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

Type of Financial Assets	Individual 3 months ended September 30 RM'000	Cumulative 9 months ended September 30 RM'000
Foreign Currency Forward Contracts		
- Realised gain / (loss)	(386)	1,392
- Unrealised gain / (loss)	989	1,017

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, the Board of Directors proposed an interim dividend of 7 Sen per share, exempt from income tax and a special interim dividend of 10 Sen per share, exempt from income tax for the year ending December 31, 2017. The date of the entitlement and payment for the aforesaid dividend shall be determined by the Board of Directors at a later date.

25. TRADE AND OTHER RECEIVABLES

	9 months ended September 30 RM'000
Trade receivables	15,031
Interest receivable	2,368
Other receivables	265
	<u>17,664</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:

	9 months ended September 30
	RM'000
1 to 30 days	12,075
31 to 60 days	2,710
61 to 90 days	221
91 to 120 days	1
> 120 days	24
	15,031

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:

	3 months ended September 30		9 months ended September 30	
	2017	2016	2017	2016
	'000	'000	'000	'000
Profit for the period attributable to owners of the Company (RM)	20,937	17,861	51,506	43,165
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	437,182	408,114	437,182	408,114
Basic earnings per share (sen)	4.79	4.38	11.78	10.58

Diluted earnings per share

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

	3 months ended September 30		9 months ended September 30	
	2017	2016	2017	2016
	'000	'000	'000	'000
Profit for the period attributable to owners of the Company (RM)	20,937	17,861	51,506	43,165
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	437,182	408,114	437,182	408,114
Shares deemed to be issued for no consideration in respect of employee share options (unit)	1,875	-	1,875	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	439,057	408,114	439,057	408,114
Diluted earnings per share (sen)	4.77	4.38	11.73	10.58

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

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

	As at September 30, 2017 RM'000	As at December 31, 2016 RM'000
Total retained earnings/ (accumulated losses) of the Group		
- Realised	145,645	130,075
- Unrealised	662	(143)
	<u>146,307</u>	<u>129,932</u>
Less: Consolidation adjustments	<u>(15,666)</u>	<u>(15,774)</u>
Total retained profits as per statement of financial position	<u>130,641</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.