

**NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 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 5,490,200 new ordinary shares for cash pursuant to the Employees' Share Option Scheme of the Company at exercise prices ranging from RM1.70 to RM2.68 per ordinary shares and the Company had disposed off a total of 4,998,600 shares in treasury shares at RM3.2506 per share.

7. DIVIDENDS PAID

	12 months ended December 31	
	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

	12 months ended		12 months ended	
	December 31		December 31	
	2017	2016	2017	2016
	RM'000	RM'000	USD'000	USD'000
Revenue	<u>136,585</u>	<u>120,897</u>	<u>31,686</u>	<u>29,380</u>
	3 months ended		3 months ended	
	December 31		December 31	
	2017	2016	2017	2016
	RM'000	RM'000	USD'000	USD'000
Revenue	<u>34,708</u>	<u>31,663</u>	<u>8,298</u>	<u>7,499</u>

9. SEGMENT INFORMATION

Segment revenue and results

	Investment holding	Manufacturing	Trading	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
12 months ended December 31, 2017					
Revenue					
External sales	-	136,585	-	-	136,585
Inter-segment sales	72,043	-	842	(72,885)	-
Total revenue	<u>72,043</u>	<u>136,585</u>	<u>842</u>	<u>(72,885)</u>	<u>136,585</u>
Results					
Profit/(loss) before tax	73,782	67,954	338	(69,926)	72,148
Income tax expense	(1,179)	(390)	(87)	9	(1,647)
Net profit/(loss) for the year	<u>72,603</u>	<u>67,564</u>	<u>251</u>	<u>(69,917)</u>	<u>70,501</u>
12 months ended December 31, 2016					
Revenue					
External sales	-	120,897	-	-	120,897
Inter-segment sales	52,031	-	676	(52,707)	-
Total revenue	<u>52,031</u>	<u>120,897</u>	<u>676</u>	<u>(52,707)</u>	<u>120,897</u>
Results					
Profit/(loss) before tax	53,947	52,905	330	(50,095)	57,087
Income tax expense	(1,272)	(234)	(82)	9	(1,579)
Net profit/(loss) for the year	<u>52,675</u>	<u>52,671</u>	<u>248</u>	<u>(50,086)</u>	<u>55,508</u>

Segment assets and liabilities

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
12 months ended December 31, 2017					
Assets					
Segment assets	282,292	149,892	8,564	(98,058)	342,690
Income tax asset	129	65	37	-	231
Consolidated total assets	282,421	149,957	8,601	(98,058)	342,921
Liabilities					
Segment liabilities	77,020	70,898	217	(43,291)	104,844
Income tax liabilities	224	1,169	26	316	1,735
Consolidated total liabilities	77,244	72,067	243	(42,975)	106,579

Revenue from major products and services

	12 months ended December 31	
	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	136,437	119,958
Mixed signal microprocessor based application and system integration products	5	444
Others	143	495
	136,585	120,897

Geographical information

	12 months ended December 31	
	2017 RM'000	2016 RM'000
Europe	131,617	114,152
Asia Pacific	4,213	5,879
United States of America	755	866
	136,585	120,897

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

	RM'000
12 months ended December 31, 2017	
Malaysia	314,479
People's Republic of China	28,442
	<u>342,921</u>

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

	RM'000
12 months ended December 31, 2017	
Malaysia	104,212
People's Republic of China	2,367
	<u>106,579</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, 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 for the year ended December 31, 2017 increased by 13% to RM136.6 million as compared to the year ended December 31, 2016 (Revenue: RM120.9 million) mainly due to increase in demand for the Group's products and services and appreciation of USD against Ringgit Malaysia during the reporting year. (December 31, 2017: RM4.3106:USD1.00; December 31, 2016: RM4.1149:USD1.00).

For the year ended December 31, 2017, the Group's profit before taxation increased by 26% (2017: RM72.1 million; 2016: RM57.1 million) mainly due to:

- increase in revenue as mentioned above; and
- the net fair value gain on derivative financial instruments of RM5.2 million accounted for in the year ended December 31, 2017 as opposed to the net fair value loss on derivative financial instruments of RM1.7 million for the year ended December 31, 2016; 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 24%, depreciation and amortization at 9%.

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

	Current Quarter	Immediate Preceding Quarter	Changes
	December 31, 2017	September 30, 2017	
	RM'000	RM'000	%
Revenue	34,708	37,963	(9)
Operating profit	15,851	19,220	(18)
Profit before tax	19,497	21,336	(9)
Profit after tax	18,995	20,937	(9)

The Group recorded a profit before taxation of RM19.5 million for the current quarter as compared to RM21.3 million in the immediate preceding quarter ended September 30, 2017 mainly due to:

- decrease in demand for the Group's products and services as a result of seasonal fluctuations with demand peaking in the third quarter of the year (Revenue for 3 months ended December 31, 2017: USD8.3 million; September 30, 2017: USD8.9 million); and
- reversal of provision for rework and warranty no longer required of RM1,040,990 in the quarter ended September 30, 2017, which was previously recognized in the quarter ended December 31, 2016 for expected rework claims on products sold.

16. COMMENTARY ON CURRENT YEAR PROSPECT

To the best of our knowledge, based on our customers positive outlook on demand, the Group expects a high single digit of revenue growth in USD for the financial year ending December 31, 2018.

We do not expect any significant changes in our principal geographical areas of distribution and product group contributions. Factors that will affect our performance 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 December 31		12 months ended December 31	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Estimated tax expense:				
Current	<u>502</u>	<u>471</u>	<u>1,647</u>	<u>1,579</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 December 31		12 months ended December 31	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest on short-term deposits	1,743	1,591	6,468	5,941
Gain/ (loss) on disposal of property, plant and equipment	24	24	35	16
Net foreign exchange gain/ (loss)	(1,015)	3,253	(3,188)	763
Miscellaneous income	123	5	590	51
	<u>875</u>	<u>4,873</u>	<u>3,905</u>	<u>6,771</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 February 19, 2018.

21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of December 31, 2017.

22. FINANCIAL INSTRUMENTS

As of December 31, 2017, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD10,300,000 at approximately RM4.2391 per United States Dollar. The settlement will complete in November 2018.

As of December 31, 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	43,663	1,693

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

Type of Financial Assets	Individual 3 months ended December 31 RM'000	Cumulative 12 months ended December 31 RM'000
Foreign Currency Forward Contracts		
- Realised gain / (loss)	2,095	3,487
- Unrealised gain / (loss)	676	1,693

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

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 ended December 31, 2017, has been paid on January 25, 2018 to depositors registered in the Record of Depositors at the closed of business on December 31, 2017.

As of the date of this announcement, the Board of Directors proposed a final dividend of 8 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. The final dividend will be tabled at the forthcoming Annual General Meeting for the shareholders' approval.

25. TRADE AND OTHER RECEIVABLES

	12 months ended December 31
	RM'000
Trade receivables	8,052
Interest receivable	1,631
Other receivables	342
	<u>10,025</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:

	12 months ended December 31
	RM'000
1 to 30 days	6,367
31 to 60 days	1,417
61 to 90 days	171
91 to 120 days	27
> 120 days	70
	<u>8,052</u>

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 December 31		12 months ended December 31	
	2017	2016	2017	2016
	'000	'000	'000	'000
Profit for the period attributable to owners of the Company (RM)	18,995	12,343	70,501	55,508
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	438,310	415,280	438,310	415,280
Basic earnings per share (sen)	<u>4.33</u>	<u>2.97</u>	<u>16.08</u>	<u>13.37</u>

Diluted earnings per share

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

	3 months ended		12 months ended	
	December 31		December 31	
	2017	2016	2017	2016
	'000	'000	'000	'000
Profit for the period attributable to owners of the Company (RM)	18,995	12,343	70,501	55,508
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	438,310	415,280	438,310	415,280
Shares deemed to be issued for no consideration in respect of employee share options (unit)	3,301	-	3,301	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	441,611	415,280	441,611	415,280
Diluted earnings per share (sen)	4.30	2.97	15.96	13.37