

**NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD ENDED MARCH 31, 2019**

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, 2018 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
Amendments to MFRS	References to the Conceptual Framework in MFRS Standards	January 1, 2020
Amendments to MFRS 3	Definition of a Business	January 1, 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	January 1, 2020
MFRS 17	Insurance Contracts	January 1, 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an investor and its Associate or joint venture	Deferred to a date to be determined and announced

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2018.

During the current financial year, the Group has adopted all the new and revised MFRSs and IC Interpretation that are relevant and effective for an accounting period that begins on or after January 1, 2019 as follows:

- MFRS 16: Leases
- Amendments to MFRS 9: Financial Instrument – Prepayment Features with Negative Compensation
- Amendments to MFRS 119: Employee Benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 128: Long-term interests in Associated and Joint Ventures
- IC Interpretation 23: Uncertainty over Income Tax Payments
- Amendments to MFRSs: Annual Improvements to MFRS 2015 – 2018 Cycle: Amendments to MFRS 3 Business Combination, MFRS 11 Joint Arrangement, MFRS 112 Income Taxes and MFRS 123 Borrowing Costs

The adoption of these new and revised MFRSs and IC Interpretation does not have any material impact on the amounts reported in the financial statements of the Group in the current and previous financial year.

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 18,400 new ordinary shares for cash pursuant to the Employees' Share Option Scheme of the Company at exercise price RM1.57 per ordinary shares.

7. DIVIDENDS PAID

	3 months ended March 31	
	2019	2018
	RM'000	RM'000
Interim tax exempt dividend of 7 Sen per share and a special interim tax exempt dividend of 10 Sen per share, for 2017	-	76,009
Interim tax exempt dividend of 7 Sen per share, for 2018	31,408	-
	31,408	76,009

8. REVENUE

	3 months ended		3 months ended	
	March 31		March 31	
	2019	2018	2019	2018
	RM'000	RM'000	USD'000	USD'000
Revenue	35,086	31,272	8,568	7,871

9. SEGMENT INFORMATION

Segment revenue and results

	Investment holding	Manufacturing	Trading	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended March 31, 2019					
Revenue					
External sales	-	35,086	-	-	35,086
Inter-segment sales	552	-	268	(820)	-
Total revenue	552	35,086	268	(820)	35,086
Results					
Profit/(loss) before tax	(298)	16,625	22	12	16,361
Income tax expense	(62)	(357)	(8)	-	(427)
Net profit/(loss) for the year	(360)	16,268	14	12	15,934
3 months ended March 31, 2018					
Revenue					
External sales	-	31,272	-	-	31,272
Inter-segment sales	558	-	247	(805)	-
Total revenue	558	31,272	247	(805)	31,272
Results					
Profit/(loss) before tax	637	13,628	70	93	14,428
Income tax expense	(298)	(330)	(15)	-	(643)
Net profit/(loss) for the year	339	13,298	55	93	13,785

Segment assets and liabilities

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
3 months ended March 31, 2019					
Assets					
Segment assets	124,228	173,014	8,883	(104,587)	201,538
Income tax asset	161	443	35	-	639
Consolidated total assets	<u>124,389</u>	<u>173,457</u>	<u>8,918</u>	<u>(104,587)</u>	<u>202,177</u>
Liabilities					
Segment liabilities	870	81,643	222	(49,420)	33,315
Income tax liabilities	-	1,005	-	307	1,312
Consolidated total liabilities	<u>870</u>	<u>82,648</u>	<u>222</u>	<u>(49,113)</u>	<u>34,627</u>

Revenue from major products and services

	3 months ended March 31	
	2019 RM'000	2018 RM'000
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	31,366	21,299
Touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipments	2,917	9,949
Others	803	24
	<u>35,086</u>	<u>31,272</u>

Geographical information

	3 months ended March 31	
	2019 RM'000	2018 RM'000
Europe	33,069	30,312
Asia Pacific	1,493	952
United States of America	524	8
	<u>35,086</u>	<u>31,272</u>

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

	RM'000
3 months ended March 31, 2019	
Malaysia	174,935
People's Republic of China	27,242
	<u>202,177</u>

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

	RM'000
3 months ended March 31, 2019	
Malaysia	33,386
People's Republic of China	1,241
	<u>34,627</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, 2018.

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, 2018.

14. PERFORMANCE REVIEW

Revenue in RM and Operating Profit for the quarter ended March 31, 2019 increased by 12% and 18% to RM35.1 million and RM15.1 million respectively as compared to the quarter ended March 31, 2018 (Revenue: RM31.3 million; Operating Profit: RM12.9 million) mainly due to:

- (a) increase in demand for the Group's products and services as the customers pulled ahead orders delivery on account of the unpredictable geopolitical influences (Revenue for 3 months ended March 31, 2019: USD8.6 million; March 31, 2018: USD7.9 million); and
- (b) appreciation of USD against Ringgit Malaysia during the reporting quarter. (March 31, 2019: RM4.0950:USD1.00; March 31, 2018: RM3.9731:USD1.00)

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 25%, depreciation and amortization at 9%.

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

	Current Quarter	Immediate Preceding Quarter	Changes
	March 31, 2019	December 31, 2018	
	RM'000	RM'000	%
Revenue	35,086	39,012	(10)
Operating profit	15,137	16,813	(10)
Profit before tax	16,361	20,915	(22)
Profit after tax	15,934	20,633	(23)

The Group recorded a profit before taxation of RM16.4 million for the current quarter as compared to RM20.9 million in the immediate preceding quarter ended December 31, 2018 mainly due to:

- a. demand for the Group's products and services was comparatively lower in the first half of the year as a result of seasonal fluctuations with demand peaking in the second half of the year (Revenue for 3 months ended March 31, 2019: USD8.6 million; December 31, 2018: USD9.4 million); and
- b. depreciation of USD against Ringgit Malaysia during the reporting period. (March 31, 2019: RM4.0950:USD1.00; December 31, 2018: RM4.1720:USD1.00); and
- c. decrease in other income derived from a gain on disposal of property, plant and equipment (March 31, 2019: RM0.017 million; December 31, 2018: RM2.6 million).

16. COMMENTARY ON CURRENT YEAR PROSPECT

To the best of our knowledge and in consideration of the unpredictable economic climate resulting from the rise in protectionism, geopolitical influences in the trade environment and the unstable global supply chain, we remain cautiously optimism in anticipating a low single digit of revenue growth in USD for the financial year ending December 31, 2019.

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	
	March 31	
	2019	2018
	RM'000	RM'000
Estimated tax expense:		
Current	<u>427</u>	<u>643</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 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 commencing from January 1, 2018.

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	
	March 31	
	2019	2018
	RM'000	RM'000
Interest on short-term deposits	642	1,513
Gain/ (loss) on disposal of property, plant and equipment	17	(53)
Net foreign exchange gain/ (loss)	(521)	(1,627)
Miscellaneous income	209	180
	<u>347</u>	<u>13</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 May 20, 2019.

21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of March 31, 2019.

22. FINANCIAL INSTRUMENTS

As of March 31, 2019, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD19,800,000 at approximately RM4.1246 per United States Dollar. The settlement will complete in March 2020.

As of March 31, 2019, 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	19,800	81,668	596

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

Type of Financial Assets	Individual 3 months ended March 31 RM'000	Cumulative 3 months ended March 31 RM'000
Foreign Currency Forward Contracts		
- Realised gain / (loss)	281	281
- Unrealised gain / (loss)	596	596

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, 2018.

24. DIVIDENDS DECLARED OR PAYABLE

A final dividend of 7 Sen per share, exempt from income tax for the year ended December 31, 2018, if approved by the shareholders, will be paid on July 23, 2019 to depositors registered in the Record of Depositors at the closed of business on June 28, 2019.

As of the date of this announcement, there were no dividends declared or payable for the year ending December 31, 2019.

25. TRADE AND OTHER RECEIVABLES

	3 months ended March 31 RM'000
Trade receivables	15,626
Interest receivable	568
Other receivables	263
	16,457

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:

	3 months ended March 31 RM'000
1 to 30 days	11,780
31 to 60 days	2,321
61 to 90 days	1,525
	15,626

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 March 31	
	2019 '000	2018 '000
Profit for the period attributable to owners of the Company (RM)	15,934	13,785
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	448,697	447,305
Basic earnings per share (sen)	3.55	3.08

Diluted earnings per share

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

	3 months ended March 31	
	2019 '000	2018 '000
Profit for the period attributable to owners of the Company (RM)	15,934	13,785
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	448,697	447,305
Shares deemed to be issued for no consideration in respect of employee share options (unit)	4,758	5,364
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	453,455	452,669
Diluted earnings per share (sen)	3.51	3.05