

**NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD ENDED MARCH 31, 2023**

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, 2022.

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 16 Lease Liability in a Sale and Leaseback | January 1, 2024 |
| Amendments to MFRS 101 Non-current Liabilities with Covenants | January 1, 2024 |
| 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, 2023 as follows:

- MFRS 17 : Insurance Contracts
- Amendments to MFRS 17 : Insurance Contracts
- Amendments to MFRS 17 : Initial Application of MFRS 17 Insurance Contracts and MFRS 9 Financial Instruments – Comparative Information
- Amendments to MFRS 4 : Extension of the Temporary Exemption from Applying MFRS 9 Financial Instruments
- Amendments to MFRS 101 : Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101 and MFRS Practice Statement 2 : Disclosure of Accounting Policies
- Amendments to MFRS 108 : Definition of Accounting Estimates
- Amendments to MFRS 112 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 73,800 new ordinary shares for cash pursuant to the Employees' Share Option Scheme of the Company at exercise price ranging from RM1.57 to RM1.67 per ordinary shares.

7. DIVIDENDS PAID

| | 3 months ended March 31 | |
|---|-------------------------|---------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Interim tax exempt dividend of 9 Sen per share, for 2021 | - | 40,754 |
| Interim tax exempt dividend of 12 Sen per share, for 2022 | 54,711 | - |
| | <u>54,711</u> | <u>40,754</u> |

8. REVENUE

| | 3 months ended March 31 | | 3 months ended March 31 | |
|---------|----------------------------|---------------|----------------------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | USD'000 | USD'000 |
| Revenue | <u>57,432</u> | <u>47,941</u> | <u>13,177</u> | <u>11,443</u> |

9. SEGMENT INFORMATION

Segment revenue and results

| | Investment holding RM'000 | Manufacturing RM'000 | Trading RM'000 | Eliminations RM'000 | Total RM'000 |
|--------------------------------------|---------------------------------|-------------------------|-------------------|------------------------|-----------------|
| 3 months ended March 31, 2023 | | | | | |
| Revenue | | | | | |
| External sales | - | 57,432 | - | - | 57,432 |
| Inter-segment sales | 457 | - | 279 | (736) | - |
| Total revenue | <u>457</u> | <u>57,432</u> | <u>279</u> | <u>(736)</u> | <u>57,432</u> |
| Results | | | | | |
| Profit/(loss) before tax | (1,559) | 47,514 | 1 | 58 | 46,014 |
| Income tax expense | (134) | (8,085) | 5 | - | (8,214) |
| Net profit/(loss) for the year | <u>(1,693)</u> | <u>39,429</u> | <u>6</u> | <u>58</u> | <u>37,800</u> |

Segment revenue and results

3 months ended March 31, 2022

| | Investment holding RM'000 | Manufacturing RM'000 | Trading RM'000 | Eliminations RM'000 | Total RM'000 |
|--------------------------------|---------------------------------|-------------------------|-------------------|------------------------|-----------------|
| Revenue | | | | | |
| External sales | - | 47,941 | - | - | 47,941 |
| Inter-segment sales | 447 | - | 202 | (649) | - |
| Total revenue | <u>447</u> | <u>47,941</u> | <u>202</u> | <u>(649)</u> | <u>47,941</u> |
| Results | | | | | |
| Profit/(loss) before tax | (1,111) | 28,214 | (75) | (9) | 27,019 |
| Income tax expense | (40) | (195) | (12) | - | (247) |
| Net profit/(loss) for the year | <u>(1,151)</u> | <u>28,019</u> | <u>(87)</u> | <u>(9)</u> | <u>26,772</u> |

Segment assets and liabilities

| | Investment holding RM'000 | Manufacturing RM'000 | Trading RM'000 | Eliminations RM'000 | Total RM'000 |
|---------------------------------------|--------------------------------------|---------------------------------|---------------------------|--------------------------------|-------------------------|
| 3 months ended March 31, 2023 | | | | | |
| Assets | | | | | |
| Segment assets | 181,712 | 206,788 | 9,343 | (100,222) | 297,621 |
| Income tax asset | 172 | 70 | 94 | - | 336 |
| Consolidated total assets | 181,884 | 206,858 | 9,437 | (100,222) | 297,957 |
| Liabilities | | | | | |
| Segment liabilities | 1,979 | 72,370 | 203 | (43,031) | 31,521 |
| Income tax liabilities | 57 | 8,181 | - | 273 | 8,511 |
| Consolidated total liabilities | 2,036 | 80,551 | 203 | (42,758) | 40,032 |

Revenue from major products and services

| | 3 months ended March 31 | |
|-----------------------|------------------------------------|------------------------|
| | 2023 RM'000 | 2022 RM'000 |
| Art-of-Living segment | 51,775 | 42,140 |
| Biotechnology segment | 5,650 | 5,800 |
| Others | 7 | 1 |
| | 57,432 | 47,941 |

Geographical information

| | 3 months ended March 31 | |
|--------------------------|------------------------------------|------------------------|
| | 2023 RM'000 | 2022 RM'000 |
| Europe | 55,576 | 46,929 |
| Asia Pacific | 1,232 | 553 |
| United States of America | 624 | 459 |
| | 57,432 | 47,941 |

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

| | RM'000 |
|--------------------------------------|----------------|
| 3 months ended March 31, 2023 | |
| Malaysia | 270,957 |
| People's Republic of China | 27,000 |
| | 297,957 |

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

| | RM'000 |
|--------------------------------------|---------------|
| 3 months ended March 31, 2023 | |
| Malaysia | 38,754 |
| People's Republic of China | 1,278 |
| | 40,032 |

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, 2022.

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, 2022.

14. PERFORMANCE REVIEW

The Group's revenue in RM and Profit Before Tax for the quarter ended March 31, 2023 increased by 20% and 70% to RM57.4 million and RM46.0 million as compared to that of the quarter ended March 31, 2022 (Revenue: RM47.9 million; Profit Before Tax: RM27.0 million) mainly due to higher demand for the Group's products and services and gain of RM11.3 million arising from disposal of assets held for sale.

Income tax expenses for the quarter ended March 31, 2023 increased to RM8.2 million due to an increase in income generated from non-pioneer products.

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 22%, and depreciation and amortization at 4%.

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

| | Current Quarter | Immediate Preceding Quarter | Changes |
|-------------------|------------------------|------------------------------------|----------------|
| | March 31, 2023 | December 31, 2022 | |
| | RM'000 | RM'000 | % |
| Revenue | 57,432 | 54,565 | 5 |
| Operating profit | 32,601 | 32,845 | (1) |
| Profit before tax | 46,014 | 33,410 | 38 |
| Profit after tax | 37,800 | 32,686 | 16 |

The Group recorded a Profit before tax of RM46.0 million for the current quarter as compared to RM33.4 million in the immediate preceding quarter ended December 31, 2022 mainly due to:

- a) increase in demand for the Group's products and services (Revenue for 3 months ended March 31, 2023: USD13.2 million; December 31, 2022: USD11.8 million); and
- b) gain of RM11.3 million arising from disposal of assets held for sale.

16. COMMENTARY ON CURRENT YEAR PROSPECT

Despite the global economic slowdown caused mainly by factors such as geopolitical conflicts, the Russo-Ukrainian War, interest rate hike, global inflation and other consequences of the COVID-19 aftermath, the Group is cautiously optimistic that the revenue in USD terms for FY2023 is expected to remain flat compared to 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 | |
|------------------------|-----------------------|------------|
| | March 31 | |
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Estimated tax expense: | | |
| Current | <u>8,214</u> | <u>247</u> |

The Group income tax for the period under review reflects an effective tax rate that is lower than the statutory income tax rate mainly due to the following reasons:

- i. The gain on disposal of assets held for sale is not subject to income tax; and
- ii. A subsidiary company was granted pioneer status for certain products manufactured by the subsidiary company as mentioned below.

On January 9, 2023, one of the 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 configurable presence and distance sensing time-of-flight (CPDS-ToF) module. Under this incentive, upon certain terms and conditions being fulfilled, 100% of the statutory income derived from the design, development and manufacture of the aforesaid products will be exempted from income tax for a period of five years commencing from the production day which will be fixed by the authorities at a later date.

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 | |
|---|-----------------------|--------------|
| | March 31 | |
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Gain on disposal of assets held for sale (Refer note 20) | 11,323 | - |
| Interest on short-term deposits | 1,591 | 533 |
| Net foreign exchange gain/ (loss) | 118 | 296 |
| Gain/ (loss) on disposal of property, plant and equipment | (2) | (38) |
| Gain/ (loss) on termination of right-of-use assets | - | 1 |
| Miscellaneous income | 351 | 316 |
| | <u>13,381</u> | <u>1,108</u> |

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

With reference to our general announcement on September 28, 2022 and March 28, 2023, Uchi Optoelectronic (M) Sdn. Bhd., a wholly-owned subsidiary of UCHITEC, had completed the disposal of property consist 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 Sdn Bhd 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 May 16, 2023.

21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of March 31, 2023.

22. FINANCIAL INSTRUMENTS

As of March 31, 2023, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD20,250,000 at approximately RM4.3753 per United States Dollar. The settlement will complete in March 2024.

As of March 31, 2023, 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 | 20,250 | 88,601 | 87 |

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

| Type of Financial Assets | Cumulative 3 months ended March 31 RM'000 |
|------------------------------------|--|
| Foreign Currency Forward Contracts | |
| - Realised gain / (loss) | (55) |
| - Unrealised gain / (loss) | <u>87</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, 2022.

24. DIVIDENDS DECLARED OR PAYABLE

A second interim dividend of 13 Sen per share, exempt from income tax and a special interim dividend of 5 Sen per share, exempt from income tax for the year ended December 31, 2022, will be paid on May 26, 2023 to depositors registered in the Record of Depositors at the closed of business on May 15, 2023.

As of the date of this announcement, there were no dividends declared or payable for the year ending December 31, 2023.

25. TRADE AND OTHER RECEIVABLES

| | 3 months ended March 31 |
|---------------------|------------------------------------|
| | RM'000 |
| Trade receivables | 8,814 |
| Interest receivable | 836 |
| Other receivables | <u>7</u> |
| | <u>9,657</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:

| | 3 months ended March 31 |
|---|------------------------------------|
| | RM'000 |
| Neither past due nor impaired | 7,491 |
| 1 to 30 days past due but not impaired | 1,034 |
| 31 to 60 days past due but not impaired | <u>289</u> |
| | <u>8,814</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 March 31 | |
|--|------------------------------------|-------------|
| | 2023 | 2022 |
| | '000 | '000 |
| Profit for the period attributable to owners of the Company (RM) | 37,800 | 26,772 |
| Weighted average number of ordinary shares for the purposes of basic earnings per share (unit) | 455,966 | 452,820 |
| Basic earnings per share (sen) | <u>8.29</u> | <u>5.91</u> |

Diluted earnings per share

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

| | 3 months ended March 31 | |
|---|------------------------------------|----------------|
| | 2023 | 2022 |
| | '000 | '000 |
| Profit for the period attributable to owners of the Company (RM) | 37,800 | 26,772 |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit) | 455,966 | 452,820 |
| Shares deemed to be issued for no consideration in respect of employee share options (unit) | 3,800 | 3,746 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit) | <u>459,766</u> | <u>456,566</u> |
| Diluted earnings per share (sen) | <u>8.22</u> | <u>5.86</u> |