

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

MFRSs and Amendments to MFRSs	Effective for annual period beginning on or after
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 except the issuance of 2,316,100 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	
	2020	2019
	RM'000	RM'000
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
Interim tax exempt dividend of 7.5 Sen per share, for 2019	33,683	-
Second interim tax exempt dividend of 8.5 Sen per share, for 2019	38,183	-
	<u>71,866</u>	<u>62,827</u>

8. REVENUE

	12 months ended December 31		12 months ended December 31	
	2020	2019	2020	2019
	RM'000	RM'000	USD'000	USD'000
Revenue	<u>155,256</u>	<u>156,673</u>	<u>37,123</u>	<u>37,802</u>

	3 months ended December 31		3 months ended December 31	
	2020	2019	2020	2019
	RM'000	RM'000	USD'000	USD'000
Revenue	<u>53,564</u>	<u>39,443</u>	<u>12,975</u>	<u>9,436</u>

9. SEGMENT INFORMATION

Segment revenue and results

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
12 months ended December 31, 2020					
Revenue					
External sales	-	155,256	-	-	155,256
Inter-segment sales	76,484	-	908	(77,392)	-
Total revenue	<u>76,484</u>	<u>155,256</u>	<u>908</u>	<u>(77,392)</u>	<u>155,256</u>
Results					
Profit/(loss) before tax	74,862	84,442	310	(74,965)	84,649
Income tax expense	(307)	(449)	(75)	9	(822)
Net profit/(loss) for the year	<u>74,555</u>	<u>83,993</u>	<u>235</u>	<u>(74,956)</u>	<u>83,827</u>
12 months ended December 31, 2019					
Revenue					
External sales	-	156,673	-	-	156,673
Inter-segment sales	62,085	-	1,068	(63,153)	-
Total revenue	<u>62,085</u>	<u>156,673</u>	<u>1,068</u>	<u>(63,153)</u>	<u>156,673</u>
Results					
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	<u>60,172</u>	<u>75,649</u>	<u>218</u>	<u>(60,091)</u>	<u>75,948</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, 2020					
Assets					
Segment assets	160,977	196,576	9,339	(116,250)	250,642
Income tax asset	158	773	38	-	969
Consolidated total assets	161,135	197,349	9,377	(116,250)	251,611
Liabilities					
Segment liabilities	34,952	96,786	236	(60,839)	71,135
Income tax liabilities	-	811	2	290	1,103
Consolidated total liabilities	34,952	97,597	238	(60,549)	72,238

Revenue from major products and services

	12 months ended December 31	
	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	149,630	138,493
Touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipments	3,923	15,956
Others	1,703	2,224
	155,256	156,673

Geographical information

	12 months ended December 31	
	2020 RM'000	2019 RM'000
Europe	151,178	148,098
Asia Pacific	3,206	6,675
United States of America	872	1,900
	155,256	156,673

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

	RM'000
12 months ended December 31, 2020	
Malaysia	223,735
People's Republic of China	27,876
	251,611

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

	RM'000
12 months ended December 31, 2020	
Malaysia	70,797
People's Republic of China	1,441
	72,238

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

The Group's revenue in RM for the year ended December 31, 2020 decreased by 1% to RM155.3 million as compared to that of the year ended December 31, 2019 (Revenue: RM156.7 million) mainly due to lower sales volume in consequence of the unfavourable global economic condition and the impact of COVID-19 pandemic.

Despite the decrease in revenue, the Group recorded a 7% increase in profit before taxation for the year ended December 31, 2020, to RM84.6 million from RM79.0 million. This was mainly due to the decrease in average fixed and variable costs, and the increase in net fair value gain on derivative financial instruments of RM2.0 million accounted for the current financial year, as opposed to the net fair value gain on derivative financial instruments of RM0.6 million for the year ended December 31, 2019.

There were no significant changes to the cost structure as material consumption made up the highest percentage of the Group's expenditure at 62%, followed by employee benefit expenses at 21%, and depreciation and amortization at 8%.

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

	Current Quarter	Immediate Preceding Quarter	Changes
	December 31, 2020	September 30, 2020	
	RM'000	RM'000	%
Revenue	53,564	40,418	33
Operating profit	31,280	21,521	45
Profit before tax	32,359	23,818	36
Profit after tax	32,331	23,716	36

The Group recorded a profit before taxation of RM32.4 million for the current quarter as compared to RM23.8 million in the immediate preceding quarter ended September 30, 2020 mainly due to increase in demand for the Group's products and services.

16. COMMENTARY ON CURRENT YEAR PROSPECT

Barring any unforeseeable impacts that may be caused by the COVID-19 pandemic and/or by the US-China conflict, the Group expects a low single digit of revenue growth in USD for the financial year ending December 31, 2021.

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.

Nevertheless, 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Estimated tax expense:				
Current	<u>28</u>	<u>791</u>	<u>822</u>	<u>3,097</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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest on short-term deposits	505	838	2,574	2,977
Gain/ (loss) on disposal of property, plant and equipment	95	26	319	108
Net foreign exchange gain/ (loss)	(2,116)	(1,070)	(1,397)	(314)
Miscellaneous income	307	145	1,181	673
	<u>(1,209)</u>	<u>(61)</u>	<u>2,677</u>	<u>3,444</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 17, 2021.

21. GROUP BORROWINGS AND DEBT SECURITIES

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

22. FINANCIAL INSTRUMENTS

As of December 31, 2020, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD18,400,000 at approximately RM4.2162 per United States Dollar. The settlement will complete in December 2021.

As of December 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	18,400	77,579	3,246

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)	521	(1,263)
- Unrealised gain / (loss)	1,767	3,246

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

An interim dividend of 7.5 Sen per share, exempt from income tax for the year ended December 31, 2020, has been paid on January 26, 2021 to depositors registered in the Record of Depositors at the closed of business on December 31, 2020.

As of the date of this announcement, the Board of Directors proposed a final dividend of 9.5 Sen per share, exempt from income tax for the year ended December 31, 2020. 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	18,495
Interest receivable	336
Other receivables	3
	<u>18,834</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
Neither past due nor impaired	16,190
1 to 30 days past due but not impaired	1,991
31 to 60 days past due but not impaired	314
	18,495

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	
	2020	2019	2020	2019
	'000	'000	'000	'000
Profit for the period attributable to owners of the Company (RM)	32,331	19,710	83,827	75,948
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	449,207	448,705	449,246	448,782
Basic earnings per share (sen)	7.20	4.39	18.66	16.92

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	
	2020	2019	2020	2019
	'000	'000	'000	'000
Profit for the period attributable to owners of the Company (RM)	32,331	19,710	83,827	75,948
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	449,207	448,705	449,246	448,782
Shares deemed to be issued for no consideration in respect of employee share options (unit)	-	-	2,933	4,419
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	449,207	448,705	452,179	453,201
Diluted earnings per share (sen)	7.20	4.39	18.54	16.76