

**NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD ENDED JUNE 30, 2021**

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, 2020 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 116 Property, plant and Equipment – Proceeds before Intended Use	January 1, 2022
Amendments to MFRS 137 Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Amendments to MFRS 3 Reference to the Conceptual Framework	January 1, 2022
Annual improvements to Amendments to MFRS 1 First-time Adoption of MFRS Standards 2018-2020 Malaysian Financial Reporting Standards, MFRS 9 Financial Instruments, MFRS 16 Leases and MFRS 141 Agriculture	January 1, 2023
MFRS 17 Insurance Contracts	January 1, 2023
Amendments to MFRS 4 Extension of the Temporary Exemption from Applying MFRS 9 Financial Instruments	January 1, 2023
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to MFRS 101 Disclosure of Accounting Policies and MFRS Practice Statement 2	January 1, 2023
Amendments to MFRS 108 Definition of Accounting Estimates	January 1, 2023
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

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2020.

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, 2021 as follows:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 : Interest Rate Benchmark Reform – Phase 2

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 1,258,200 new ordinary shares for cash pursuant to the Employees' Share Option Scheme of the Company at exercise price ranging from RM1.57 to RM2.78 per ordinary shares.

7. DIVIDENDS PAID

	6 months ended June 30	
	2021	2020
	RM'000	RM'000
Interim tax exempt dividend of 7.5 Sen per share, for 2019	-	33,683
Interim tax exempt dividend of 7.5 Sen per share, for 2020	33,857	-
	33,857	33,683

8. REVENUE

	6 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
	RM'000	RM'000	USD'000	USD'000
Revenue	81,568	61,274	19,958	14,580
	3 months ended June 30		3 months ended June 30	
	2021	2020	2021	2020
	RM'000	RM'000	USD'000	USD'000
Revenue	41,961	25,721	10,153	5,956

9. SEGMENT INFORMATION

Segment revenue and results

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
6 months ended June 30, 2021					
Revenue					
External sales	-	81,568	-	-	81,568
Inter-segment sales	806	-	453	(1,259)	-
Total revenue	806	81,568	453	(1,259)	81,568
Results					
Profit/(loss) before tax	(426)	44,442	(81)	(12)	43,923
Income tax expense	(117)	(186)	(23)	-	(326)
Net profit/(loss) for the year	(543)	44,256	(104)	(12)	43,597
6 months ended June 30, 2020					
Revenue					
External sales	-	61,274	-	-	61,274
Inter-segment sales	846	-	305	(1,151)	-
Total revenue	846	61,274	305	(1,151)	61,274

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
6 months ended June 30, 2020					
Results					
Profit/(loss) before tax	175	28,254	29	14	28,472
Income tax expense	(248)	(407)	(37)	-	(692)
Net profit/(loss) for the year	(73)	27,847	(8)	14	27,780

**Segment assets and liabilities
6 months ended June 30, 2021**

Assets					
Segment assets	128,786	186,086	9,317	(59,251)	264,938
Income tax asset	195	1,036	49	-	1,280
Consolidated total assets	128,981	187,122	9,366	(59,251)	266,218
Liabilities					
Segment liabilities	44,014	40,807	330	(3,788)	81,363
Income tax liabilities	-	807	-	290	1,097
Consolidated total liabilities	44,014	41,614	330	(3,498)	82,460

Revenue from major products and services

	6 months ended June 30	
	2021 RM'000	2020 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	79,923	58,381
Touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipments	1,119	2,519
Others	526	374
	81,568	61,274

Geographical information

	6 months ended June 30	
	2021 RM'000	2020 RM'000
Europe	79,381	59,355
Asia Pacific	1,661	1,542
United States of America	526	377
	81,568	61,274

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

	RM'000
6 months ended June 30, 2021	
Malaysia	238,432
People's Republic of China	27,786
	<u>266,218</u>

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

	RM'000
6 months ended June 30, 2021	
Malaysia	81,409
People's Republic of China	<u>1,051</u>
	<u><u>82,460</u></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, 2020.

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, 2020.

14. PERFORMANCE REVIEW

The Group's revenue in USD and Profit Before Tax for the quarter ended June 30, 2021 increased by 70% and 97% to USD10.2 million and RM23.6 million as compared to that of the quarter ended June 30, 2020 (Revenue: USD6.0 million; Profit Before Tax: RM12.0 million) mainly due to higher demand for the Group's products and services.

There were no significant changes to the cost structure as material consumption made up the highest percentage of the Group's expenditure at 63%, followed by employee benefit expenses at 23%, and depreciation and amortization at 8%.

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

	Current Quarter	Immediate Preceding Quarter	Changes
	June 30, 2021	March 31, 2021	
	RM'000	RM'000	%
Revenue	41,961	39,607	6
Operating profit	22,823	20,077	14
Profit before tax	23,599	20,324	16
Profit after tax	23,425	20,172	16

The Group recorded a profit before taxation of RM23.6 million for the current quarter as compared to RM20.3 million in the immediate preceding quarter ended March 31, 2021 mainly due to:

- a. increase in demand for the Group's products and services (Revenue for 3 months ended June 30, 2021: USD10.2 million; March 31, 2021: USD9.8 million); and
- b. appreciation of USD against Ringgit Malaysia during the reporting period (June 30, 2021: RM4.1329:USD1.00; March 31, 2021: RM4.0394:USD1.00); and
- c. the net fair value gain on derivative financial instruments of RM0.3 million (Note 22) accounted for in the quarter ended June 30, 2021 as opposed to the net fair value loss on derivative financial instruments of RM2.6 million for the quarter ended March 31, 2021.

16. COMMENTARY ON CURRENT YEAR PROSPECT

Barring any unforeseeable impacts, mainly those caused by the COVID-19 pandemic and/or geopolitical conflicts, the Group expects a high 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		6 months ended	
	June 30		June 30	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Estimated tax expense:				
Current	<u>174</u>	<u>231</u>	<u>326</u>	<u>692</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		6 months ended	
	June 30		June 30	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Interest on short-term deposits	531	745	976	1,514
Gain/ (loss) on disposal of property, plant and equipment	(21)	(3)	(37)	28
Net foreign exchange gain/ (loss)	(145)	(758)	1,999	1,486
Miscellaneous income	145	287	388	424
	<u>510</u>	<u>271</u>	<u>3,326</u>	<u>3,452</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 August 18, 2021.

21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of June 30, 2021.

22. FINANCIAL INSTRUMENTS

As of June 30, 2021, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD17,600,000 at approximately RM4.1194 per United States Dollar. The settlement will complete in May 2022.

As of June 30, 2021, 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	17,600	72,502	(918)

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 June 30 RM'000	Cumulative 6 months ended June 30 RM'000
Foreign Currency Forward Contracts		
- Realised gain / (loss)	326	(1,384)
- Unrealised gain / (loss)	<u>(59)</u>	<u>(918)</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, 2020.

24. DIVIDENDS DECLARED OR PAYABLE

A final dividend of 9.5 Sen per share, exempt from income tax for the year ended December 31, 2020, has been paid on July 22, 2021 to depositors registered in the Record of Depositors at the closed of business on June 30, 2021.

As of the date of this announcement, there were no dividends declared or payable for the year ending December 31, 2021.

25. TRADE AND OTHER RECEIVABLES

	6 months ended June 30 RM'000
Trade receivables	11,229
Interest receivable	551
Other receivables	1
	<u>11,781</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:

	6 months ended June 30 RM'000
Neither past due nor impaired	8,793
1 to 30 days past due but not impaired	1,898
31 to 60 days past due but not impaired	326
61 to 90 days past due but not impaired	212
	<u><u>11,229</u></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 June 30		6 months ended June 30	
	2021 '000	2020 '000	2021 '000	2020 '000
Profit for the period attributable to owners of the Company (RM)	23,425	11,751	43,597	27,780
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	451,757	449,115	452,009	449,115
Basic earnings per share (sen)	<u>5.19</u>	<u>2.62</u>	<u>9.65</u>	<u>6.19</u>

Diluted earnings per share

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

	3 months ended June 30		6 months ended June 30	
	2021 '000	2020 '000	2021 '000	2020 '000
Profit for the period attributable to owners of the Company (RM)	23,425	11,751	43,597	27,780
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	451,757	449,115	452,009	449,115
Shares deemed to be issued for no consideration in respect of employee share options (unit)	-	-	3,368	3,600
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	<u>451,757</u>	<u>449,115</u>	<u>455,377</u>	<u>452,715</u>
Diluted earnings per share (sen)	<u>5.19</u>	<u>2.62</u>	<u>9.57</u>	<u>6.14</u>