

**NOTES TO THE FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 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:

<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, except as below:

**MFRS 16 Leases**

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term lease and lease of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of application of January 1, 2019. Under this method, comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings of the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement

date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low value assets').

The effect of the adoption of MFRS 16 Leases is as follows:

Group	Note	As at January 1, 2019 RM'000	Changes RM'000	As at January 1, 2019 RM'000
<b>Non-current assets</b>				
Prepaid lease payments		6,578	(6,578)	-
Right-of-use assets	a)	-	6,578	6,578

Note:

a) The right-of-use assets representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost, less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

b) There is no impact to the Group's retained earnings as at January 1, 2019.

## 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 427,400 new ordinary shares for cash pursuant to the Employees' Share Option Scheme of the Company at exercise price ranging from RM1.57 to RM2.72 per ordinary shares.

## 7. DIVIDENDS PAID

	12 months ended December 31	
	2019 RM'000	2018 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	-	35,840
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>111,849</b>

## 8. REVENUE

	12 months ended December 31		12 months ended December 31	
	2019 RM'000	2018 RM'000	2019 USD'000	2018 USD'000
Revenue	156,673	139,967	37,802	34,693

  

	3 months ended December 31		3 months ended December 31	
	2019 RM'000	2018 RM'000	2019 USD'000	2018 USD'000
Revenue	39,443	39,012	9,436	9,351

## 9. SEGMENT INFORMATION

### Segment revenue and results

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b>12 months ended December 31, 2019</b>					
<b>Revenue</b>					
External sales	-	156,673	-	-	156,673
Inter-segment sales	62,085	-	1,068	(63,153)	-
Total revenue	62,085	156,673	1,068	(63,153)	156,673
<b>Results</b>					
Profit/(loss) before tax	60,525	78,330	290	(60,100)	79,045
Income tax expense	(353)	(2,681)	(72)	9	(3,097)
Net profit/(loss) for the year	60,172	75,649	218	(60,091)	75,948
<b>12 months ended December 31, 2018</b>					
<b>Revenue</b>					
External sales	-	139,967	-	-	139,967
Inter-segment sales	72,217	-	1,063	(73,280)	-
Total revenue	72,217	139,967	1,063	(73,280)	139,967
<b>Results</b>					
Profit/(loss) before tax	72,603	69,349	413	(69,823)	72,542
Income tax expense	(973)	(2,470)	(99)	9	(3,533)
Net profit/(loss) for the year	71,630	66,879	314	(69,814)	69,009

### Segment assets and liabilities

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b>12 months ended December 31, 2019</b>					
<b>Assets</b>					
Segment assets	153,923	163,355	9,117	(96,704)	229,691
Income tax asset	292	61	47	-	400
<b>Consolidated total assets</b>	<b>154,215</b>	<b>163,416</b>	<b>9,164</b>	<b>(96,704)</b>	<b>230,091</b>
<b>Liabilities</b>					
Segment liabilities	34,550	72,957	262	(41,402)	66,367
Income tax liabilities	-	1,264	-	298	1,562
<b>Consolidated total liabilities</b>	<b>34,550</b>	<b>74,221</b>	<b>262</b>	<b>(41,104)</b>	<b>67,929</b>

**Revenue from major products and services**

	<b>12 months ended December 31</b>	
	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>138,493</b>	109,698
Touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipments	<b>15,956</b>	28,946
Others	<b>2,224</b>	1,323
	<b>156,673</b>	139,967

**Geographical information**

	<b>12 months ended December 31</b>	
	2019 RM'000	2018 RM'000
Europe	<b>148,098</b>	132,496
Asia Pacific	<b>6,675</b>	6,692
United States of America	<b>1,900</b>	779
	<b>156,673</b>	139,967

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

	<b>RM'000</b>
<b>12 months ended December 31, 2019</b>	
Malaysia	204,541
People's Republic of China	25,550
	<u>230,091</u>

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

	<b>RM'000</b>
<b>12 months ended December 31, 2019</b>	
Malaysia	66,530
People's Republic of China	1,399
	<u>67,929</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 year ended December 31, 2019 increased by 12% and 17% to RM156.7 million and RM75.0 million respectively as compared to the year ended December 31, 2018 (Revenue: RM140.0 million; Operating Profit: RM64.1 million) mainly due to increase in demand for the Group's products and services (Revenue for 12 months ended December 31, 2019: USD37.8 million; December 31, 2018: USD34.7 million) and appreciation of USD against Ringgit Malaysia during the reporting quarter. (December 31, 2019: RM4.1446:USD1.00; December 31, 2018: RM4.0344: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 19%, depreciation and amortization at 9%.

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

	Current Quarter	Immediate Preceding Quarter	Changes
	December 31, 2019	September 30, 2019	
	RM'000	RM'000	%
Revenue	39,443	42,951	(8)
Operating profit	19,013	23,306	(18)
Profit before tax	20,501	24,095	(15)
Profit after tax	19,710	23,029	(14)

The Group recorded a profit before taxation of RM20.5 million for the current quarter as compared to RM24.1 million in the immediate preceding quarter ended September 30, 2019 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, 2019: USD9.4 million; September 30, 2019: USD10.3 million); and
- increase in research and development expenses (3 months ended December 31, 2019: RM1.9 million; September 30, 2019: RM0.9 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 and force majeure in the trade environment, the Group foresees a lower sales for the first half of year 2020 as compared to that of first half of year 2019 mainly due to disruption of supply chain and less productivity in our subsidiary in China caused by the crown pneumonia epidemic (Covid-19). However, based on customer's demand, the Group is cautiously optimistic to have a stronger second half, and expects the turnover in USD of year 2020 as competitive as year 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 December 31		12 months ended December 31	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Estimated tax expense:				
Current	<u>791</u>	<u>282</u>	<u>3,097</u>	<u>3,533</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 December 31		12 months ended December 31	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest on short-term deposits	838	760	2,977	5,230
Gain/ (loss) on disposal of property, plant and equipment	26	2,615	108	2,560
Net foreign exchange gain/ ( loss)	(1,070)	(75)	(314)	835
Miscellaneous income	145	177	673	623
	<u>(61)</u>	<u>3,477</u>	<u>3,444</u>	<u>9,248</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 15, 2020.

## 21. GROUP BORROWINGS AND DEBT SECURITIES

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

## 22. FINANCIAL INSTRUMENTS

As of December 31, 2019, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD16,900,000 at approximately RM4.1631 per United States Dollar. The settlement will complete in December 2020.

As of December 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	16,900	70,356	929

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 December 31 RM'000	Cumulative 12 months ended December 31 RM'000
Foreign Currency Forward Contracts		
- Realised gain / (loss)	(16)	(330)
- Unrealised gain / (loss)	<u>1,565</u>	<u>929</u>

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

An interim dividend of 7.5 Sen per share, exempt from income tax for the year ended December 31, 2019, has been paid on January 21, 2020 to depositors registered in the Record of Depositors at the closed of business on December 31, 2019.

As of the date of this announcement, the Board of Directors proposed a final dividend of 8.5 Sen per share, exempt from income tax for the year ended 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. The final dividend will be tabled at the forthcoming Annual General Meeting for the shareholders' approval.

## 25. TRADE AND OTHER RECEIVABLES

	<b>12 months ended December 31</b>
	RM'000
Trade receivables	13,239
Interest receivable	572
Other receivables	46
	<u><b>13,857</b></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>12 months ended December 31</b>
	RM'000
1 to 30 days	10,562
31 to 60 days	1,936
61 to 90 days	741
	<u><b>13,239</b></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	
	2019 '000	2018 '000	2019 '000	2018 '000
Profit for the period attributable to owners of the Company (RM)	19,710	20,633	75,948	69,009
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	448,705	447,480	448,782	447,899
Basic earnings per share (sen)	4.39	4.61	16.92	15.41

### *Diluted earnings per share*

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

	3 months ended December 31		12 months ended December 31	
	2019 '000	2018 '000	2019 '000	2018 '000
Profit for the period attributable to owners of the Company (RM)	19,710	20,633	75,948	69,009
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	448,705	447,480	448,782	447,899
Shares deemed to be issued for no consideration in respect of employee share options (unit)	-	5,361	4,419	5,361
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	448,705	452,841	453,201	453,260
Diluted earnings per share (sen)	4.39	4.56	16.76	15.23