

**NOTES TO THE FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**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 interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2021.

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, 2023
Amendments to MFRS 17 Insurance Contracts	January 1, 2023
Amendments to MFRS 17 Initial Application of MFRS 17 Insurance Contracts and MFRS 9 Financial Instruments – Comparative Information	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

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, 2022 as follows:

- Amendments to MFRS 3 : Reference to the Conceptual Framework
- Amendments to MFRS 116 : Property, plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137 : Onerous Contracts – Cost of Fulfilling a Contract
- Annual improvements to MFRS Standards 2018-2020 : Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9 Financial Instruments, MFRS 16 Leases and MFRS 141 Agriculture

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 3,102,200 new ordinary shares for cash pursuant to the Employees' Share Option Scheme of the Company at exercise price ranging from RM1.57 to RM2.95 per ordinary shares.

#### 7. DIVIDENDS PAID

	12 months ended December 31	
	2022	2021
	RM'000	RM'000
Interim tax exempt dividend of 7.5 Sen per share, for 2020	-	33,857
Final tax exempt dividend of 9.5 Sen per share, for 2020	-	43,005
Interim tax exempt dividend of 9 Sen per share, for 2021	40,754	-
Final tax exempt dividend of 11 Sen per share, for 2021	49,826	-
	<u>90,580</u>	<u>76,862</u>

#### 8. REVENUE

	12 months ended December 31		12 months ended December 31	
	2022	2021	2022	2021
	RM'000	RM'000	USD'000	USD'000
Revenue	<u>214,320</u>	<u>168,509</u>	<u>48,924</u>	<u>40,765</u>

  

	3 months ended December 31		3 months ended December 31	
	2022	2021	2022	2021
	RM'000	RM'000	USD'000	USD'000
Revenue	<u>54,565</u>	<u>42,533</u>	<u>11,825</u>	<u>10,177</u>

#### 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, 2022</b>					
<b>Revenue</b>					
External sales	-	214,320	-	-	214,320
Inter-segment sales	141,754	-	1,012	(142,766)	-
Total revenue	<u>141,754</u>	<u>214,320</u>	<u>1,012</u>	<u>(142,766)</u>	<u>214,320</u>
<b>Results</b>					
Profit/(loss) before tax	138,577	129,333	96	(140,064)	127,942
Income tax expense	(245)	(2,871)	24	9	(3,083)
Net profit/(loss) for the year	<u>138,332</u>	<u>126,462</u>	<u>120</u>	<u>(140,055)</u>	<u>124,859</u>

### 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, 2021</b>					
<b>Revenue</b>					
External sales	-	168,509	-	-	168,509
Inter-segment sales	96,643	-	916	(97,559)	-
<b>Total revenue</b>	<b>96,643</b>	<b>168,509</b>	<b>916</b>	<b>(97,559)</b>	<b>168,509</b>
<b>Results</b>					
Profit/(loss) before tax	94,245	92,944	8	(95,027)	92,170
Income tax expense	(187)	(497)	(59)	9	(734)
<b>Net profit/(loss) for the year</b>	<b>94,058</b>	<b>92,447</b>	<b>(51)</b>	<b>(95,018)</b>	<b>91,436</b>

### Segment assets and liabilities

#### 12 months ended December 31, 2022

#### Assets

Segment assets	235,779	225,461	9,333	(159,430)	311,143
Income tax asset	187	69	85	-	341
<b>Consolidated total assets</b>	<b>235,966</b>	<b>225,530</b>	<b>9,418</b>	<b>(159,430)</b>	<b>311,484</b>

#### Liabilities

Segment liabilities	55,983	138,693	199	(103,002)	91,873
Income tax liabilities	-	1,200	-	273	1,473
<b>Consolidated total liabilities</b>	<b>55,983</b>	<b>139,893</b>	<b>199</b>	<b>(102,729)</b>	<b>93,346</b>

### Revenue from major products and services

	12 months ended December 31	
	2022 RM'000	2021 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>194,881</b>	164,944
Touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipments	<b>3,322</b>	2,340
Others	<b>16,117</b>	1,225
	<b>214,320</b>	<b>168,509</b>

### Geographical information

	12 months ended December 31	
	2022 RM'000	2021 RM'000
Europe	<b>208,874</b>	163,055
Asia Pacific	<b>3,775</b>	4,304
United States of America	<b>1,671</b>	1,150
	<b>214,320</b>	<b>168,509</b>

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

	<b>RM'000</b>
<b>12 months ended December 31, 2022</b>	
Malaysia	283,756
People's Republic of China	27,728
	<u>311,484</u>

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

	<b>RM'000</b>
<b>12 months ended December 31, 2022</b>	
Malaysia	91,915
People's Republic of China	1,431
	<u>93,346</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, 2021.

#### 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, 2021.

#### 14. PERFORMANCE REVIEW

The Group's revenue in RM and Profit Before Tax for the year ended December 31, 2022 increased by 27% and 39% to RM214.3 million and RM127.9 million as compared to that of the year ended December 31, 2021 (Revenue: RM168.5 million; Profit Before Tax: RM92.2 million) mainly due to higher demand for the Group's products and services and the appreciation of USD against Ringgit Malaysia during the reporting quarter. (December 31, 2022: RM4.3807:USD1.00; December 31, 2021: RM4.1337:USD1.00)

There were no significant changes to the cost structure as material consumption made up the highest percentage of the Group's expenditure at 67%, followed by employee benefit expenses at 17%, and depreciation and amortization at 6%.

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

	<b>Current Quarter</b>	<b>Immediate Preceding Quarter</b>	<b>Changes</b>
	December 31, 2022	September 30, 2022	
	RM'000	RM'000	%
Revenue	54,565	54,680	-
Operating profit	32,845	32,313	2
Profit before tax	33,410	33,447	-
Profit after tax	32,686	32,513	1

There was no significant change in Profit before tax as compared to the immediate preceding quarter ended September 30, 2022 (December 31, 2022: RM33.4 million; September 30, 2022: RM33.4 million).

## 16. COMMENTARY ON CURRENT YEAR PROSPECT

Despite global economic recession caused mainly by factors such as COVID-19 pandemic, geopolitical conflicts, Russo-Ukrainian War, interest rate hike, and global inflation, the Group is cautiously optimistic that the revenue in USD terms for FY2023 is expected to remain flat compared to that in FY2022, unless any unforeseeable impacts occur.

The Group anticipates no significant changes in geographical distribution and product groups' revenue contributions ratio, although performance may be affected by factors such as fluctuations in USD, material shortages, and changes in material and labor costs.

Nonetheless, the Group is confident in remaining profitable with 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		12 months ended	
	December 31		December 31	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Estimated tax expense:				
Current	<u>724</u>	<u>183</u>	<u>3,083</u>	<u>734</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 from January 1, 2018 to December 31, 2022.

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		12 months ended	
	December 31		December 31	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest on short-term deposits	<b>1,380</b>	679	<b>3,653</b>	2,197
Gain/ (loss) on disposal of property, plant and equipment	-	45	<b>13</b>	8
Net foreign exchange gain/ ( loss)	<b>(3,418)</b>	(143)	<b>4,116</b>	2,339
Miscellaneous income	<b>237</b>	197	<b>1,027</b>	727
Gain/ (loss) on termination of right-of-use assets	-	-	<b>1</b>	-
	<u><b>(1,801)</b></u>	<u>778</u>	<u><b>8,810</b></u>	<u>5,271</u>

## 20. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT YET TO BE COMPLETED

With reference to our general announcement on September 28, 2022, Uchi Optoelectronic (M) Sdn. Bhd., a wholly-owned subsidiary of UCHITEC, had entered into a conditional Sale and Purchase Agreement with XFS Sdn Bhd ("XFS") to dispose of all that piece of leasehold land situated in Mukim 01, Daerah Seberang Perai Tengah, Negeri Pulau Pinang and known as No. PT 3054 held under H.S.(D) No. 42844, measuring approximately 12999.4855 square meters together with factory building and structure erected thereon bearing assessment address of No. 2728, Tingkat Perusahaan 4A, Kawasan Perusahaan Perai, 13600 Perai, Pulau Pinang to XFS at a total cash consideration of Ringgit Malaysia Nineteen Million (RM19,000,000.00) only.

Save as disclosed above, there were no corporate proposals announced but yet to be completed as of February 21, 2023.

## 21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of December 31, 2022.

## 22. FINANCIAL INSTRUMENTS

As of December 31, 2022, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD19,200,000 at approximately RM4.3782 per United States Dollar. The settlement will complete in December 2023.

As of December 31, 2022, 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	19,200	84,061	(70)

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)	(2,748)	(5,223)
- Unrealised gain / (loss)	5,114	(70)

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, 2021.

## 24. DIVIDENDS DECLARED OR PAYABLE

An interim dividend of 12 Sen per share, exempt from income tax for the year ended December 31, 2022, has been paid on January 19, 2023 to depositors registered in the Record of Depositors at the closed of business on December 30, 2022.

As of the date of this announcement, the Board of Directors proposed a final dividend of 13 Sen per share, exempt from income tax for the year ended December 31, 2022. 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 RM'000</b>
Trade receivables	11,300
Interest receivable	1,652
Other receivables	1,360
	<u><b>14,312</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 RM'000</b>
Neither past due nor impaired	9,909
1 to 30 days past due but not impaired	1,119
31 to 60 days past due but not impaired	216
61 to 90 days past due but not impaired	56
	<u><b>11,300</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 December 31</b>		<b>12 months ended December 31</b>	
	<b>2022 '000</b>	<b>2021 '000</b>	<b>2022 '000</b>	<b>2021 '000</b>
Profit for the period attributable to owners of the Company (RM)	<b>32,686</b>	23,335	<b>124,859</b>	91,436
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	<b>453,289</b>	451,549	<b>453,386</b>	452,361
Basic earnings per share (sen)	<u><b>7.21</b></u>	<u>5.17</u>	<u><b>27.54</b></u>	<u>20.21</u>

***Diluted earnings per share***

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

	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</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>32,686</b>	23,335	<b>124,859</b>	91,436
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	<b>453,289</b>	451,549	<b>453,386</b>	452,361
Shares deemed to be issued for no consideration in respect of employee share options (unit)	-	-	<b>3,024</b>	3,340
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	<b>453,289</b>	451,549	<b>456,410</b>	455,701
Diluted earnings per share (sen)	<b>7.21</b>	5.17	<b>27.36</b>	20.07