

**NOTES TO THE FINANCIAL REPORT  
FOR THE PERIOD ENDED SEPTEMBER 30, 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:

<b>MFRSs and Amendments to MFRSs</b>		<b>Effective for annual period beginning on or after</b>
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 157,400 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

	9 months ended September 30	
	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
Final tax exempt dividend of 8 Sen per share, for 2017	-	35,839
Interim tax exempt dividend of 7 Sen per share, for 2018	31,408	-
Final tax exempt dividend of 7 Sen per share, for 2018	31,419	-
	<b>62,827</b>	<b>111,848</b>

## 8. REVENUE

	9 months ended September 30		9 months ended September 30	
	2019	2018	2019	2018
	RM'000	RM'000	USD'000	USD'000
Revenue	117,230	100,955	28,366	25,342

  

	3 months ended September 30		3 months ended September 30	
	2019	2018	2019	2018
	RM'000	RM'000	USD'000	USD'000
Revenue	42,951	36,309	10,326	8,922

## 9. SEGMENT INFORMATION

### Segment revenue and results

	Investment holding	Manufacturing	Trading	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>9 months ended September 30, 2019</b>					
<b>Revenue</b>					
External sales	-	117,230	-	-	117,230
Inter-segment sales	1,590	-	812	(2,402)	-
Total revenue	1,590	117,230	812	(2,402)	117,230
<b>Results</b>					
Profit/(loss) before tax	108	58,379	122	(65)	58,544
Income tax expense	(245)	(2,011)	(50)	-	(2,306)
Net profit/(loss) for the year	(137)	56,368	72	(65)	56,238
<b>9 months ended September 30, 2018</b>					
<b>Revenue</b>					
External sales	-	100,955	-	-	100,955
Inter-segment sales	1,691	-	779	(2,470)	-
Total revenue	1,691	100,955	779	(2,470)	100,955
<b>Results</b>					
Profit/(loss) before tax	2,306	48,920	249	152	51,627
Income tax expense	(872)	(2,314)	(65)	-	(3,251)
Net profit/(loss) for the year	1,434	46,606	184	152	48,376

### Segment assets and liabilities

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b>9 months ended September 30, 2019</b>					
<b>Assets</b>					
Segment assets	94,194	167,585	9,040	(58,881)	211,938
Income tax asset	400	61	37	-	498
<b>Consolidated total assets</b>	<b>94,594</b>	<b>167,646</b>	<b>9,077</b>	<b>(58,881)</b>	<b>212,436</b>
<b>Liabilities</b>					
Segment liabilities	2,076	36,530	323	(3,629)	35,300
Income tax liabilities	-	1,079	-	307	1,386
<b>Consolidated total liabilities</b>	<b>2,076</b>	<b>37,609</b>	<b>323</b>	<b>(3,322)</b>	<b>36,686</b>

### Revenue from major products and services

	9 months ended September 30	
	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	<b>103,965</b>	76,313
Touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipments	<b>11,155</b>	24,500
Others	<b>2,110</b>	142
	<b>117,230</b>	<b>100,955</b>

### Geographical information

	9 months ended September 30	
	2019 RM'000	2018 RM'000
Europe	<b>111,184</b>	96,871
Asia Pacific	<b>5,170</b>	3,534
United States of America	<b>876</b>	550
	<b>117,230</b>	<b>100,955</b>

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

	RM'000
<b>9 months ended September 30, 2019</b>	
Malaysia	187,286
People's Republic of China	25,150
	<b>212,436</b>

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

	RM'000
<b>9 months ended September 30, 2019</b>	
Malaysia	35,574
People's Republic of China	1,112
	<b>36,686</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, 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 September 30, 2019 increased by 18% and 21% to RM43.0 million and RM23.3 million respectively as compared to the quarter ended September 30, 2018 (Revenue: RM36.3 million; Operating Profit: RM19.3 million) mainly due to increase in demand for the Group's products and services (Revenue for 3 months ended September 30, 2019: USD10.3 million; September 30, 2018: USD8.9 million) and appreciation of USD against Ringgit Malaysia during the reporting quarter. (September 30, 2019: RM4.1595:USD1.00; September 30, 2018: RM4.0701: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 62%, followed by employee benefit expense at 21%, depreciation and amortization at 9%.

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

	Current Quarter	Immediate Preceding Quarter	Changes
	September 30, 2019	June 30, 2019	
	RM'000	RM'000	%
Revenue	42,951	39,193	10
Operating profit	23,306	17,546	33
Profit before tax	24,095	18,088	33
Profit after tax	23,029	17,275	33

The Group recorded a profit before taxation of RM24.1 million for the current quarter as compared to RM18.1 million in the immediate preceding quarter ended June 30, 2019 mainly due to:

- increase in demand for the Group's products and services (Revenue for 3 months ended September 30, 2019: USD10.3 million; June 30, 2019: USD9.5 million); and
- appreciation of USD against Ringgit Malaysia during the reporting period. (September 30, 2019: RM4.1595:USD1.00; June 30, 2019: RM4.1378:USD1.00); and
- decrease in research and development expenses (3 months ended September 30, 2019: RM0.9 million; June 30, 2019: RM1.7 million).

#### 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, 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 September 30		9 months ended September 30	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Estimated tax expense:				
Current	<u>1,066</u>	<u>1,264</u>	<u>2,306</u>	<u>3,251</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 September 30		9 months ended September 30	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest on short-term deposits	740	1,427	2,139	4,470
Gain/ (loss) on disposal of property, plant and equipment	66	1	82	(55)
Net foreign exchange gain/ ( loss)	540	992	756	910
Miscellaneous income	134	124	528	446
	<u>1,480</u>	<u>2,544</u>	<u>3,505</u>	<u>5,771</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 November 15, 2019.

## 21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of September 30, 2019.

## 22. FINANCIAL INSTRUMENTS

As of September 30, 2019, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD16,200,000 at approximately RM4.1602 per United States Dollar. The settlement will complete in August 2020.

As of September 30, 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	16,200	67,395	(636)

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

Type of Financial Assets	<b>Individual 3 months ended September 30 RM'000</b>	<b>Cumulative 9 months ended September 30 RM'000</b>
Foreign Currency Forward Contracts		
- Realised gain / (loss)	(156)	(314)
- Unrealised gain / (loss)	(535)	(636)

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, has been 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, the Board of Directors proposed an interim dividend of 7.5 Sen per share, exempt from income tax for the year ending December 31, 2019. 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

	<b>9 months ended September 30 RM'000</b>
Trade receivables	16,344
Interest receivable	479
Other receivables	151
	<b>16,974</b>

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>9 months ended September 30 RM'000</b>
1 to 30 days	12,935
31 to 60 days	3,404
61 to 90 days	5
	<b>16,344</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</b>		<b>9 months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Profit for the period attributable to owners of the Company (RM)	<b>23,029</b>	19,605	<b>56,238</b>	48,376
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	<b>448,728</b>	447,377	<b>448,750</b>	447,533
Basic earnings per share (sen)	<b>5.13</b>	4.38	<b>12.53</b>	10.81

### *Diluted earnings per share*

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

	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Profit for the period attributable to owners of the Company (RM)	<b>23,029</b>	19,605	<b>56,238</b>	48,376
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	<b>448,728</b>	447,377	<b>448,750</b>	447,533
Shares deemed to be issued for no consideration in respect of employee share options (unit)	<b>4,548</b>	5,460	<b>4,548</b>	5,460
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	<b>453,276</b>	452,837	<b>453,298</b>	452,993
Diluted earnings per share (sen)	<b>5.08</b>	4.33	<b>12.41</b>	10.68