

**NOTES TO THE FINANCIAL REPORT  
FOR THE PERIOD ENDED MARCH 31, 2020**

**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, 2019 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>
MFRS 17 Insurance Contracts	January 1, 2021
Amendments to MFRS 10 Sale or Contribution of Assets between an investor and its Associate or joint venture and MFRS 128	Deferred to a date to be determined and announced
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current	January 1, 2022

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2019.

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, 2020 as follows:

- Amendments to MFRS : References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 : Definition of a Business
- Amendments to MFRS 101 and MFRS 108 : Definition of Material
- Amendments to MFRS 9, MFRS 139 and MFRS 7 : Interest Rate Benchmark Reform

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.

## 7. DIVIDENDS PAID

	3 months ended March 31	
	2020	2019
	RM'000	RM'000
Interim tax exempt dividend of 7 Sen per share, for 2018	-	31,408
Interim tax exempt dividend of 7.5 Sen per share, for 2019	<b>33,683</b>	-
	<b>33,683</b>	31,408

## 8. REVENUE

	3 months ended March 31		3 months ended March 31	
	2020	2019	2020	2019
	RM'000	RM'000	USD'000	USD'000
Revenue	35,553	35,086	8,624	8,568

## 9. SEGMENT INFORMATION

### Segment revenue and results

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b>3 months ended March 31, 2020</b>					
<b>Revenue</b>					
External sales	-	35,553	-	-	35,553
Inter-segment sales	426	-	182	(608)	-
Total revenue	426	35,553	182	(608)	35,553
<b>Results</b>					
Profit/(loss) before tax	(97)	16,605	(32)	14	16,490
Income tax expense	(111)	(336)	(14)	-	(461)
Net profit/(loss) for the year	(208)	16,269	(46)	14	16,029
<b>3 months ended March 31, 2019</b>					
<b>Revenue</b>					
External sales	-	35,086	-	-	35,086
Inter-segment sales	552	-	268	(820)	-
Total revenue	552	35,086	268	(820)	35,086
<b>Results</b>					
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

### Segment assets and liabilities

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
<b>3 months ended March 31, 2020</b>					
<b>Assets</b>					
Segment assets	120,296	150,118	9,046	(64,049)	215,411
Income tax asset	256	63	57	-	376
<b>Consolidated total assets</b>	<b>120,552</b>	<b>150,181</b>	<b>9,103</b>	<b>(64,049)</b>	<b>215,787</b>

	<b>Investment holding RM'000</b>	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>3 months ended March 31, 2020</b>					
<b>Liabilities</b>					
Segment liabilities	826	42,523	241	(8,591)	34,999
Income tax liabilities	-	1,008	-	298	1,306
<b>Consolidated total liabilities</b>	<u>826</u>	<u>43,531</u>	<u>241</u>	<u>(8,293)</u>	<u>36,305</u>

#### Revenue from major products and services

	<b>3 months ended March 31</b>	
	2020 RM'000	2019 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>33,168</b>	31,366
Touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipments	<b>2,100</b>	2,917
Others	<b>285</b>	803
	<u><b>35,553</b></u>	<u>35,086</u>

#### Geographical information

	<b>3 months ended March 31</b>	
	2020 RM'000	2019 RM'000
Europe	<b>34,432</b>	33,069
Asia Pacific	<b>998</b>	1,493
United States of America	<b>123</b>	524
	<u><b>35,553</b></u>	<u>35,086</u>

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

	<b>RM'000</b>
<b>3 months ended March 31, 2020</b>	
Malaysia	189,658
People's Republic of China	26,129
	<u>215,787</u>

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

	<b>RM'000</b>
<b>3 months ended March 31, 2020</b>	
Malaysia	34,838
People's Republic of China	1,467
	<u>36,305</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, 2019.

## 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, 2019.

## 14. PERFORMANCE REVIEW

There was no significant change in the Group's revenue in USD for the reporting quarter as compared to the corresponding quarter in 2019 (March 31, 2020: USD8.6 million; March 31, 2019: USD8.6 million). The impact of the low double-digit revenue in USD decline for the year ending December 31, 2020 as compared to that of the year ended December 31, 2019 was not observed in the quarter ended March 31, 2020. This was attributed to the customers' pull-in orders to mitigate logistics issues caused by the unpredictable COVID-19 pandemic.

Revenue in RM and Operating Profit for the quarter ended March 31, 2020 increased by 1% and 3% to RM35.6 million and RM15.6 million respectively as compared to the quarter ended March 31, 2019 (Revenue: RM35.1 million; Operating Profit: RM15.1 million) mainly due to appreciation of USD against Ringgit Malaysia during the reporting quarter. (March 31, 2020: RM4.1226:USD1.00; March 31, 2019: RM4.0950: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 22%, depreciation and amortization at 8%.

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

	Current Quarter	Immediate Preceding Quarter	Changes
	March 31, 2020	December 31, 2019	
	RM'000	RM'000	%
Revenue	35,553	39,443	(10)
Operating profit	15,635	19,013	(18)
Profit before tax	16,490	20,501	(20)
Profit after tax	16,029	19,710	(19)

The Group recorded a profit before taxation of RM16.5 million for the current quarter as compared to RM20.5 million in the immediate preceding quarter ended December 31, 2019 mainly due to:

- 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, 2020: USD8.6 million; December 31, 2019: USD9.4 million); and
- depreciation of USD against Ringgit Malaysia during the reporting period. (March 31, 2020: RM4.1226:USD1.00; December 31, 2019: RM4.1801:USD1.00); and
- the net fair value loss on derivative financial instruments of RM2.3 million (Note 22) accounted for in the quarter ended March 31, 2020 as opposed to the net fair value gain on derivative financial instruments of RM1.5 million for the quarter ended December 31, 2019.

## 16. COMMENTARY ON CURRENT YEAR PROSPECT

To the best of our knowledge, in line with the current COVID-19 pandemic has heightened uncertainty over the global economy, the Group anticipates a low double-digit revenue in USD decline for the current financial year in comparison to that of the financial year ended December 31, 2019 due to our customers have lowered their demand.

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

	<b>3 months ended</b>	
	<b>March 31</b>	
	2020	2019
	RM'000	RM'000
Estimated tax expense:		
Current	<u>461</u>	<u>427</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

	<b>3 months ended</b>	
	<b>March 31</b>	
	2020	2019
	RM'000	RM'000
Interest on short-term deposits	769	642
Gain/ (loss) on disposal of property, plant and equipment	31	17
Net foreign exchange gain/ (loss)	2,244	(521)
Miscellaneous income	137	209
	<u>3,181</u>	<u>347</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 13, 2020.

## 21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of March 31, 2020.

## 22. FINANCIAL INSTRUMENTS

As of March 31, 2020, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD14,900,000 at approximately RM4.2191 per United States Dollar. The settlement will complete in March 2021.

As of March 31, 2020, 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	14,900	62,864	(1,465)

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

<b>Type of Financial Assets</b>	<b>Cumulative 3 months ended March 31 RM'000</b>
Foreign Currency Forward Contracts	
- Realised gain / (loss)	(861)
- Unrealised gain / (loss)	(1,465)
	<u>(1,465)</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, 2019.

### 24. DIVIDENDS DECLARED OR PAYABLE

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.

As of the date of this announcement, there were no dividends declared or payable for the year ending December 31, 2020.

### 25. TRADE AND OTHER RECEIVABLES

	<b>3 months ended March 31 RM'000</b>
Trade receivables	12,631
Interest receivable	509
Other receivables	13
	<u>13,153</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>3 months ended March 31</b>
	RM'000
Neither past due nor impaired	8,260
1 to 30 days past due but not impaired	3,690
31 to 60 days past due but not impaired	585
61 to 90 days past due but not impaired	12
More than 90 days past due but not impaired	84
	<u><b>12,631</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:

	<b>3 months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
Profit for the period attributable to owners of the Company (RM)	<b>16,029</b>	15,934
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	<b>449,110</b>	448,697
Basic earnings per share (sen)	<u><b>3.57</b></u>	<u>3.55</u>

### *Diluted earnings per share*

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

	<b>3 months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
Profit for the period attributable to owners of the Company (RM)	<b>16,029</b>	15,934
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	<b>449,110</b>	448,697
Shares deemed to be issued for no consideration in respect of employee share options (unit)	<b>3,817</b>	4,762
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	<u><b>452,927</b></u>	<u>453,459</u>
Diluted earnings per share (sen)	<u><b>3.54</b></u>	<u>3.51</u>