

**NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD ENDED JUNE 30, 2024**

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, 2023.

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 121 Lack of Exchangeability	January 1, 2025
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, 2024 as follows:

- Amendments to MFRS 16 : Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101 : Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101 : Non-current Liabilities with Covenants
- Amendments to MFRS 107 and MFRS 7 : Supplier Finance Arrangements

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 business 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 1,300,300 new ordinary shares for cash pursuant to the Employees' Share Option Scheme of the Company at exercise price ranging from RM1.57 to RM3.21 per ordinary share.

7. DIVIDENDS PAID

	6 months ended June 30	
	2024	2023
	RM'000	RM'000
Interim tax exempt dividend of 12 Sen per share, for 2022	-	54,711
Second interim tax exempt dividend of 13 Sen per share and a special interim tax exempt dividend of 5 Sen per share, for 2022	-	82,156
Third interim tax exempt dividend of 5 Sen per share, for 2023	22,996	-
Final single-tier dividend of 7.5 Sen per share, for 2023	34,563	-
	57,559	136,867

8. REVENUE

	6 months ended June 30		6 months ended June 30	
	2024	2023	2024	2023
	RM'000	RM'000	USD'000	USD'000
Revenue	121,277	115,244	25,817	26,076

	3 months ended June 30		3 months ended June 30	
	2024	2023	2024	2023
	RM'000	RM'000	USD'000	USD'000
Revenue	59,058	57,812	12,501	12,899

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, 2024					
Revenue					
External sales	-	121,277	-	-	121,277
Inter-segment sales	619	8,244	701	(9,564)	-
Total revenue	619	129,521	701	(9,564)	121,277
Results					
Profit/(loss) before tax	(286)	79,916	(49)	43	79,624
Income tax expense	(220)	(15,184)	(1)	-	(15,405)
Net profit/(loss) for the year	(506)	64,732	(50)	43	64,219
6 months ended June 30, 2023					
Revenue					
External sales	-	115,244	-	-	115,244
Inter-segment sales	753	4,125	560	(5,438)	-
Total revenue	753	119,369	560	(5,438)	115,244
Results					
Profit/(loss) before tax	(1,098)	84,189	39	80	83,210
Income tax expense	(302)	(16,717)	(18)	-	(17,037)
Net profit/(loss) for the year	(1,400)	67,472	21	80	66,173

Segment assets and liabilities

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Eliminations RM'000	Total RM'000
6 months ended June 30, 2024					
Assets					
Segment assets	135,415	198,877	9,766	(92,548)	251,510
Income tax asset	348	299	80	-	727
Consolidated total assets	135,763	199,176	9,846	(92,548)	252,237

Segment assets and liabilities

Liabilities					
Segment liabilities	1,590	63,172	479	(34,982)	30,259
Income tax liabilities	155	7,679	-	265	8,099
Consolidated total liabilities	1,745	70,851	479	(34,717)	38,358

Revenue from major products and services

	6 months ended June 30	
	2024 RM'000	2023 RM'000
Art-of-Living segment	112,608	103,790
Biotechnology segment	8,664	11,441
Others	5	13
	121,277	115,244

Geographical information

	6 months ended June 30	
	2024 RM'000	2023 RM'000
Europe	118,980	111,735
Asia Pacific	1,789	2,434
United States of America	508	1,075
	121,277	115,244

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

	RM'000
6 months ended June 30, 2024	
Malaysia	221,514
People's Republic of China	30,723
	252,237

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

	RM'000
6 months ended June 30, 2024	
Malaysia	35,963
People's Republic of China	2,395
	38,358

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, 2023.

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, 2023.

14. PERFORMANCE REVIEW

For the current financial quarter under review, the Group's revenue in Ringgit Malaysia (RM) increased by 2% to RM59.1 million and operating profit rose by 7% to RM38.0 million as compared to that of the quarter ended June 30, 2023 (Revenue: RM57.8 million; Operating Profit: RM35.6 million). This increase was primarily driven by the strengthening of United States Dollar (USD) against RM (June 30, 2024: RM4.7243:USD1.00; June 30, 2023:RM4.4819:USD1.00), despite revenue in USD for the reporting quarter decreased by 3% to USD12.5 million (June 30, 2023: USD12.9 million) as a consequence of lower sales 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 64%, followed by employee benefit expenses at 24%, and depreciation and amortization at 4%.

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

	Current Quarter	Immediate Preceding Quarter	Changes
	June 30, 2024	March 31, 2024	
	RM'000	RM'000	%
Revenue	59,058	62,219	(5)
Operating profit	37,974	38,145	-
Profit before tax	39,559	40,065	(1)
Profit after tax	32,170	32,049	-

Despite the reduction in revenue, there was no significant change in operating profit as compared to the immediate preceding quarter ended March 31, 2024 (June 30, 2024: RM38.0 million; March 31, 2024: RM38.1 million) mainly due to:

- A change in product mix;
- The strengthening of USD against RM during the reporting period (June 30, 2024: RM4.7243:USD1.00; March 31, 2024: RM4.6725:USD1.00); and
- The absence of expense related to equity-settled share-based payments in the current quarter, which contrasts with the RM0.96 million expense recognised in the quarter ended March 31, 2024. This expense was attributed to the fair value of share options granted to eligible employees under the Uchi Technologies Berhad's Employees' Share Option Scheme 2016.

16. COMMENTARY ON CURRENT YEAR PROSPECT

Based on the forecast and orders received, barring any unforeseen impacts, the Group anticipates a high-single digit decline in USD revenue for FY2024.

The Group expects no significant changes in the geographical distribution and the revenue contribution ratio of product groups, even though performance might be affected by factors such as fluctuations in the USD, material shortages, and changes in material and labor costs.

Nonetheless, the Group maintains confidence in sustaining profitability 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 June 30		6 months ended June 30	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Estimated tax expense:				
Current	<u>7,389</u>	<u>8,823</u>	<u>15,405</u>	<u>17,037</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 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 January 1, 2023.

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 June 30		6 months ended June 30	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Gain on disposal of assets held for sale	-	-	-	11,323
Interest on short-term deposits	1,970	1,971	3,822	3,562
Net foreign exchange gain/ (loss)	(167)	4,148	2,197	4,266
Gain/ (loss) on disposal of property, plant and equipment	-	-	357	(2)
Miscellaneous income	330	322	618	673
	<u>2,133</u>	<u>6,441</u>	<u>6,994</u>	<u>19,822</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 16, 2024.

21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of June 30, 2024.

22. FINANCIAL INSTRUMENTS

As of June 30, 2024, the foreign currency forward contracts, which the Group had entered into to sell and remain outstanding is USD21,000,000 at approximately RM4.6421 per United States Dollar. The settlement will complete in March 2025.

As of June 30, 2024, 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	21,000	97,484	(971)

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)	(1,149)	(2,518)
- Unrealised gain / (loss)	601	(971)

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, 2023.

24. DIVIDENDS DECLARED OR PAYABLE

A third interim dividend of 5 Sen per share, exempt from income tax for the year ended December 31, 2023, has been paid on March 27, 2024 to depositors registered in the Record of Depositors at the closed of business on March 13, 2024.

A final single-tier dividend of 7.5 Sen per share, for the year ended December 31, 2023, has been paid on June 26, 2024 to depositors registered in the Record of Depositors at the closed of business on June 10, 2024.

As of the date of this announcement, the Board of Directors declared a first interim single-tier dividend of 6.5 Sen per share, for the year ending December 31, 2024. The dates of the entitlement and payment for the aforesaid dividend are on September 9, 2024 and September 26, 2024 respectively.

25. TRADE AND OTHER RECEIVABLES

	6 months ended June 30 RM'000
Trade receivables	19,879
Interest receivable	738
Other receivables	2
	<u>20,619</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	17,336
1 to 30 days past due but not impaired	2,543
	<u><u>19,879</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	
	2024 '000	2023 '000	2024 '000	2023 '000
Profit for the period attributable to owners of the Company (RM)	32,170	28,373	64,219	66,173
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	459,861	456,090	460,043	456,134
Basic earnings per share (sen)	<u>6.99</u>	<u>6.22</u>	<u>13.96</u>	<u>14.51</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	
	2024 '000	2023 '000	2024 '000	2023 '000
Profit for the period attributable to owners of the Company (RM)	32,170	28,373	64,219	66,173
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	459,861	456,090	460,043	456,134
Shares deemed to be issued for no consideration in respect of employee share options (unit)	-	-	4,988	4,104
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	<u>459,861</u>	<u>456,090</u>	<u>465,031</u>	<u>460,238</u>
Diluted earnings per share (sen)	<u>6.99</u>	<u>6.22</u>	<u>13.81</u>	<u>14.38</u>