UCHI TECHNOLOGIES BERHAD
(Company No. 457890-A)
(Incorporated in Malaysia)

Reaching further

ANNUAL REPORT 2018

ISO 14001 ENVIRONMENTAL POLICY

Uchi is committed to protect the environment for future generations through:

Utmost effort in implementing and continuously improving our corporate Environmental Management System

Commitment towards preventing pollution, minimizing waste and consumption of natural resources through effective management of our activities, products and services

Highly honour compliance of Malaysian Environmental Laws and other applicable regulations to meet interested parties expectations

Incessantly educating employee on environmental awareness and responsibility

CONTENTS


SGS

Uchi Technologies (Dongguan) Co., Ltd.

ISO 14001:2015


SGS

宇琦光电(东莞)有限公司

ISO 14001:2015


SGS

UCHI Optoelectronic (M) Sdn. Bhd.

ISO 14001:2015

宇琦光电（东莞）有限公司
ISO14001环境方针

遵守法规
防污降耗
持续改进
宣导环保

致力于下一代更加美好的环境，宇琦光电（东莞）有限公司努力在商业活动、产品和服务中承诺：

1. 严格遵守中国环境法规和其他适用的要求。
2. 承诺努力污染预防，通过我们的商业活动，产品和服务的有效管理，尽量减少能资源的浪费和消耗。
3. 竭尽所能，实施并持续改进公司的环境保护管理体系。
4. 不断教育及培训职员工的环境意识和责任。

OHSAS 18001 OHSAS POLICY


SGS

Uchi Technologies (Dongguan) Co., Ltd.

OHSAS 18001:2007


SGS

宇琦光电(东莞)有限公司

OHSAS 18001:2007

Uchi is committed to prevent injury and ill health and enhance safety and healthy environment through...

Implementing OH&S Management System to minimize accidents;

Promote safety and health programme for continual improvement;

Complying with applicable OH&S legislation and other requirements; and

Educating employees on safety and health awareness and responsibility.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting of the Company will be held at the Laurel II, Level 1, Evergreen Laurel Hotel, 53 Persiaran Gurney, 10250 Georgetown, Penang on Tuesday, May 28, 2019 at 3.00 p.m. for the following purpose:

A G E N D A

1.	To receive the Audited Financial Statements of the Company for the year ended December 31, 2018 together with the Reports of the Directors and Auditors thereon.	**Please refer to Note 3**

As Ordinary Business

2.	To declare a Final Tax Exempt Dividend of 7 sen per share for the year ended December 31, 2018.	**Ordinary Resolution 1**
3.	To approve the payment of Directors' Fees of RM490,000 for the year ending December 31, 2019.	**Ordinary Resolution 2**
4.	To re-elect Mr. Tan Boon Hoe retiring under the provision of Article 131 of the Articles of Association of the Company.	**Ordinary Resolution 3**
5.	To re-appoint Messrs. Deloitte PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.	**Ordinary Resolution 4**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:

6. **Continuing in Office as an Independent Non-Executive Director**

"That authority be and is hereby given to Mr. Charlie Ong Chye Lee who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 5**

7. **Proposed Renewal of Share Buy-Back Authority**

"THAT subject to the provisions under the Companies Act 2016 ("the Act"), the Articles of Association of the Company and the Constitution of the Company being adopted upon passing of the Special Resolution below, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR") and the approvals of all relevant authorities (if any), the Company be and is hereby authorised to purchase such number of ordinary shares in the Company ("Uchi Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total number of issued shares of the Company as at the point of purchase ("Proposed Renewal of Share Buy-Back Authority").

THAT the maximum amount of funds to be utilised for the purpose of the Proposed Renewal of Share Buy-Back Authority shall not exceed the Company's retained profits.

THAT authority be and is hereby given to the Directors of the Company to decide at their discretion as may be permitted and prescribed by the Act and/or any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities for the time being in force to deal with any Uchi Shares so purchased by the Company in the following manner:

(i) the Uchi Shares so purchased could be cancelled; or

(ii) the Uchi Shares so purchased could be retained as treasury shares for distribution as share dividends to the shareholders of the Company and/or resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or

(iii) combination of (i) and (ii) above; or

in any other manner as prescribed by the Act and MMLR from time to time.

7. **Proposed Renewal of Share Buy-Back Authority (cont'd)**

THAT the authority conferred by this resolution will be effective immediately from the passing of this ordinary resolution until:

(i) the conclusion of the next annual general meeting of the Company following the general meeting at which such resolution was passed, at which time the authority would lapse unless renewed by ordinary resolution, either unconditionally or conditionally; or

(ii) the passing of the date on which the next annual general meeting of the Company is required by law to be held; or

(iii) the authority is revoked or varied by resolution of the shareholders of the Company in a general meeting;

whichever occurs first.

And THAT the Directors of the Company be and are authorised to take such steps to give full effect to the Proposed Renewal of Share Buy-Back Authority with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and/or to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company." **Ordinary Resolution 6**

8. **PROPOSED ALTERATION OF THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION BY REPLACING WITH A NEW CONSTITUTION ("PROPOSED ALTERATION")**

"THAT the existing Memorandum and Articles of Association of the Company be hereby altered by replacing with a new Constitution attached hereto as Annexure A with effect from the date of passing this special resolution.

THAT the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities." **Special Resolution**

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board

CHEW SIEW CHENG (MAICSA 7019191)
LIM CHOO TAN (LS 0008888)
Secretaries

April 29, 2019

Penang

Notes:

1. Mr. Kao, Te-Pei also known as Edward Kao who retires in accordance with Article 131 of the Articles of Association of the Company, has notified the Company that he does not wish to seek for re-election and accordingly will retire at the conclusion of the Twenty-First Annual General Meeting ("AGM"). The Board of Directors of the Company has on February 26, 2019 announced the decision of Mr. Kao, Te-Pei also known as Edward Kao to retire in accordance with Article 131 of the Articles of Association of the Company at the forthcoming AGM.

2. **Proxy**

   2.1 A member of the Company entitled to attend and vote is entitled to appoint at least 1 proxy to attend, participate, speak and vote in his place. If a member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

   2.2 Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositors) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

   2.3 Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   2.4 The instrument appointing a proxy or proxies shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

   2.5 The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at Suite A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang at least 48 hours before the time for holding the Meeting or any adjournments thereof.

   2.6 Only members registered in the Record of Depositors as at May 17, 2019 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his behalf.

3. **Audited Financial Statements for the financial year ended December 31, 2018**

   This Agenda item is meant for discussion only as the provision of Section 248(2) and 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders and hence is not put forward for voting.

4. **Ordinary Resolution 2 – To approve the payment of Directors' Fees of RM490,000 for the year ending December 31, 2019**

   The proposed Ordinary Resolution 2, if passed, will authorise the payment of Directors' Fees for the year ending December 31, 2019 amounting to RM490,000. There is no other benefit payable to Directors except the options to subscribe for new Shares granted to the Directors under the ESOS 2016 which has previously been approved by the shareholders at the Extraordinary General Meeting held on May 18, 2016.

5. **Ordinary Resolution 5 – Continuing in Office as an Independent Non-Executive Director**

   The Nomination & Remuneration Committee had on February 26, 2019 assessed the independence of Mr.Charlie Ong Chye Lee, who has served on the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. The Board recommended that the approval of the shareholders be sought to re-appoint Mr.Charlie Ong Chye Lee as an Independent Non-Executive Director as he possesses the following attributes necessary in discharging his roles and functions as an Independent Non-Executive Director of the Company, i.e.

   (i) He has met the criteria under the definition of Independent Director pursuant to Chapter 1 of the Listing Requirements of Bursa Malaysia Securities Berhad; and

   (ii) He has vast experience in the industries the Group is involved and as such could provide the Board with a diverse set of experience, expertise and independent judgment; and

   (iii) He consistently challenges the management in an effective and constructive manner; and

   (iv) He actively expresses his views and participates in Board deliberations and decision making in an objective manner; and

   (v) His length of service on the Board does not in any way interfere with his fiduciary duties in exercising due care in the best interest of the Company and minority shareholders.

6. **Ordinary Resolution 6 – Proposed Renewal of Share Buy-Back Authority**

   The proposed Ordinary Resolution 6 if passed, will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the total number of issued shares of the Company. This Authority will, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company.

7. **Special Resolution - Proposed Alteration**

   This proposed Special Resolution, if passed, will enable the Company to alter its existing Memorandum and Articles of Association by replacing with a new Constitution which is drafted in accordance with the relevant provisions of the Companies Act 2016, relevant amendments of Chapter 7 and other Chapters of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other provisions of laws and regulations that are applicable to the Company.

   For further information on the Proposed Alteration, please refer to the Annexure A enclosed together with this Notice of Annual General Meeting.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that, subject to the approval of the shareholders at the forthcoming Twenty-First Annual General Meeting, a Final Tax Exempt Dividend of 7 sen per share for the year ended December 31, 2018 will be paid on July 23, 2019 to Depositors registered in the Record of Depositors at the close of business on June 28, 2019.

A Depositor shall qualify for the above entitlement only in respect of:

a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on June 28, 2019 in respect of transfers;

b) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the rules of Bursa Securities.

By Order of the Board

CHEW SIEW CHENG (MAICSA 7019191)
LIM CHOO TAN (LS 0008888)
Secretaries

April 29, 2019

Penang

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

There are no individuals who are standing for election as Directors (excluding Directors standing for re-election) at this forthcoming Annual General Meeting.

1. Introduction

1.1 Renewal of Authority for Uchi Technologies Berhad ("the Company" or "UCHITEC") to Purchase Its Own Shares

At the Company's Annual General Meeting ("AGM") held on May 24, 2018, the Company obtained approval from the shareholders, for the Company to renew the authority to purchase its own shares as may be determined by the Board of Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") upon such terms and conditions as the Board of Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares purchased and / or held pursuant to the resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as at the point of purchase and an amount not exceeding the total retained profits of RM43,021,706 of the Company based on the audited financial statements for the financial year ended December 31, 2017.

The authority obtained by the Board of Directors for purchasing the Company's own shares in accordance with the Main Market Listing Requirements of Bursa Securities governing share buy-back by listed companies will lapse at the conclusion of the coming Twenty-first (21^{th}) Annual General Meeting ("AGM").

It is the intention of the Company to renew the authority to purchase its own shares by way of an ordinary resolution.

1.2 Purpose of Statement

The purpose of this Statement is to provide relevant information on the Proposed Renewal of Share Buy-Back Authority and to seek your approval of the ordinary resolution on the Proposed Renewal of Share Buy-Back Authority to be tabled at the coming Twenty-first (21^{th}) AGM. The notice of the AGM together with the Proxy Form is set out in this Annual Report.

2. Details of The Proposed Renewal of Share Buy-Back Authority

On April 10, 2019, the Company announced that UCHITEC is proposing to seek its shareholders' approval at the AGM of UCHITEC to be convened in 2019 for the renewal of the authority for the purchase by UCHITEC of its own shares (the "Shares") of up to ten per centum (10%) of the total number of issued shares of UCHITEC as at the point of purchase subject to compliance with Section 127 of the Companies Act 2016 (the "Act"), Part IIIA of the Companies Regulations 1966, Bursa Securities Main Market Listing Requirements (the "Listing Requirements") and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities. The purchase of the Company's own Shares will be carried out on the Bursa Securities through an appointed stockbroker.

The maximum funds to be utilised for the Proposed Renewal of Share Buy-Back Authority shall not exceed the aggregate of the retained profits of the Company. The audited retained profits of the Company as of December 31, 2018 is RM 47,416,891.

The Shares purchased by the Company may be dealt with by the Board in accordance with Section 127 of the Act, in the following manner:

(a) To cancel the Shares so purchased; or

(b) To retain the Shares so purchased as treasury shares for distribution as share dividends to the shareholders of the Company and/ or resell on the Bursa Securities in accordance with the relevant rules of the Bursa Securities and/or cancellation subsequently; or

(c) To retain part of the Shares so purchased as treasury shares and cancel the remainder.

While the purchased Shares are held as treasury shares, the rights attached to them in relation to voting, dividends and participation in any other distributions or otherwise will be suspended. The treasury shares shall not be taken into account in calculating the number or percentage of Shares or of a class of Shares in the Company for any purposes including substantial shareholding, take-over, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on the resolution at a meeting.

If the Company decides to cancel the Shares purchased, the Company shall make an immediate announcement on the day the cancellation is made providing the number of Shares cancelled, the date of cancellation and the outstanding number of issued shares of the Company after the cancellation. In the event the Company retains the Shares purchased as treasury shares, the said Shares may be distributed as share dividends, resold on the Bursa Securities in accordance with the Listing Requirements or subsequently cancelled.

2. Details of The Proposed Renewal of Share Buy-Back Authority (cont'd)

The approval from the shareholders for the Proposed Renewal of Share Buy-Back Authority would be effective immediately upon the passing of the ordinary resolution for the Proposed Renewal of Share Buy-Back Authority at the forthcoming AGM until:

(a) The conclusion of the next AGM of the Company at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) The expiration of the period within which the next AGM after that date is required by law to be held; or

(c) Revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

Pursuant to the Listing Requirements, the Company may only purchase its own Shares on the Bursa Securities at a price which is not more than fifteen percent (15%) above the weighted average market price of the Shares for the past five (5) Market Days immediately preceding the date of the purchase(s). The Company may only resell its treasury shares on the Bursa Securities at:

(a) a price which is not less than the weighted average market price of the Shares for the five (5) Market Days immediately before the resale; or

(b) a discounted price of not more than five percent (5%) to the weighted average market price of the Shares for the five (5) Market Days immediately before the resale provided that:

(i) The resale takes place no earlier than thirty (30) days from the date of purchase; and

(ii) The resale price is not less than the cost of purchase of the Shares being resold.

The Proposed Renewal of Share Buy-Back Authority will allow the Directors to purchase Shares at any time within the abovementioned time period using the funds of the Group. The aforesaid funds will be financed from both internally generated funds of the Group and/or external borrowings, the portion of which to be utilised will depend on the actual number of Shares to be purchased, the price of Shares and the availability of funds at the time of the purchase(s). If borrowings are used for the Proposed Renewal of Share Buy-Back Authority, the Group will experience a decline in its net cash flow to the extent of the interest costs associated with such borrowings but the Board does not foresee any difficulty in repayment of borrowings, if any, which is used for the Proposed Renewal of Share Buy-Back Authority. Based on the audited consolidated financial statements as of December 31, 2018, the Group has a cash and cash equivalent balance of RM 113,714,246.

The actual number of Shares to be purchased, the total amount of funds involved for each purchase and the timing of the purchase(s) will depend on the market conditions and sentiments of the stock market, the available financial resources of the Group and the amount of retained profits of the Company.

As of March 20, 2019, the Record of Depositors of the Company showed that 315,500,927 Shares representing approximately 70.31% of the total number of issued shares were held by public shareholders. The Board undertakes that the Proposed Renewal of Share Buy-Back Authority will be conducted in accordance with laws prevailing at the time of the purchase including compliance with the twenty-five percent (25%) public spread as required by the Listing Requirements and ensuring that the total number of issued shares of the Company does not fall below the applicable minimum share capital requirements of the Listing Requirements.

The public shareholding spread of the Company before and after the Proposed Renewal of Share Buy-Back Authority is as follows:

	Before the Proposed Renewal of Share Buy-Back Authority	After the Proposed Renewal of Share Buy-Back Authority
Public shareholding spread	[a] 70.31%	[b] 67.17%

Notes:

[a] As of March 20, 2019.

[b] As of March 20, 2019, the total number of issued shares of UCHITEC is 450,773,559 Shares including 2,072,500 Shares held as treasury shares. Based on the assumption that the Proposed Renewal of Share Buy-Back Authority involves the aggregate purchase of 45,077,356 Shares (being approximately ten per centum (10%) of the total number of issued shares of the Company as of March 20, 2019, assuming no additional exercise of ESOS options prior to the implementation of the Proposed Renewal of Share Buy-Back Authority) and the number of Shares held by the Directors of the Group, the major shareholders of the Company and persons connected with them remain unchanged.

3. Rationale for the Proposed Renewal of Share Buy-Back Authority

The Proposed Renewal of Share Buy-Back Authority will enable the Company to utilise its financial resources not immediately required for use, to purchase its own Shares. The Proposed Renewal of Share Buy-Back Authority may enhance the Earnings Per Share ("EPS") and reduce the liquidity level of the Shares of the Company in the Bursa Securities, which generally will have a positive impact on the market price of the Shares of the Company. Other potential advantages of the Proposed Renewal of Share Buy-Back Authority to the Company and its shareholders are as follows:

(a) To allow the Company to take preventive measures against speculation particularly when its Shares are undervalued which would in turn stabilise the market price of the Shares and hence, enhance investors' confidence;

(b) To allow the Company flexibility in achieving the desired capital structure, in terms of the debts and equity composition, and the size of equity;

(c) When the Shares bought back by the Company are cancelled, shareholders of the Company are likely to enjoy an increase in the value of their investment in the Company as the net EPS of the Company and the Group will increase; and

(d) The purchased Shares may be held as treasury shares and distributed to shareholders as dividends and/or resold in the open market with the intention of realising a potential capital appreciation on the Shares.

The potential disadvantages of the Proposed Renewal of Share Buy-Back Authority to the Company and its shareholders are as follows:

(a) The Proposed Renewal of Share Buy-Back Authority will reduce the financial resources of the Group and may result in the Group forgoing better investment opportunities that may emerge in the future; and

(b) As the Proposed Renewal of Share Buy-Back Authority can only be made out of retained profits of the Company, it may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

The Proposed Renewal of Share Buy-Back Authority, if implemented, will reduce the financial resources of the Group, but since the amount is not substantial, it will not affect the furtherance of the Group's business or payment of dividends by the Company. Nevertheless, the Board will be mindful of the interest of the Company and its shareholders in undertaking the Proposed Renewal of Share Buy-Back Authority and in the subsequent cancellation of the Shares purchased.

4. Effects of Proposed Renewal of Share Buy-Back Authority

As of March 20, 2019, the total number of issued shares of UCHITEC stands at 450,773,559 Shares including 2,072,500 Shares held as treasury shares. Assuming that the Company purchases up to 45,077,356 UCHITEC Shares representing approximately ten per centum (10%) of its total number of issued shares as of March 20, 2019 and such Shares purchased are cancelled or alternatively be retained as treasury shares or both, the effects of the Proposed Renewal of Share Buy-Back Authority on the share capital, earnings, directors and major shareholders' interests and net assets as well as the implication relating to the Code are as set out below:

4.1. Share Capital

The Proposed Renewal of Share Buy-Back Authority will not have any immediate material effect on the issued share capital of the Company until such time when the Shares purchased by the Company pursuant to the Proposed Renewal of Share Buy-Back Authority are cancelled resulting in the issued share capital of the Company being decreased accordingly. On the other hand, if the Shares purchased are retained as treasury shares, the Proposed Renewal of Share Buy-Back Authority will not affect the issued share capital of the Company.

4.2. Earnings

The effect of the Proposed Renewal of Share Buy-Back Authority on the EPS of the Group will depend on the purchase prices of the Shares and the effective funding cost to the Group to finance the purchase of the Shares or any loss in interest income to the Group. Should the Company choose to hold the Shares purchased as treasury shares and resell the Shares subsequently, depending on the price at which the said Shares are resold, the Proposed Renewal of Share Buy-Back Authority may have a positive effect on the EPS of the Group if there is a gain on the disposal and vice versa.

If the Shares so purchased are cancelled, the Proposed Renewal of Share Buy-Back Authority will increase the EPS of the Group. However, the increase in EPS will be affected to the extent of the quantum of the reduction in the interest income and/or increase in the interest expense incurred in relation to the Proposed Renewal of Share Buy-Back Authority.

4. Effects of Proposed Renewal of Share Buy-Back Authority (cont'd)

4.3. Directors' and Substantial Shareholders' Interests

The effects of the Proposed Renewal of Share Buy-Back Authority on the substantial shareholders' and Directors' shareholdings based on the Register of Substantial Shareholders and the Register of Directors' shareholdings respectively as of March 20, 2019 are as follows:

	Before the Proposed Renewal of Share Buy–Back Authority				**After the Proposed Renewal of Share Buy–Back Authority**			
	Direct		**Indirect**		**Direct**		**Indirect**	
Name	No.of Issued Shares	%[f]	No.of Issued Shares	%[f]	No.of Issued Shares	%[g]	No.of Issued Shares	%[g]
Directors								
Kao, De–Tsan also known as Ted Kao	2,525,000	0.56	[a]86,778,696	19.34	2,525,000	0.62	[a]86,778,696	21.39
Kao, Te–Pei also known as Edward Kao	2,585,000	0.58	[b]39,276,266	8.75	2,585,000	0.64	[b]39,276,266	9.68
Chin Yau Meng	261,400	0.06	[e]230,000	0.05	261,400	0.06	[e]230,000	0.06
Huang, Yen–Chang also known as Stanley Huang (Alternate Director to Kao, De–Tsan also known as Ted Kao)	251,870	0.06	–	–	251,870	0.06	–	–
Ow Chooi Khim (Alternate Director to Kao, Te–Pei also known as Edward Kao)	188,000	0.04	[e]12,000	0.00	188,000	0.05	[e]12,000	0.00
Charlie Ong Chye Lee	695,900	0.16	–	–	695,900	0.17	–	–
Tan Boon Hoe	170,000	0.04	–	–	170,000	0.04	–	–
Lim Tian How	–	–	–	–	–	–	–	–
Substantial Shareholders								
Eastbow International Limited ("Eastbow")	83,292,026	18.56	–	–	83,292,026	20.53	–	–
Kao, De–Tsan also known as Ted Kao	2,525,000	0.56	[c]83,292,026	18.56	2,525,000	0.62	[c]83,292,026	20.53
Ironbridge Worldwide Limited ("Ironbridge")	35,327,981	7.87	–	–	35,327,981	8.71	–	–
Kao,Te–Pei also known as Edward Kao	2,585,000	0.58	[d]35,327,981	7.87	2,585,000	0.64	[d]35,327,981	8.71

Notes:

[a] By virtue of his substantial interest in Eastbow and interest of spouse by virtue of Section 59(11)(c) of the Companies Act 2016.

[b] By virtue of his substantial interest in Ironbridge and interest of spouse by virtue of Section 59(11)(c) of the Companies Act 2016.

[c] Deemed interested by virtue of his substantial interest in Eastbow.

[d] Deemed interested by virtue of his substantial interest in Ironbridge.

[e] Deemed interested of spouse by virtue of his spouse's interest under Section 59(11)(c) of the Companies Act 2016.

[f] Percentage shareholding computed based on 448,701,059 UCHITEC Shares excluding 2,072,500 Shares held as treasury shares from the total number of issued shares of 450,773,559 Shares.

[g] Percentage shareholding computed based on 405,696,203 UCHITEC Shares assuming the Proposed Renewal of Share Buy-Back Authority is carried out in full and all Shares so purchased are held as treasury shares.

4. Effects of Proposed Renewal of Share Buy-Back Authority (cont'd)

4.4. Net Assets

The effect of the Proposed Renewal of Share Buy-Back Authority on the net assets and net assets per Share of the Group will depend on the purchase prices of the Shares and the effective funding cost to the Group to finance the purchase of the Shares or any loss in interest income to the Group.

In the event that all the Shares so purchased are cancelled, the Proposed Renewal of Share Buy-Back Authority would reduce the net assets per Share of the Group when the purchase price per Share exceeds the net assets per Share at the relevant point in time, and vice versa.

The Proposed Renewal of Share Buy-Back Authority will reduce the working capital of the Group, the quantum of which will depend on the purchase prices of the Shares and the number of Shares purchased.

The net assets per Share will decrease if the Shares purchased are retained as treasury shares due to the requirement for treasury shares to be carried at cost and offset against equity, resulting in a decrease in the net assets by the cost of the treasury shares. If the treasury shares are resold on the Bursa Securities, the net assets per Share will increase if the Company realises a gain from the resale, and vice versa. If the treasury shares are distributed as share dividends, the net assets per Share will decrease by the cost of the treasury shares.

5. Share Prices

The monthly highest and lowest prices of UCHITEC Shares traded on Bursa Securities for the last twelve (12) months from April 2018 to March 2019 are as follows:

	Highest (RM)	Lowest (RM)
Year 2018:		
April	2.83	2.20
May	3.05	2.69
June	2.97	2.70
July	3.17	2.70
August	3.37	2.93
September	3.14	2.98
October	3.13	2.78
November	3.06	2.85
December	2.99	2.46
Year 2019:		
January	2.73	2.36
February	2.85	2.56
March	2.88	2.63

6. Purchase, resale or cancellation of UCHITEC Shares in the preceding 12 months

In the preceding 12 months, there were no repurchased, resold and cancellation of treasury shares.

As at March 20, 2019, total number of Shares held as treasury share was 2,072,500 Shares.

7. Interested Directors, Substantial Shareholders and Persons Connected to Them

None of the Directors and substantial shareholders of the Company have any interest, direct or indirect in the Proposed Renewal of Share Buy-Back Authority and, if any, the resale of treasury shares. None of the persons connected to the Directors and substantial shareholders of the Company have any interest, direct or indirect in the Proposed Renewal of Share Buy-Back Authority and if any, the resale of treasury shares.

8. Directors' Recommendation

The Board, having considered all aspects of the Proposed Renewal of Share Buy-Back Authority, is of the opinion that Proposed Renewal of Share Buy-Back Authority is in the best interest of the Company. Accordingly, your Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Share Buy-Back Authority to be tabled at the forthcoming AGM.

9. Malaysian Code of Take-Overs and Mergers, 2010 ("Code")

The Proposed Renewal of Share Buy-Back Authority if carried out in full (whether shares are cancelled or treated as treasury shares) may result in a substantial shareholder and / or parties acting in concert with it incurring a mandatory general offer obligation. In this respect, the Board is mindful of the provisions under Paragraph 24.1 of Practice Note 9 of the Code.

10. Disclaimer Statement By Bursa Securities

Bursa Securities has not perused this Statement prior to its issuance, and hence, takes no responsibility for the contents of the Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Statement.

Board of Directors

Chairman cum Senior Independent Non-Executive Director
Charlie Ong Chye Lee

Managing Director
Chin Yau Meng

Executive Directors
Kao, De-Tsan also known as Ted Kao
Kao, Te-Pei also known as Edward Kao

Independent Non-Executive Directors
Tan Boon Hoe
Lim Tian How

Non-Independent Executive Directors
Huang, Yen-Chang also known as Stanley Huang
(Alternate Director to Kao, De-Tsan also known as Ted Kao)

Ow Chooi Khim
(Alternate Director to Kao, Te-Pei also known as Edward Kao)

Audit Committee

Chairman
Tan Boon Hoe

Members
Charlie Ong Chye Lee
Lim Tian How

Nomination & Remuneration Committee

Chairman
Charlie Ong Chye Lee

Members
Tan Boon Hoe
Lim Tian How

Company Secretaries

Chew Siew Cheng
MAICSA 7019191

Lim Choo Tan
LS 0008888

Registered Office

Suite A, Level 9
Wawasan Open University
54, Jalan Sultan Ahmad Shah
10050 Georgetown, Penang, Malaysia
Tel : 04-2296318
Fax : 04-2268318

Principal Bankers

HSBC Bank Malaysia Berhad
Citibank Berhad

Auditors

Deloitte PLT
Chartered Accountants
Level 12A, Hunza Tower
163E, Jalan Kelawei
10250 Penang
Tel : 04-2189888
Fax : 04-2189278

Registrar

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : 03-27839299
Fax : 03-27839222

Stock Exchange Listing

Main Board of Bursa Malaysia Securities Berhad
Website : www.bursamalaysia.com
Stock Name : uchitec
Stock Code : 7100

DIRECTORS' PROFILE

CHIN YAU MENG
Managing Director
Malaysian, aged 58, Male

Mr. Chin Yau Meng was appointed to the Board of Directors of Uchi Technologies Berhad (UCHITEC) on March 1, 2018 as Executive Director and became the Managing Director of UCHITEC on June 1, 2018. He is also a member of the Employee Share Option Scheme Committee of UCHITEC.

He holds a Master Degree in Electronic from Queen University of Belfast(UK).

He has vast working experience in manufacturing and supply chain management. He is one of the pioneer staff members, joining Uchi Electronic (M) Sdn. Bhd. (UEM) as a Production Officer in 1990. He later resigned to join Precima Sdn. Bhd. as Production Manager in 1993 and came back to re-join Uchi Optoelectronic (M) Sdn. Bhd. (UOM) in 1994 as M.I.S. Manager. He was further advanced to Deputy Operation Manager in the same year. With his proven ability and reliability, he was then assigned to head the entire Uchi Technologies (Dongguan) Co., Ltd. (Uchi Dongguan) plant in 2007. Mr. Chin was appointed as an Executive Director of UOM and UEM on January 1, 2007, and Uchi Dongguan on April 8, 2007 respectively.

He is responsible for the development of business strategies and overall performance of the Group to achieve its strategic goals and objectives.

He sits on the Board of Uchi Optoelectronic (M) Sdn. Bhd., Uchi Electronic (M) Sdn. Bhd., Uchi Technologies (Dongguan) Co., Ltd. and does not hold directorship in any other company.

KAO, DE-TSAN also known as TED KAO
Executive Director
Taiwanese, Aged 61, Male

Mr. Ted Kao was appointed to the Board of Directors of Uchi Technologies Berhad (UCHITEC) on March 10, 2000 as Managing Director. He became the Chairman of the Company on November 26, 2001 before reassuming the position of Managing Director on September 1, 2012. He is also a member of the Employee Share Option Scheme Committee of UCHITEC. Mr. Ted Kad was re-designated as Executive Director on June 1, 2018 when Mr. Chin Yau Meng assumed the role of Managing Director.

Mr. Ted Kao graduated from the Department of Electrical Engineering, Ming Chi Institute of Technology, Taiwan, which was sponsored by the well known Formosa Plastic Co. Ltd. He started his career with Chain Let Co. Ltd., Taiwan, a bathroom scale manufacturer as a project engineer in 1979. Mr. Ted Kao later resigned and began intensive research on global electronic market. He was engaged by Krups Stiftung Co. (currently known as Robert Krups GmbH & Co. KG), Germany, to design electronic bathroom scales in 1980.

Mr. Ted Kao founded Uchi Electronic Co. Ltd. in Taiwan in 1981.

In 1989, Mr. Ted Kao selected Penang, Malaysia as the manufacturing base and founded Uchi Electronic (M) Sdn. Bhd., Uchi Optoelectronic (M) Sdn. Bhd. and Uchi Industries (M) Sdn. Bhd. With his many years of experience in technology development, Mr. Ted Kao has been the mainstay of Uchi Group's technical and marketing strength.

He sits on the Board of Uchi Optoelectronic (M) Sdn. Bhd., Uchi Electronic (M) Sdn. Bhd. and also holds directorships in certain private limited companies.

KAO, TE-PEI also known as EDWARD KAO
Executive Director
Taiwanese, Aged 59, Male

Mr. Edward Kao was appointed to the Board of Directors of Uchi Technologies Berhad (UCHITEC) on March 10, 2000 as Executive Director. He was appointed as Managing Director of the Company on November 26, 2001 and was redesignated as Executive Director on September 1, 2012. He was appointed to be a member of the Audit Committee and Remuneration Committee on March 29, 2000 and November 27, 2001 and resigned as a member on March 1, 2008 and November 23, 2017 respectively. Currently, he is a member of the Employee Share Option Scheme Committee of UCHITEC. Mr. Edward Kao has notified the Board of UCHITEC that he does not wish to seek for re-appointment and accordingly will resign at the conclusion of the Twenty-First Annual General Meeting.

He holds a master degree in Business Administration from Chihlee University of Technology, Taiwan.

Mr. Edward Kao served the Taiwanese Armed Forces as a Platoon Leader of Logistics under Reserved Officer Training Course for two years since 1980. He then joined his elder brother, Mr. Ted Kao, at Uchi Electronic Co. Ltd., Taiwan (Uchi Taipei) as an Assistant of Administration. In 1984, he joined ITF Corporation, a well-established Japanese trading company before he returned to Uchi Taipei in 1986.

In 1990, Uchi Taipei ceased operations. Mr. Edward Kao moved to Penang and was appointed as a Director of Uchi Electronic (M) Sdn. Bhd. and Uchi Optoelectronic (M) Sdn. Bhd.

Mr. Edward Kao is responsible to administer the operations of the Group's pursuant to corporate policies, goals and objectives.

He sits on the Board of all companies under the Group and also holds directorships in certain private limited companies.

CHARLIE ONG CHYE LEE
Independent Non-Executive Director
Malaysian, Aged 75, Male

Mr. Charlie Ong Chye Lee was appointed to the Board of Directors of Uchi Technologies Berhad on July 1, 2008 as Independent Non-Executive Director. He was appointed a member of the Audit Committee, Nomination Committee and Remuneration Committee. On September 1, 2012, he was appointed as Senior Independent Non-Executive Director of the Company and was elected Chairman of the Board of Directors, Audit Committee, Nomination Committee and Remuneration Committee. He was redesignated as a member of the Audit Committee on August 23, 2013. He retains the Chairmanship of the other Committees.

He practised law in Penang after being called to the Bar in 1970 in Messrs. Mustaffa bin Hussain, later Messrs. Mustaffa, Jayaraman & Ong, then Messrs. Mustaffa, Jayaraman, Ong & Co. and Messrs. Jayaraman, Ong & Co. in which he became a partner in 1971 and retired in June 1988 when he set up his own legal practice in partnership with R J Maneckshа under the name and style of Messrs. Ong & Maneckshа. He was mainly involved in banking and corporate work and occasionally involved in litigation on maritime and other miscellaneous matters. In May 2004, he retired as a partner and was appointed as consultant in Messrs. Ong & Maneckshа.

He holds a directorship in another public limited company.

TAN BOON HOE
Independent Non-Executive Director
Malaysian, Aged 63, Male

Mr. Tan Boon Hoe was appointed to the Board of Directors of Uchi Technologies Berhad on August 1, 2016 as Independent Non-Executive Director. He was also appointed as a member of the Audit Committee on August 1, 2016. On September 1, 2016, he was elected Chairman of the Audit Committee and appointed as a member of Nomination & Remuneration Committee.

He holds a professional degree from the Malaysian Institute of Certified Public Accountants. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He was a former partner of Deloitte Malaysia (formerly known as Deloitte KassimChan) and has more than 35 years of experience in assurance and advisory engagements. He is currently a partner in an accounting practice providing auditing, due diligence, advisory and other related services.

He also holds directorships in a public limited company and in a private limited company.

LIM TIAN HOW
Independent Non-Executive Director
Malaysian, Aged 57, Male

Mr. Lim Tian How was appointed to the Board of Directors of Uchi Technologies Berhad (UCHITEC) on April 2, 2018 as Independent Non-Executive Director. He was appointed a member of the Audit Committee and Nomination & Remuneration Committee.

He holds a First Class Honors Bachelor degree in Mechanical Engineering from University of Malaya, Kuala Lumpur.

Mr. Lim has vast working experience in the field of research & development (R&D) and manufacturing operation with more than 30 years attached in both consumer and automotive industries. From 1991 to 2003, he worked as a R&D Senior Manager in one of the multinational companies in Penang that has a leading presence in European automotive makers. He then moved to a manufacturing company in 2004 as a General Manager managing both factories in China and Malaysia with a total workforce of approximately 900 employees. In 2010, he joined a multinational company which is one of the world's largest suppliers of automotive components and took up the position of Operations Director of its subsidiary company located in Penang. In 2016, besides his role as Operation Director, he took up additional role as Product Engineering Director, of which he assumes the position till present and is responsible for the entire automotive industry work-cell operations and leading a team of product engineers and specialist in product development.

He does not hold directorship in any other company.

HUANG, YEN-CHANG also known as STANLEY HUANG
Alternate Director to Mr. Kao, De-Tsan also known as Ted Kao
Taiwanese, Aged 48, Male

Mr. Stanley Huang was appointed to the Board of Directors of Uchi Technologies Berhad (UCHITEC), as an alternate director to Mr. Kao, De-Tsan also known as Ted Kao on February 1, 2011. He will resign as an alternate director to Mr. Kao, De-Tsan also known as Ted Kao and be appointed as an Executive Director of the Company on June 1, 2019.

He graduated in 1994 from Chung Yuan Christian University, Chung-Li, Taiwan with a B.S Degree in Physics. Upon graduation, he served two years in the army. Later, he joined Uchi Optoelectronic (M) Sdn. Bhd. as a Network and System Administrator before he pursued his Master Degree in Computer Science at St Cloud State University, Minnesota, USA. After graduation, he returned to Taiwan and joined Taishin International Bank, Taipei, Taiwan as IT Department Section Head in 2002 and was promoted as Assistant Manager in 2005. In 2007, he joined UCHITEC as a Task Force Manager. In 2014, he has successfully completed the Outstanding Professional Executive Network (OPEN) Leader course organized by Small and Medium Enterprise Administration, Ministry of Economic Affairs, Taiwan. Currently, he holds the position as an Administrative Division Head of Uchi Optoelectronic (M) Sdn. Bhd.

He does not hold directorship in any other company.

OW CHOOI KHIM
Alternate Director to Mr. Kao, Te-Pei also known as Edward Kao
Malaysian, Aged 50, Female

Ms. Ow Chooi Khim was appointed to the Board of Directors of Uchi Technologies Berhad (UCHITEC), as an alternate director to Mr. Kao, Te-Pei also known as Edward Kao on April 1, 2011. She is also a member of the Employee Share Option Scheme Committee of UCHITEC.

She holds a Master degree in Business Administration from the University of South Australia and is also a member of the Malaysia Institute of Accountants. Ms. Ow was with Teoh Yap & Co. in 1993 where she served for a period of 6 months as a practical trainee. Upon graduation she joined Deloitte KassimChan (formerly known as Kassim Chan & Co.) in 1994 as an Audit Assistant and was promoted to Senior Audit Assistant. She last held the position of Assistant Manager in Deloitte KassimChan before she joined Uchi Optoelectronic (M) Sdn. Bhd. as Acting Finance Department Head in 1998. Currently, she holds the position as a Finance Manager of UCHITEC.

She sits on the Board of Uchi Optoelectronic (M) Sdn. Bhd., Uchi Electronic (M) Sdn. Bhd., Uchi Technologies (Dongguan) Co., Ltd. and does not hold directorship in any other company.

Note:

Mr. Ted Kao and Mr. Edward Kao are brothers. Mr. Stanley Huang is the nephew of Mr. Ted Kao.

Saved as disclosed, none of the other Directors have:

1. any family relationship with any Director and / or major shareholder of the Company; and
2. any conflict of interest with the Company; and
3. any conviction for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, other than traffic offences.

ENG CHIEW MING, *Malaysian, aged 54, Male*

Mr. Eng graduated with a Diploma in Electronic Engineering from Tunku Abdul Rahman College in 1989 and holds Engineering Council I (UK).

He started his career as Technical Specialist in National Semiconductor in 1989 and joined Interquartz (M) Sdn. Bhd. as R&D Engineer a year later. In 1991, he was attached to Uchi Electronic (M) Sdn. Bhd. (UEM) as the pioneer R&D Electronic Engineer and promoted to R&D Senior Electronic Engineer upon achieving excellent project management performance in 1994 .He was one of the key staff in R&D to lead and developing new projects with customers. Two years later, he was transferred to Uchi Optoelectronic (M) Sdn. Bhd (UOM) and promoted as Engineering Manager to lead Engineering Department in 1999 based on the technical experience he gained. He was further promoted to Senior Manager of Operation Division in 2003 and transferred to revamp and enhance all R&D activities in 2007 as a Mechatronic Development Division Head. Mr. Eng was appointed as an Executive Director of UOM and UEM on April 2, 2018. He is currently leading a strong technical project team in UCHI Group of Companies on project management for electronic development and mechanical construction design. He is also responsible for the overall functions of the mechatronic development system.

Mr. Eng does not hold any directorship in other public companies and listed issuers.

NYEO TIAM JOO, *Malaysian, aged 53, Male*

Mr. Nyeo graduated from National Cheng Kung University in Taiwan with a Bachelor Degree in Mechanical Engineering in 1989.

He started his Research and Development career by joining the Tung Kuang Ent. Ltd. , Taiwan, in 1989 as R&D Engineer. In 1992, he headed back to his hometown in Johor, Malaysia to join Sharp Manufacturing Corp. (SHARP) as Assistant Engineer. In the next following year he resigned from SHARP and moved to Penang, Malaysia to join Uchi Electronic (M) Sdn. Bhd. (UEM) as an Engineer. He was soon promoted to Senior Engineer in 1994 and later transferred to Uchi Optoelectronic (M) Sdn. Bhd. (UOM) in 1996. In year 1999, he was entrusted to lead the Mechanical Department. He was appointed as Deputy Division Head of Mechatronic Development Division in 2007 to oversee all mechanical development and construction design related matters, during which he earned the trust of his customers on the construction design of UCHI's product. Today, he is also the Assistant Management Representative related to Environmental Management System and Occupational Safety & Health Management System.

Mr. Nyeo does not hold any directorship in other public companies and listed issuers.

LIM CHIN KOK, *Malaysian, aged 47, Male*

Mr. Lim holds a Diploma in Material Engineering, Engineering Council I (UK) and received his Master of Business Administration (MBA) from University of the West Scotland.

He began his career as a Quality Engineer in local companies before joining Ample Technologies Sdn. Bhd. in the position of Assistant QA Manager. He joined Uchi Optoelectronic (M) Sdn. Bhd. (UOM) as a Task Force Engineer after Ample Technologies closed down in October 1998 and became Assistant QA Manager in 2004. He was further promoted as Deputy Operation Manager in 2006 and Acting Mechatronic Manufacturing Division Head in 2007. He was transferred to the QA Division as Senior Manager in 2010 and appointed as Quality Assurance Division Head in 2012, whereby he is responsible for the overall Quality Assurance System of UCHI Group of Companies. He is also an International Register of Certificated Auditor (IRCA) registered Lead Auditor and certified in Six Sigma Green Belt. He has been UOM's Management Representative related to the Quality Management System, Environmental Management System and Occupational Safety & Health Management System since 2004.

Mr. Lim does not hold any directorship in other public companies and listed issuers.

YEW AH PENG, *Malaysian, aged 54, Female*

Ms. Yew graduated from University of Technology Malaysia in 1989 with a Bachelor Degree in Electrical Engineering.

She joined Uchi Electronic (M) Sdn. Bhd. (UEM) as an Engineer in 1990 after obtaining her degree. She was recognised for her performance with several promotions before she reached management level as an Assistant Engineering Manager in 1995. She was later appointed as Special Assistant to the Managing Director (MD) of Uchi Optoelectronic (M) Sdn. Bhd. (UOM) in 1998. She took on Internal Quality Audit Lead Auditor and Customer Satisfaction Task Force roles to periodically audit the conformity of customers' requirements. In 1999, she was promoted to R&D Manager to supervise the running of projects in the R&D Department. Ms. Yew has vast technical knowledge and experience, which she always shares during technical training. She is also well-versed in software programming.

Ms. Yew does not hold any directorship in other public companies and listed issuers.

OO SIEW PHAIK, *Malaysian, aged 57, Female*

Ms. Oo graduated with a Bachelor Degree in Chinese Literature from National Chung Hsin University, Taiwan, in 1988.

She joined Uchi Electronic (M) Sdn. Bhd. (UEM) in 1989 as Engineering Secretary. Her enthusiasm for learning about management information systems led to her being assigned an Engineer position in 1994. One year later, she had proven her mettle and was entrusted with the role of Assistant Management Information Systems (M.I.S.) Manager before she was transferred to Uchi Optoelectronic (M) Sdn. Bhd. (UOM) in 1996. Her performance and diligence earned her yet another promotion in 1998 to her current position of M.I.S. Manager. Ms. Oo is now responsible for the overall management information systems of the Group. She is proficient in the Manufacturing Resource Planning system in UCHI Group of Companies and also oversees the documentation control system of ISO management systems.

Ms. Oo does not hold any directorship in other public companies and listed issuers.

KEOH LAY BIN, *Malaysian, aged 55, Female*

Ms. Keoh graduated with a Bachelor of Business Administration from Central State University, USA, in 1987.

She joined Uchi Electronic (M) Sdn. Bhd. (UEM) as the Personnel Officer cum Secretary in 1992. She subsequently advanced to Chief Administration Officer and, thereafter, Assistant Administration Manager in 1995. With her many years of exposure in administrative management, she was promoted to Administration Manager of Uchi Optoelectronic (M) Sdn. Bhd. (UOM) in 1998. She was also involved in the investor relationship activities of Uchi Technologies Berhad from 1997 to 2016 and oversaw sales activities from 1995 to 2013. Ms. Keoh is now focusing on human resource planning, training and development and the overall functions of the Administration Department as well as providing administrative support duties to UOM'S Executive Board.

Ms. Keoh does not hold any directorship in other public companies and listed issuers.

TAN AI LIN, *Malaysian, aged 46, Female*

Ms. Tan obtained a Certificate in Business Studies from Olympia College Malaysia in 2000.

She joined Uchi Electronic (M) Sdn. Bhd. (UEM) as a non-executive staff in 1991. She had several lateral career experiences throughout her employment in UEM and Uchi Optoelectronic (M) Sdn. Bhd. (UOM) with cross departmental internal transfers among Production, Store, Administration and Sales because of her learning ability. With her interest and humble learning behaviour, she gained a lot of hands-on experiences and internal promotions before moving up to management level in 2010 as an Assistant Manager in UOM, reporting to the Executive Board. She was later promoted as a Department Head cum Assistant to Administration Division Head in 2014 to manage Sales Department. Currently, she holds the position as a Deputy Administration Division Head and is also heading the Task Force of Customers' Satisfaction to take care of customers' expectations.

Ms. Tan does not hold any directorship in other public companies and listed issuers.

Note:

Mr. Lim is the spouse of Ms. Ow Chooi Khim (Alternate Director to Kao, Te-Pei also known as Edward Kao).

Save as disclosed, none of the other Key Senior Management have:

1. any family relationship with any Director and/or major shareholder of the Company; and
2. any conflict of interest with the Company; and
3. any conviction for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, other than traffic offences.

CORPORATE STRUCTURE

UCHI TECHNOLOGIES BERHAD
(Company No. 457890-A)
(Incorporated in Malaysia)

100% — UCHI OPTOELECTRONIC (M) SDN. BHD.
(Company No. 190793-K)
Malaysia

100% — UCHI ELECTRONIC (M) SDN. BHD.
(Company No. 182613-W)
Malaysia

100% — UCHI TECHNOLOGIES (DONGGUAN) CO., LTD.
People's Republic of China

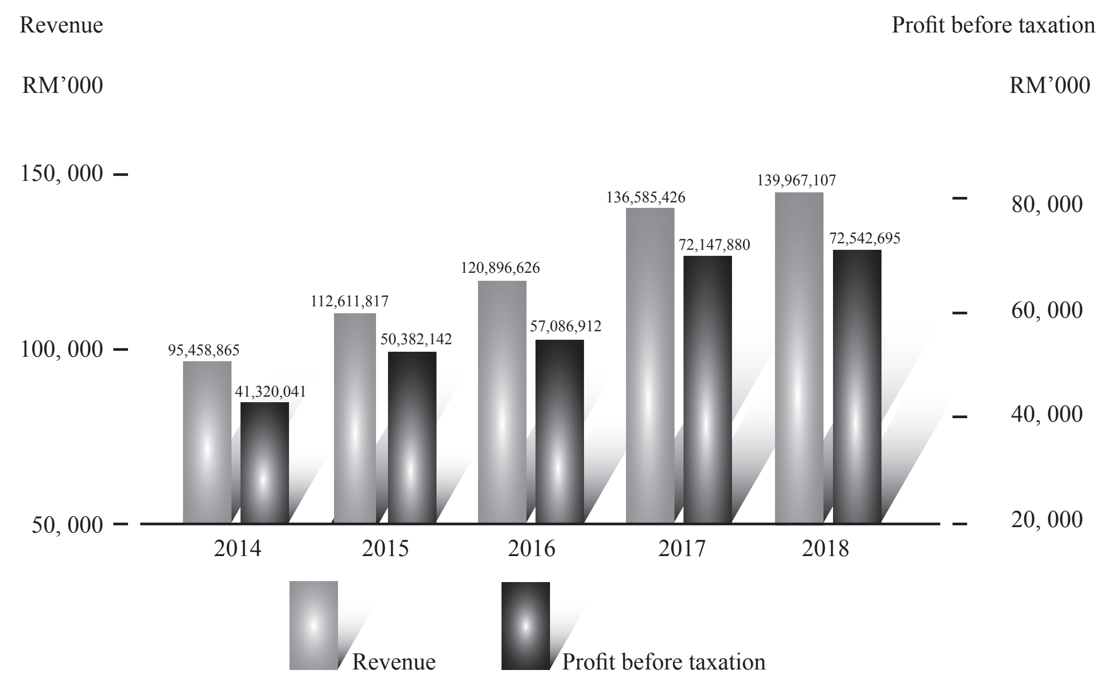
Year ended December 31	2014 RM	2015 RM	2016 RM	2017 RM	2018 RM
Revenue	95,458,865	112,611,817	120,896,626	136,585,426	139,967,107
Profit before taxation	41,320,041	50,382,142	57,086,912	72,147,880	72,542,695
Profit after taxation	40,109,239	49,297,964	55,507,737	70,501,046	69,009,027
Dividends declared and paid in respect of financial year ended:					
Dividend per share (Sen)	10	11	13	25	7
Amount Paid (net of tax)	37,802,670	45,491,449	56,872,222	111,848,867	31,407,786
Dividends proposed in respect of financial year ended:					
Dividend per share (Sen)	not applicable	not applicable	not applicable	not applicable	7
Amount Payable (net of tax)	not applicable	not applicable	not applicable	not applicable	31,409,074 [1)]
Total Amount Paid and Payable (net of tax)	37,802,670	45,491,449	56,872,222	111,848,867	62,816,860 [2)]
Total Assets Employed	242,238,614	279,690,474	303,385,953	342,921,030	219,000,152
Shareholders' equity	193,019,197	230,666,213	251,665,757	236,342,262	150,825,312
Net tangible assets	193,019,197	230,666,213	251,665,757	236,342,262	150,825,312
Number of ordinary shares issued and fully paid as of December 31 (unit)	378,955,400	394,867,700	443,695,559	449,185,759	450,755,159 [3)]
Proforma weighted average number of shares (unit)	371,196,416	379,946,800	415,280,349	438,309,557	447,898,867
Net Earnings Per Share (Sen)	10.81	12.97	13.37	16.08	15.41
Return on Equity	20.8%	21.4%	22.1%	29.8%	45.8%

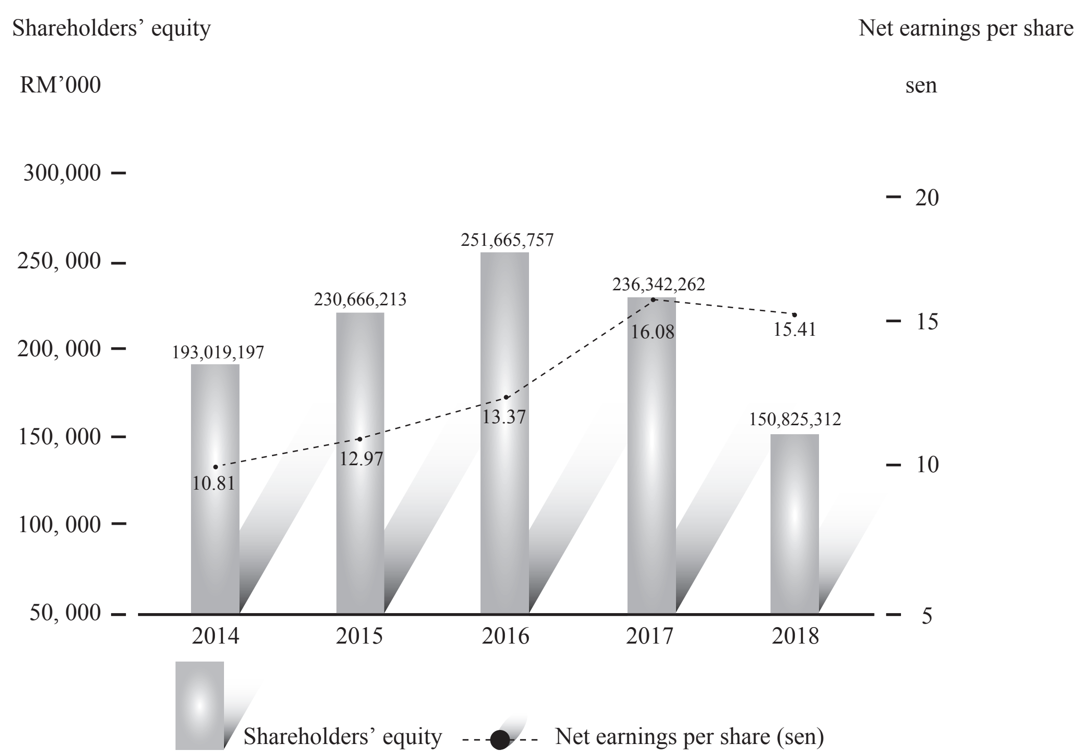
1) Represents approximation of dividend payable base on all ordinary shares in issue as of February 28, 2019. Actual amount of dividend payable shall be determined at the close of business on June 28, 2019 if the said dividends are approved by the shareholders at the forthcoming Annual General Meeting.

2) Summation of dividend paid and dividend proposed[1)]

3) Of the total 450,755,159 issued and fully paid ordinary shares, 2,072,500 shares are held as treasury shares by the Company. As at December 31, 2018, the number of outstanding shares in issued and fully paid is 448,682,659 ordinary shares.

FINANCIAL HIGHLIGHTS





Dear valued shareholders,

On behalf of the Board of Directors of Uchi Technologies Berhad ("UCHITEC" or "the Group"), I am pleased to present to you the Annual Report and Audited Financial Statements of the Group for the Financial Year 2018.

Striving Harder

During the year under review, the global business climate was uncertain and this uncertainty is still continuing today. Among others, a trade war between the US and China, a global shortage of multi-layer ceramic capacitor (MLCC) components and labour shortages caused a delay in our on-time shipment performance. Additionally, the appreciation of RM against the USD compared with the year before, a fluctuating foreign exchange and tax payables for taxable products during a transitional period before the new Pioneer Status products kicked in also affected us adversely.

Despite these challenges, with determination and effort, we were able to deliver a satisfactory performance and successfully mitigate extensive disruption to our customers' operations. I would, therefore, like to announce that the Group registered an increase in revenue in USD of 9% (2% in RM) compared to the preceding year, and was able to maintain a net profit margin of nearly 50%. I am also delighted to report that we achieved a 0.12% customer reject rate in 2018, surpassing our initial target of 0.15%. This is a noteworthy achievement as the 0.15% target we set is already more stringent than our customers' expectations. Furthermore, it also marks the sixth consecutive year that the Group has recorded a customer reject rate of below 0.20%.

Toward a Better Future

In a bid to nurture a better world for our future generations, UCHITEC is constantly introducing social, education or health-related programmes that comply with OHSAS and environmental and quality policies. Besides that, we endeavour to forge close bonds with our suppliers, customers and communities built on mutual trust and respect.

Among others, in 2018, the Group sponsored numerous charity events and held a Blood Donation Drive. In continuing with our River Rehabilitation Campaign, which began in 2015 in collaboration with Majlis Perbandaran Seberang Perai (MPSP), we kept a close watch on the water quality of the river. Due to the consistently good results, we stretched the monitoring interval to yearly, with the next monitoring exercise scheduled for June this year.

Additionally, we organised several events, including "Uchi Safety/Health & Environmental Week" for our employees, and encouraged them to get involved in gardening activities at our premises. Meanwhile, our Grid-Connected Photovoltaic Power System, which was installed in 2016, continues to fulfil our commitment to reducing carbon dioxide emission by an estimated 451 tons in 2018 and generating an income of RM463,048 to mitigate electricity costs.

In line with the new Malaysia Code on Corporate Governance (MCCG 2017), UCHITEC's Board of Directors is committed to upholding ethical behaviour, accountability, transparency and sustainability for the long-term benefit for all our stakeholders.

We are also proud to have made a significant impact in the design and manufacturing of energy-saving modules for household and office equipment. In complying with European eco-design requirements, the modules feature standby and off-mode electrical power consumption of less than 0.5watt with complete shutdown within 15 minutes of ceasing operations.

We also have a number of projects in various stages of the research & development pipeline that are geared toward contributing to a decrease in environmental impact.

Investing in Our People

At UCHITEC, we aspire to build and sustain an environment that is conducive for the holistic growth of our people, allowing them to have a sense of personal commitment to their work. We encourage work-life balance among our employees, all the while emphasising respect and trust among all levels of the workforce.

As an extension of our gratitude to our employees for all that they have poured into the Company, we allocated 1,130,000 options for them under our Employee Share Option Scheme (ESOS) for 2018.

Declaration of Dividends

It has been the Group's Dividend Policy to allocate at least 70% of our net profit as dividend since 2003. For the year under review, the Board of Directors declares a final dividend of 7 sen per share tax exempt, subject to shareholders' approval at the forthcoming Annual General Meeting. This, together with the interim dividend of 7 sen per share tax exempt, which was paid in January 2019, brings the total dividend declared for 2018 to 14 sen (2017: 25 sen), which is equivalent to a payout ratio of 91%.

Acknowledgements

First of all, I would like to bid farewell to Mr. Kao, Te-Pei, also known as Edward Kao, who is retiring by rotation as Executive Director at the upcoming Annual General Meeting and will not be offering himself up for re-election. Mr. Kao had been an integral part of the Board of Directors since 2000 and, on behalf of the Board, I thank him for his immense contributions to the Group's growth through the years. Mr. Stanley Huang will also be resigning as Alternate Director to Mr. Ted Kao; he will thereafter be appointed as Executive Director on June 1, 2019. Subsequently, I would like to take this opportunity to express my appreciation for the wise counsel provided by my fellow Directors on the Board during the year.

Our gratitude also goes to the management and employees of UCHITEC for their focus and tireless dedication, as well as our valued business partners and associates, customers, vendors, bankers, lawyers, financiers and government authorities for standing by us through the years. We look forward to an even more synergistic collaboration with you as we keep pursuing better opportunities to increase value for all our stakeholders.

Thank you.

CHARLIE ONG CHYE LEE
Chairman

Overview

As a primarily Original Design Manufacturer (ODM), Uchi Technologies Berhad ("UCHITEC" or "the Group") specialises in the design, research, development and manufacturing of electronic control systems, including software development, hardware design and system construction. We pride ourselves in being a one-stop solutions provider offering an entire spectrum of services and solutions – ranging from research & development, tool design and set-up to engineering support and the production of finished electronic control systems.

UCHITEC is an investment holding company with three 100%-owned subsidiaries. These are: Uchi Optoelectronic (M) Sdn. Bhd. (UOM), Uchi Electronic (M) Sdn. Bhd. (UEM) and Uchi Technologies (Dongguan) Co., Ltd. (Uchi Dongguan).

We have two operating sites:

a) UOM – the main operating plant located in Malaysia; and
b) Uchi Dongguan – the assembly arm of UOM located in Dongguan City, GuangDong Province of China

As the main subsidiary, UOM is principally involved in the design, research & development and manufacturing of electronic control modules, while UEM and Uchi Dongguan are the assembly counterparts. Both UOM and Uchi Dongguan are ISO9001, ISO14001 and OHSAS 18001 certified.

Subsidiaries at a glance:

	Malaysia	China
Land Area ('000)	139.9 sq. ft.	208.7 sq. ft.
Built-up Area ('000)	148.1 sq. ft.	161.1 sq. ft.
Manpower Strength	254 head count	109 head count
Capacity Utilisation	80%	80%

Exceeding Clients' Expectations

As an ODM, we have the capabilities to provide seamless end-to-end solutions – from design and development right through to the delivery of the electronic control systems to our customers. With a diverse customer base that includes prominent multinationals, more than 94% of our products are mainly exported to the European market, with the rest being sold in the US, Japan, China and India.

The Group's products can be broadly segmented into three categories: Art-of-living (encompassing household and professional appliances), Biotech (for bio-technology product applications, such as high-precision weighing scales, pipettes and deep freezers) and Others. In addition to being RoHS-compliant, our products for household and office equipment also adhere to European eco-design requirements and EU energy regulations. These incorporate eco-savvy features that include standby and off-mode electrical power consumption of less than 0.5watt and complete shutdown within 15 minutes of ceasing operations.

Driven by our aspiration to go beyond our customers' expectations, we continue to raise the bar of innovation to ensure that we are always able to meet their requirements; constantly improving on existing solutions and conceiving higher performing ones to achieve better cost efficiency and design cycle lead time.

Financial Review

Despite massive material shortage that resulted from a prolonged shortage of multi-layer ceramic capacitor (MLCC) components that was brought forward from 2017, a disrupted global supply chain caused by the trade war between the US and China, and labour shortages, UCHITEC was able to deliver a growth of 9% in USD, consequently recording a USD34.7 million revenue during the year under review. Nevertheless, while there was an increase in demand for our household and professional product range in particular, this was offset by a weaker USD performance in 2018 (2018: RM4.0344/USD1.00; 2017: RM4.3106/USD1.00), and our revenue in RM only increased by 2% compared to the previous year.

Despite the higher revenue in USD, there was no significant increase in the Group's Operating Profit and Profit Before Tax compared to the year before. This was due to several factors. As well as the less favourable performance of the USD, provision for rework and warranty no longer required was further reduced to RM0.2 million (2017: RM1.5 million), and there was a net loss of RM0.8 million stemming from fair value changes of foreign currency forward contracts that remained outstanding as at December 31, 2018 (2017: net gain of RM5.2 million). However, the latter was mitigated by a RM2.6 million gain on disposal of landed property and a net foreign exchange gain of RM0.8 million (2017: net loss of RM3.2 million).

Our Net Profit was reduced to RM69.0 million (2017: RM70.5 million) for the year ended December 31, 2018. This is due to an increase in income tax expenses to RM3.5 million (2017: RM1.6 million), which resulted from an increase in income generated from non-pioneer products upon the expiration of their pioneer status on December 31, 2017.

Our net cash generated from operations amounted to an excess of RM63.4 million, representing 98.9% of our operating profit. Meanwhile, the cash and cash equivalent decreased to RM113.7 million in 2018 (2017: RM243.1 million). This is mainly due to a payout of capital repayment of RM89.7 million to shareholders during the financial year.

On March 26, 2018, we proposed to undertake this capital repayment on the basis of RM0.20 for each ordinary share held in UCHITEC via a reduction of the Group's share capital pursuant to Section 116 of the Companies Act 2016 ("Act"). This was approved by shareholders at the Extraordinary General Meeting held on May 24, 2018.

Following this, we filed a petition to the High Court of Penang ("High Court') for confirmation of the capital repayment approved by UCHITEC shareholders to reduce the share capital of the company according to Section 116 of the Act. A court order ("Order") confirming this was then granted by the High Court on August 8, 2018 and lodged with the Registrar of Companies on August 28, 2018, with the latter being the entitlement date for the capital repayment. The capital repayment was thereafter completed on September 19, 2018, with payment being made to our shareholders whose names appear on the Record of Depositors of the Company as at August 28, 2018.

Unaffected by the significant capital repayment payout, the Group's financial foundation remains strong. In fact, we have been utilising internally generated funds since our listing in 2000. Today, we continue to be a completely debt-free company with a solvency ratio of 1.10 times (2017: 0.72 times) and liquidity ratio of 2.30 times (2017: 2.59 times), with sufficient cash flow to meet both short-term and long-term liabilities.

The cash & cash equivalent of the Group was reduced to RM92.3 million upon payment of capital repayment, but increased back to RM113.7 million as of December 31, 2018, in just a short period of three months. This reflects the efficiency of the Group in capital management. However, the Group's cash conversion cycle increased to 71 days in 2018 (2017: 49 days). This can primarily be attributed to an increase in the number of receivable days to 49 days (2017: 22 days) resulting from an increase in the number of customer shipments during the last three weeks of December 2018, which was double the amount of customer shipments during the same time period in 2017.

In terms of revenue distribution via country of export, exports to Switzerland remain the highest at 44% during the year under review (2017: 46%). This is followed by Portugal at 37% and Germany at 13%.

Comparison of revenue distribution breakdown via country in 2018 & 2017:

Country	2018	2017
Switzerland	44%	46%
Portugal	37%	37%
Germany	13%	12%
China	3%	2%
USA	1%	1%
Others	2%	2%
Total	100%	100%

There were no significant changes to the revenue analysis by product group in 2018 compared to the prior year, with the contribution rate from the art-of-living product group, comprising electronic control systems for household appliances as well as professional appliances for the office and office services sector, continuing to take the largest slice of the pie at 81% (2017: 84%). Consequently, there was a slight increase in the percentage of contribution from Biotech products at 18% (2017: 16%). Products in this category include electronic control systems for high precision weighing scales, centrifuges, pipettes and deep freezers. Meanwhile products in the Others category made up the balance 1%.

Operations Review

The year under review saw material consumption taking up the highest percentage of the Group's expenditure at 59%. This was followed by employee benefit expense at 23%, depreciation & amortisation at 9%, research & development at 3% and other expenses at 6%. There was only a slight increase in material cost (2018: RM44.2 million; 2017: RM43.5 million) despite the 9% increase in USD revenue. This can be attributed to the strengthening of the RM against the USD, which resulted in lower material cost in RM.

2018 proved to be a challenging year in terms of our on-time delivery performance, which deteriorated to 53.51% (2017: 88.81%). This was caused by a prolonged shortage of MLCC components, which was brought forward from 2017, a disruption in the global supply chain resulting from the US vs China trade war and a shortage in labour.

Nevertheless, we strove to improve the situation by communicating closely with our customers, reconfirming the priority of product demand and endeavouring to reschedule material and readjust production lines to enable us to ship out the delayed products before the end of the year. This catch-up delivery played a prominent role in mitigating the impact of the delay, allowing our customers to adapt to the catch-up delivery schedule and re-sync their logistics schedule accordingly.

The delayed shipments caused a decline in the Group's in-house on-time delivery index without disrupting our customers' operations, while the catch-up delivery of goods before the year-end indirectly led to a higher number of day receivables.

Another main factor that affected the Group's activities during the year under review was the performance of the USD. 100% of the Group's revenue is denominated in USD, with an approximate 30% of it being allocated for payables in USD-natural hedge. The balance 70% is exposed to currency fluctuation and is managed via a Forward Contract Management Policy, which was approved by the Board of Directors in 2010. In 2018, UCHITEC sold forward a total contracted sum of USD18.4 million (2017: USD 18.0 million) at an average rate of RM4.1359/USD1.00 (2017: RM4.2272/USD1.00), with the average transaction rate being RM4.0344/USD1.00 (2017: RM4.3106/USD1.00).

The Group was successful in reducing the customer reject rate to 0.12% in 2018, which is below our target of 0.15%. This is a significant feat, considering that the 0.15% target that we set in-house already exceeds our customers' expectations considerably. This can be attributed to the quality-centric culture of the company, which has been in place since 1994 and has become the driving force of our daily operations. Through the years, a focus on continual improvement, systematic thinking, transparency, documentation and logical diagnostics has cultivated a holistic approach to our Quality Management system, pervading our quality culture to allow people, processes and products to be considered together in achieving our objectives.

A cornerstone of the Group's operations is research & development. With that in mind, we have an estimated budget of 7% of our revenue allocated for research & development activities. In 2018, RM4.3 million was spent for this purpose (2017: RM4.1 million).

We have a number of projects, consisting of electronic control systems for art-of-living and biotech product groups, at various stages of the research & development cycle; these include basic research pre-development, concept evaluation, software programming, circuitry design, system construction, hardware design, tooling design, prototype development and evaluation, design confirmation, pilot run, troubleshooting and, finally, mass production. As a technologically driven company, we are committed to continue investing heavily our research & development entity as we strive to come up with better and more innovative solutions.

In 2018, the Group spent RM9.2 million in capital expenditure (2017: RM1.1 million) to support research & development activities as well as for the upgrading and enhancement of production facilities.

Pursuant to the general announcements made by UCHITEC on June 26, 2018 and October 4, 2018, we completed the disposal of a piece of property, comprising freehold land in Bandar George Town, Daerah Timur Laut, Pulau Pinang known as Lot No. 207 Seksyen 1 held under Geran No. Hakmilik 4262, for a total cash consideration of RM9,510,000.00. The property, which measures 694.7747 sqm and comes with a double-storey detached house bearing the assessment address No. 22, Lebuhraya Rose, 10350 Penang, is free from all encumbrances and with vacant possession. Consequently, the Group gained RM2.6 million on the disposal of the property.

Recognising that the global marketplace can be volatile, we understand the importance of having effective contingency plans at hand to mitigate any undesirable outcomes. In view of that, UCHITEC has a highly resilient and versatile operating model that utilises our Enterprise Risk Management (ERM) framework. The ERM framework acts as the core management competency, incorporating a well-structured systematic process to identify business risks and lessen their impact on our operations. Guided by the ERM principles, our management team governs the actions of their personnel to ensure that the necessary internal control systems are effectively implemented. We continue to monitor and review the ERM framework throughout the year to be adapted according to any changes in the business and market environments.

Progressing Steadily

Due to the unpredictable economic climate resulting from the trade war between the US and China, along with an inventory adjustment announcement made by major component suppliers, the market in general is taking a wait-and-see stance. On the other hand, our current customer orders and forecasts for the first half of the year did not reveal any significant changes compared with the same period last year which has, in turn, provided us with a conservative yet stable turnover estimate. With that in mind, we remain cautiously optimistic in anticipating a low single digit revenue growth in accordance with our announcement to the public which was made in February this year. Subsequently, amidst currency fluctuations, material shortages and price fluctuations, and ever increasing labour costs due to a shortage of skilled labour, we are targeting a modest estimate of 40% operating profits at the rate of RM3.90/USD1.00.

At this juncture, UCHITEC will take advantage of this relatively off-season period to commence and tune up our new automatic production lines to further improve our production efficiency and flexibility. Meanwhile, a new round of negotiations with our major suppliers on purchasing prices has been carried out to further bring the cost of materials down, with the objective of creating greater value for all our shareholders as well as the Group.

We do not expect significant changes in principal geographical areas of distribution and product group contributions, and will continue focusing on our principal business.

With research & development being an instrumental factor in determining the Group's success, we are committed to keep enhancing our existing products, all the while developing leading-edge products to ensure we are always a step ahead in the evolution of technology. We will also focus on consistently improving our production processes to increase cost efficiency and improve profit margins, enhancing our operations to ensure that UCHITEC meets its commitments to environmental sustainability and human resource improvements, and harnessing our creative horsepower within and outside the organisation to generate more ideas which are even more innovative.

At present time, there are several projects in the works which are scheduled to be launched in 2019. At UCHITEC, we are bound by customer confidentiality clauses; nevertheless our Board of Directors recognises our responsibility to ensure a detailed, timely and accurate disclosure of material information to the public. As such, in order to protect the interests of our customers and shareholders, the Board shall make the necessary announcements at an appropriate time and manner.

UCHITEC has been continuously recording a customer reject rate of below 0.20% since 2013. We lowered our target for 2018 to 0.15% and achieved 0.12%. Our target for 2019 remains the same at 0.15%.

With the rise in protectionism, geopolitical influences in the trade environment and the unstable global supply chain, it has become more imperative than ever to ensure the effective and strategic management of the Group's global supply chain and procurement. In addressing this issue, we are looking at finding alternative supply sources, diversifying our sourcing base to other regions, such as Southeast Asia, and reviewing and enhancing our buffer stock scheme to mitigate material price fluctuations and supply shortages. We also aim to develop, manage and leverage our relationship with suppliers and be more cognisant of the external economic climate; as well as leveraging supplier capabilities to reduce supply risk exposure, increase responsiveness to market changes and shorten order fulfilment lead times.

Besides that, in ensuring management effectiveness and efficiency, we plan to address the manpower shortage issue by outsourcing production processes or engaging contract manufacturing services. With scale economies and utilisation efficiency playing an important role in enhancing our productivity ratio, we also encourage positive performance and improved business processes by eliminating unnecessary work that consumes time without adding value in the eyes of the customers; simplifying tasks that contribute to product quality, achievement of sales objectives and effective management of risks; and utilising available technologies as well as implementing new systems to improve overall processes and ensure quality outcomes.

For the Group's 2019 capital expenditure requirements, we will be budgeting an estimated RM5 million for normal wear and tear as well as facility replacement. Besides that, we continue to invest 7% of our revenue for research & development.

Appreciation

UCHITEC would like to recognise the unwavering commitment, cooperation and support of everybody who has contributed to the Group's progress across the years. These include our customers, business associates, vendors, bankers, lawyers, advisors, financiers, investors and relevant authorities. We also thank our shareholders for their confidence in us through the years.

Our sincere appreciation also extends to our management team and staff members for their continued dedication in helping us achieve our goals as well as our Board of Directors for its guidance and wisdom throughout the year. We hope for your continued support in the years to come.

Thank You.

CHIN YAU MENG
Managing Director

Sustainability forms an integral part of UCHITEC's organisational culture. It becomes a driving factor in our endeavours to balance economic viability with environmental and social duty as we embrace our role as responsible corporate citizens.

The Group's sustainability governance is led by our Board of Directors to ensure that the intended culture is well embedded within the organisation. This Board-level involvement also allows for adequate resources, systems and processes to be in place.

Directly assisting and reporting to the Board in monitoring the effective implementation of sustainability related strategies (which complement or are integrated with the business strategies) is the Executive Committee (EXCOM). The EXCOM essentially oversees the day-to-day sustainability management of all UCHITEC's subsidiary companies.

Subsequently, the actual implementation of sustainability initiatives and daily management of sustainability matters in business operations are overseen by the Management Committee (MANCOM), which reports to the EXCOM.

Among others, the MANCOM is responsible for the discussion and alignment of the sustainability strategies within the organisation, including the setting of targets and performance indicators; overseeing the sustainable performance of the respective subsidiaries as well as serving as a forum to gather input from each department or function and reporting to a higher governance level on the overall operational management of sustainability matters; and overseeing the conduct of materiality assessment processes, such as stakeholder engagement processes and identification of material sustainability matters, to ensure that robust processes are in place.

In ascertaining that its material assessment is able to contribute to better business strategy performance in the short, medium and long term, the Group's material assessment scope encompasses a global view of UCHITEC's business; the overall group level, including all its subsidiaries; and the entire value chain, including its suppliers and customers.

At UCHITEC, our Materiality Assessment Process (MAP) involves the application of various tools to identify, categorise and prioritise sustainable matters in accordance with its materiality to reflect significant Economic, Environmental and Social (EES) impacts on our business, and substantively influence the assessments and decisions of our stakeholders.

In identifying the Group's material sustainability matters, an analysis from internal and external sources is paramount to ensure that we obtain a comprehensive yet objective purview that will enable us to be responsive to our stakeholders' expectations and safeguard our business from adverse impacts.

Our internal sources include our Board/Board Committee reports and meeting minutes; business strategies (short and medium-term goals, objectives and policies); internal analyses of megatrends that are relevant to the Group, such as talent management and cyber security; business model; and risk management assessments and risk register that involves identifying significant risks via the organisation's enterprise risk management system, for example.

External sources, on the other hand, encompass sustainability issues or concerns raised by stakeholders; stakeholder feedback and complaints, interests and expectations; topics and emerging trends such as climate change reported by industry and peers; relevant regulations and laws as well as international agreements or commitments which could impact the business strategy or raise stakeholder concerns; standards and sustainability-related ratings or rankings like the FTSE4Good Bursa Malaysia Index; Bursa Malaysia's Sustainability Reporting Guide; media reviews (including social media); and external peer reviews.

UCHITEC's stakeholders can be broadly categorised into internal and external stakeholders. The former includes Investors/Financiers and Employees. Our primary objective for engaging with Investors/Financiers is to optimise value creation among shareholders, while our engagement objective for Employees is to ensure they are provided with job satisfaction, a work environment that is conducive and career development opportunities.

Our external stakeholders, meanwhile, include Government, Media, Local Community/Society, Customers and Suppliers. Engagement with Government involves obtaining the necessary licences for our operations and compliance with the necessary regulations, while Media engagement will facilitate meaningful communication. The Group's engagement with the Local Community/Society drives us to make significant environmental and social impacts for the betterment of our future. Additionally, our commitment to Customers and Suppliers allows us to ensure customer satisfaction and a continuous supply of resources in a timely manner respectively.

Sustainability matters identified from there are categorised and prioritised based on the assessment of the significance of their EES impact and the influence of the sustainability matters on stakeholder assessments and decisions.

Pursuant to this, we have identified three material sustainability pillars, which have considerable impact on our stakeholders through our local employment and economic value distribution. These are:

- Customer Satisfaction;
- Operational Efficiency; and
- Technical & Tactical Proficiency

The impact of these three pillars on the revenue of the business, strategic operational risks and business opportunities is crucial in determining the Group's success in embracing business sustainability.

Upholding Customer Satisfaction

In accordance with UCHITEC's ISO9001 Quality Policy, Total Customer Satisfaction is our business priority, which is why we always strive to "Exceed Customers' Expectations through Continuous Improvement".

In line with this commitment, we endeavour to:

- provide products and services that fully meet the expectations of interested parties via a balanced approach with on-time and defect-free delivery;
- improve on our products and services through employee training and development, and implement a Plan-Do-Check-Action (PDCA) cycle; and
- commit to the continuous implementation of ISO9001 Quality Management System and adhere to applicable requirements.

In 2018, UCHITEC's on-time delivery to customers slipped to 53.51%. This was due to several factors. Among them is a worldwide shortage of the commonly used multi-layered ceramic capacitor (MLCC) components. Because of this, the MLCC manufacturers implemented several measures that include imposing a strict allocation of the MLCC components over a defined period in 2018 based on their capacity and distributors' historical backlog, not accepting new purchase orders from customers and even cancelling existing orders. These contributed to a prolonged lead time on the Group's new and existing orders.

Other factors that also affected the Group's on-time delivery are a disruption to the global supply chain due to a trade war between the US and China, and labour shortages.

In order to mitigate disruptions to our customers' operations, we communicated closely with them and reconfirmed the priority of product demand. With multiple material rescheduling and production line readjustment efforts, we were able to address backlogs and ship them in the timeliest manner possible.

Nevertheless, although the MLCC component shortage has been moderated, we anticipate that the effects of the shortage, together with the US-China trade tension, will continue to reverberate in years to come, potentially causing further material price fluctuations and global shortages of other components. In view of that, we are taking several preventive measures. These include the implementation of a Safety Buffer Stocks System, where we will keep safety stocks for long lead time components in order to facilitate our operations.

The Group is also restructuring the strategic and effective management of our global supply chain. Among others, we will review the timing, trade terms and country of origin provision in our contracts, while also expanding our supplier base to include South East Asian countries. We also aim to evaluate our demand forecast and enhance our visibility to our suppliers. By building a close relationship with our suppliers, we hope to increase the likeliness of the Group being first in line should the existing supply in the market be constricted. We are also shoring up our supply chain by seeking alternative supply sources and consistently performing contingency and scenario planning.

On a brighter note, during the year under review, UCHITEC continued to successfully reduce our customer reject rate to 0.12%, which is below our 0.15% target. There was also no record of complaints from our customer or the authorities regarding any violation of requirements.

Enabling Operational Efficiency

To facilitate the Group's operations, we adopted a quality management system comprising a formalised set of policies, processes, procedures and responsibilities that are required for planning and executing strategies toward achieving our company objectives. This was further enhanced to the ISO9001: 2015 in 2017, allowing us to improve our overall performance and providing a foundation for our sustainable development initiatives.

In addition to a process approach and Plan-Do-Check-Act (PDCA) cycle, which had already been integrated in the ISO9001: 2008, the enhanced system also incorporates risk-based thinking.

With the process approach, there is a systematic definition and management of processes and their interactions, with the ultimate aim of achieving the intended results in accordance with the quality policy and strategic direction of the Group. The management of the processes and the system as a whole is achieved by employing the PDCA cycle with an overall focus on risk-based thinking aimed at taking advantage of opportunities and preventing undesirable results.

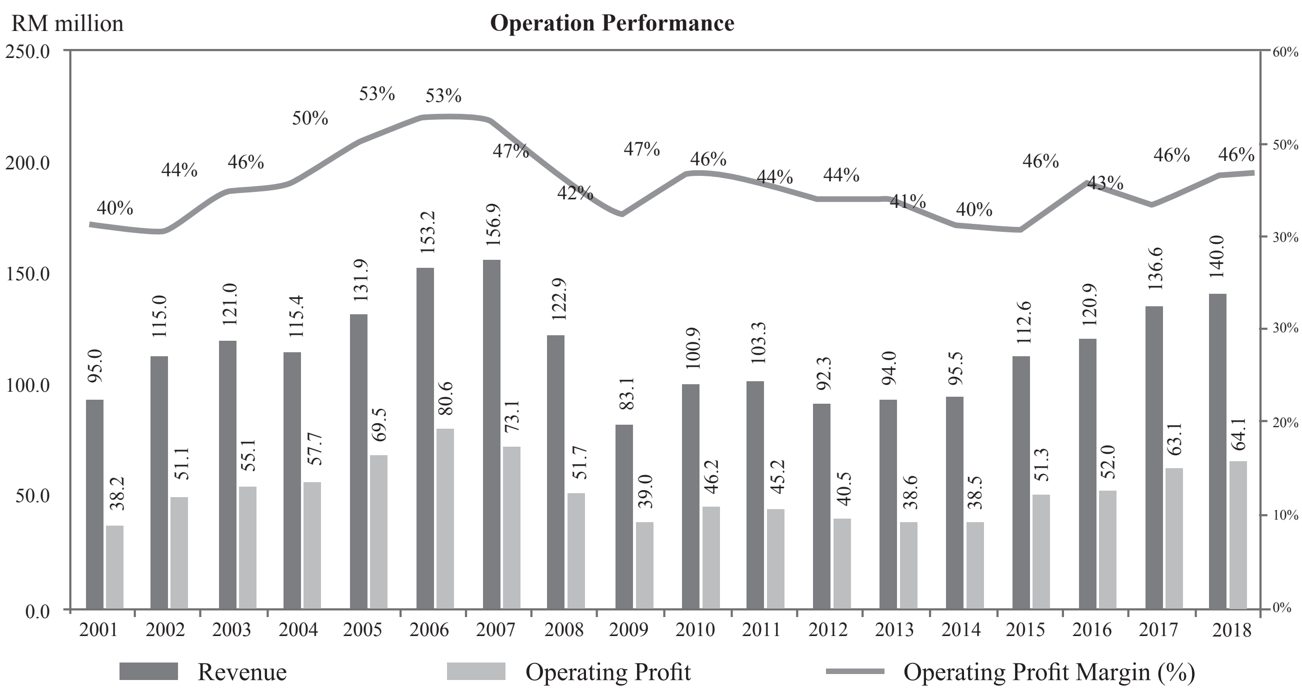
The PDCA cycle helps ensure that the Group's processes are adequately resourced and managed, and that opportunities for improvement are identified and acted upon.

Meanwhile, risk-based thinking enables us to determine the factors that could cause our processes and quality management system to deviate from our initial plans, to put in place preventive controls that can minimise negative effects and to maximise opportunities as they arise.

In our commitment to enhancing shareholder value and safeguarding their interest, we also adhere to the Malaysian Code on Corporate Governance that was issued in 2017 (MCCG2017).

The Group did not experience any significant changes in our operating profit margin, which remained at 46% in 2018 (2017: 46%). A detailed analysis of our key operational risks and mitigating controls is disclosed in the Management Discussion and Analysis section of this Annual Report.

Operation Performance



Ever since our listing in 2000, we have recorded an average Operating Profit Margin of 45%, despite going through challenging economic scenarios that include the global economic downturn, foreign currency fluctuations and technical challenges. Subsequent to that, we have consistently upheld our dividend policy of allocating at least 70% of the Group's Profit after Taxation since 2003. Additionally, UCHITEC completed a capital repayment of RM89.7 million to our shareholders in 2018. With this capital repayment, we intended to return excess cash to our shareholders as a reward for their continuous support through the years. Our financial standing, including our cash and cash equivalents, reserves and zero gearing, remains strong after the capital repayment.

Increasing Technical & Tactical Proficiency

As our core business activity is in providing innovative solutions to our customers and helping them to be the first to launch a new product feature and ultimately seize the market share, our technical and tactical proficiency pillar has a considerable impact on our customers.

This is deeply ingrained in our corporate culture, as demonstrated in our Vision, Mission, Strength, Development Strategy and Development Goals.

Our Vision

We pledge to be the first-line partner for exclusive innovative solutions

Our Mission

To achieve technological breakthrough and exceed customers' expectations by providing innovative solutions and cost-effective manufacturing services.

Our Strength

A Technical Partner to walk you to the top

Development Strategy

To be a strategic technical partner that cannot be omitted and will remain as market leaders. Total customer satisfaction is our purpose of existence and devotion in innovation derived from the founders is our motivation for continuous breakthrough.

Development Goals

We provide our customers with comprehensive solutions, transforming their ideas/concepts into products through product design, design verification, design approval, process engineering and manufacturing before delivery. Speed and innovation are our unique competencies.

At UCHITEC, our research & development goal is to achieve technological breakthrough and exceed customers' expectations through research and innovation, and by developing high grade, market-oriented and cost-efficient products.

The research & development team has been headed by Mr. Kao, De-Tsan since it was established in 1990. The team is actively involved in synergistic collaborations with our customers from diverse industries, ranging from consumer to industrial products. This broad exposure to different industries enables our research & development team to combine the competencies and technological concepts derived from their research endeavours on the various industries and advise customers with innovative and efficient proposals.

UCHITEC is operating in a niche market, selling solutions aimed at satisfying specific market needs. In view of that, we perceive our customers as our rivals. To earn orders from our customers, we have to look for ways to be more convincing in providing them with innovative turnkey technical solutions. This essentially means we need to be faster and better in providing solutions to our customers. Consequently, merely keeping pace with technological innovations does not suffice. We must also be able to employ the innovations to ensure that we deliver compelling solutions and services to our customers.

At UCHITEC, emphasis is not only given to our technical proficiency but also tactical proficiency. While the former gives us the confidence to tackle our customers' technical issues, the latter allows us to put our technical proficiency to work. This is where we apply judgement, initiative, decisiveness and enthusiasm in order to achieve the desired results. It moves us from simply knowing what something is to understanding why it is important and how to employ it for success.

As a result, our customers continue to rate us favourably in relation to technical competency. The criteria used by our customers to assess our technical competency pertaining to our research & development services cover product design lead time, quality of product design, and ability to fulfil customers' design requirements and exceed customers' expectations with innovative ideas/designs.

While our customer rating dropped slightly to 8.81/10.00 in 2018 from 9.10/10.00 in 2017, this was by no means caused by technical competency issues. Rather, the decline was primarily due to an on-time delivery issue, which saw our ratings for this segment slip from 94% (2017) to 74% this year. (This issue has been addressed under our Customer Satisfaction segment earlier.) Furthermore, new line-ups in our customers' research & development teams placed our own research & development team in transition mode as it synchronised and aligned its requirements accordingly with our customers' new requirements.

In 2018, the research & development team recorded a 100% (2017: 100%) success rate on project launching for mass production.

Additionally, despite the problem with on-time delivery, our commitment in prioritising our customers' interests, incessant perseverance and swift action enabled us to respond promptly and ensure that our customers were ready to launch their products on schedule.

To date, the technical and tactical proficiency of the Group has been excellent. Nevertheless, we always strive to be better than excellent. New product design and development is more often than not a crucial factor in the survival of a company. In a global industrial landscape that is rapidly changing, companies must have the capability to continually revise their designs and range of products.

To improve our product design lead time and quality further, we aimed to increase the headcount of our research & development team to 45 in 2018, but have yet to achieve this target with a headcount of 36 (2017: 39). The main reason for this is a lack of the right talent, which has now become a global economic concern.

The tight workforce has not deterred our performance, however, and we have still been able to deliver our control modules to our customers in time for their new product launchings.

We recognise that a competent workforce is a key success determinant within the Group. Moving forward, we will focus on enhancing the technical ability of our current workforce by increasing their involvement in project discussions and brainstorming sessions with vendors, customers and experts.

To innovate, a mix of expertise, skills, talent and equipment is required. These are things that we might not necessarily have in-house. As such, it is important for us to reinforce our strategic alliances with universities, research organisations/individuals or expert companies. By doing so, we are able to mitigate the issue of talent scarcity and focus on our core expertise while, at the same time, enhancing our research & development team's technical knowledge and exposure through close collaborations with experts. In short, we outsource to keep our resource!

Corporate Social Responsibility

The corporate social responsibility ("CSR") vision of Uchi Technologies Berhad ("UCHITEC") is founded on a culture of caring and responsibility. In upholding our duty as a corporate citizen, the Group emphasises CSR in the following four focal areas:

- Community - to be socially responsible to the society at large and play a role as a caring corporate citizen.
- Marketplace - to be socially responsible in the economic boundaries it operates through exemplary corporate governance practices.
- Workplace - to be socially responsible to its employees by providing a conducive working environment including on matters pertaining to health and safety at workplace, developing its human capital and observing the rights of its employees.
- Environment - to be socially responsible and play a role in preserving the environment.

Consequently, the Group is involved in various activities aimed at elevating the wellbeing of society at large. These include a blood donation drive, participation in charitable events as well as social visits and donations to various charitable organisations.

In the marketplace, we aim to be socially responsible within the economic boundaries in which we operate by adopting exemplary corporate governance practices and upholding uncompromising business ethical values.

At the workplace, we endeavour to provide an environment that prioritises the rights, health, safety and wellbeing of our employees. These include continuous learning and development programmes as well as welfare activities, such as annual trips and dinners, and sports tournaments, to motivate our employees and increase our productivity level. Furthermore, Uchi Optoelectronic (M) Sdn. Bhd. ("UOM") and Uchi Technologies (Dongguan) Co., Ltd. ("Uchi Dongguan") are both OHSAS 18001: 2007 certified.

In addition to adhering to all environmental laws and regulations, numerous initiatives have also been undertaken in our efforts to safeguard the environment. These include getting UOM and Uchi Dongguan ISO 14001 certified, the construction of our eco-friendly UCHItecture, the installation of a Grid-Connected Photovoltaic Power System, a River Rehabilitation Campaign involving the cleaning up of a nearby river and a Go Green Campaign that encourages our employees to participate in planting vegetables and fruits within the Group's premises.

Although CSR has not been identified as a critical sustainability matter of the Group, we are committed to keep striving for the betterment of the community and the environment as we work to enhance business continuity and competitiveness. At UCHITEC, we embrace sustainable development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

The Board of Directors ("the Board") of Uchi Technologies Berhad ("the Company" or "UCHITEC") is committed to ensure that the highest standards of corporate governance are observed throughout the Group so that the affairs of the Group are conducted with integrity, transparency and professionalism with the objective of safeguarding shareholders' investment, enhancing shareholders value as well as the interests of other stakeholders.

The ensuing paragraphs summarizing the Company's corporate governance practices during the financial year ended December 31, 2018 with reference to the application of the Principles set out in the Malaysian Corporate Governance Code 2017 ("MCCG 2017"). The detailed application for each practice as set out in the Code is disclosed in the Corporate Governance Report ("CG Report") which is available on the corporate website: www.uchi.net.

A. BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board Charter

Board Charter was established and made available on the Company website, outlining a framework designed to:

- enable the Board to provide strategic guidance for the Company and effective oversight of the management; and
- clarify the respective roles and responsibilities of Board, Board committees, individual directors and the management in order to facilitate the Board and the management accountability to both the Company and its shareholders; and
- ensure a balance of authority so that no single individual has unfettered powers; and
- identify issues and decisions reserved for the Board.

The Board reviewed and assessed the adequacy of Board Charter in February 2018 and resolved that the Board Charter is in compliance with relevant rules and regulations promulgated by the regulatory body.

The Responsibilities of the Board and Management

The Board explicitly assumes the following principal duties and responsibilities as follows:

- Reviewing and adopting a strategic plan for the Group; and
- Overseeing the conduct of the Group's businesses and evaluate whether the businesses are being properly managed; and
- Identifying principal risks and ensure the implementation of appropriate systems to manage these risks; and
- To conduct and review succession planning, including appointing, training, evaluating, fixing the compensation of and where appropriate, replacing senior management; and
- Developing and implementing an investor relations programme or shareholder communications policy for the Group; and
- Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Whilst, the management is responsible to:

- Recommend the Company's corporate strategy to the Board for approval and upon approval, implement the corporate strategy;
- Assume day-to-day responsibility for the Company's conformance with relevant laws and regulations and its compliance framework;
- Achieve the performance targets set by the Board;
- Develop, implement and manage the Company's risk management and internal control framework;
- Develop, implement and update the Company's policies, procedures and systems;
- Be alert to relevant trends in the industry and the Company's operating environment;
- Provide sufficient and relevant information to the Board to enable the Board to effectively discharge its responsibilities;
- Act as a conduit between the Board and the Company; and
- Manage the Company's human, physical and financial resources to achieve the Company's objectives.

The Board may, by resolution, delegate its authority to the Board Committees and/or the management, whom shall at all times be under the direction and control of the Board. The delegation could be for authorization of expenditure, approval of credit facilities and for other corporate actions. The thresholds for the identified authorities will depend upon the operating requirements of the Company.

Matters which are specifically reserved for the Board's approval are defined in the Board Charter which includes issuance of new securities, appointment of Board members, establishment of Board Committee, their membership and authority, approval of dividends, corporate governance principles and policies, approval of major capital expenditure, capital management, and acquisitions and divestitures, calling of meetings and any other specific matters nominated by the Board from time to time

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

Chairman and Managing Director

There is clear division of responsibilities between the Chairman and Managing Director where the position of Chairman and Managing Director are held by different individuals and the Chairman is an independent and non-executive director. The Chairman, Mr. Charlie Ong Chye Lee, an Independent Non-Executive Director is responsible for effective functioning of the Board and together with the MD and the members of the Board for formulating general Company policies and making strategic business decisions. The Managing Director, Mr. Chin Yau Meng is responsible for the execution of these decisions and the day-to-day management, operation and administration of the business.

The roles of individual Board members are stipulated in the Board Charter. The role of the Independent Non-Executive Directors is particularly important as they provide robust and independent view, advice and true and fair judgement which take into account the long term interest, not only of the Group but also of shareholders, employees and other stakeholders of the Group.

Qualified and Competent Company Secretaries

The Board acquires corporate secretarial services from a professional secretarial firm to assist the Board of Directors in discharging its duties and responsibilities.

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its functions. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries also ensure that deliberations at the Board and Board Committee meetings are well captured and minuted, and subsequently communicated to the relevant management for necessary action.

Board Meetings

The Chairman is responsible for ensuring Board effectiveness and the Board met four times in this financial year. A formal time schedule was pre-determined in advance. The agenda and Board papers for each meeting were circulated at least one week in advance before each meeting to the Board members to enable the Directors to review the papers in preparation for the meeting and to obtain further explanations, where necessary, in order to be briefed properly before the meeting. In addition to the Group performance discussed at the meeting, the Board also discussed, reviewed and decided the financial decision and annual plans, changes to Board or management and control structure of the Group, including strategies, key policies, procedures and authority limits. The Board and its committees were supplied with all necessary information to enable them to discharge their responsibilities efficiently and effectively.

All decisions of the Board were duly recorded in the Board's minutes and circulated. All Directors fulfilled the requirement of Bursa Malaysia Securities Berhad (Bursa Securities) in relation to their attendance at the Board meetings.

Number of Board of Directors' meetings and number of attendance for each Director for the financial year ended December 31, 2018 are as follows:

No.	Director	Year 2018 Period of Directorship	Total No. of Meetings	Attendance
1.	Kao, De-Tsan also known as Ted Kao	1/1/2018 to 31/12/2018	4	4
2.	Kao, Te-Pei also known as Edward Kao	1/1/2018 to 31/12/2018	4	4
3.	Chin Yau Meng	1/3/2018 to 31/12/2018	3	3
4.	Dr. Heinrich Komesker	1/1/2018 to 25/5/2018	2	2
5.	Charlie Ong Chye Lee	1/1/2018 to 31/12/2018	4	4
6.	Tan Boon Hoe	1/1/2018 to 31/12/2018	4	4
7.	Lim Tian How	2/4/2018 to 31/12/2018	3	3
8.	Huang, Yen-Chang also known as Stanley Huang (Alternate Director to Kao, De-Tsan also known as Ted Kao)	1/1/2018 to 31/12/2018	4	4
9.	Ow Chooi Khim (Alternate Director to Kao, Te-Pei also known as Edward Kao)	1/1/2018 to 31/12/2018	4	4

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

Supply of Information

The Board has unrestricted access to the management and employees of the Company to acquire timely and accurate information, necessary in the furtherance of their duties, which is not only quantitative but also other information deemed necessary such as information on customer satisfaction, products and services qualities, market share, market reaction and environmental performance.

All Directors have access to the advice and services of the Company Secretaries and where necessary, seek independent professional advice at the Group's expense.

Code of Ethics

UCHITEC is committed to the highest standards of ethical business conduct. The Directors and employees continue to adhere to the Code of Ethics of UCHITEC codified in the Employees' Handbook. The Code of Conduct and Ethics for the Directors is also available on the group website. The principles on which this Code rely are those that concern transparency, integrity, accountability and civic social responsibility.

This Code is formulated to enhance the standard of corporate governance and behaviour with a view to achieve the following objectives:

- to establish standard of ethical conduct for Directors and employees based on acceptable belief and values that one upholds; and
- to uphold the spirit of social responsibility and accountability of the Group in line with the legislations, regulations and guidelines governing it.

Fraud and Whistle Blowing Policy

Fraud Policy was established with the intention to promote consistent organisation behaviour by providing guidelines and assigning responsibilities for the development of controls and conduct of investigations. It is the management responsibilities to facilitate the development of controls, which will aid in the detection and prevention of fraud, misappropriations and other unethical behaviour in the workplace. All employees are obligated to support the management's effort to effectively minimize fraud risk.

Nonetheless, UCHITEC has introduced Whistle Blowing Policy to provide an avenue for all employees and stakeholders, to raise their concern about illegal or immoral conduct or behaviour in the Group to the Administrator without fear of reprisal. Informants are assured that their identity is kept confidential and their concern will be acted upon. Mr. Charlie Ong Chye Lee, the Independent Non-Executive Director of UCHITEC is appointed for the administration, revision, interpretation and application of this policy.

II. Board Composition

For the financial year 2018, the Board comprised of six (6) Directors, of which three (3) are Executive Directors and three (3) are Independent Non-Executive Directors. The present composition of the Board meets the requirements as stipulated in Chapter 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad as half of its members are Independent Directors.

The Board's standards for determining the independence of a Director is set forth in the Board Charter. The Nomination & Remuneration Committee (NRC) is authorized to assess the independence of the Independent Directors in accordance to the Boards Independence Standards annually. Based on the assessment in 2018, the Board is generally satisfied that all the Independent Directors are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company and minority shareholders.

Tenure of Independent Director

It has also stipulated that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Should the Board intends to retain the Director as Independent after he/she has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting.

Summary of tenure of service of Independent Directors currently sit on Board are as follows:

Name of Directors	Date of Appointment	Tenure of Service as of March 31, 2019
Charlie Ong Chye Lee	July 1, 2008	10 years 9 months
Tan Boon Hoe	August 1, 2016	2 year 8 months
Lim Tian How	April 2, 2018	1 year

Mr. Charlie Ong Chye Lee's tenure on the Board has reached a cumulative term of nine (9) years on June 30, 2017. The NRC, with Mr. Charlie Ong Chye Lee abstaining from the deliberation of their own assessment respectively, has assessed his independence and is satisfied with the following attributes necessary in discharging their roles and functions as an Independent Non-Executive Director of the Company, i.e.

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Tenure of Independent Director (cont'd)

- He has met the criteria under the definition of Independent Director pursuant to Chapter 1 of the Listing Requirements of Bursa Malaysia Securities Berhad; and
- He has vast experience in the industries the Group is involved and as such could provide the Board with a diverse set of experience, expertise and independent judgment; and
- He consistently challenges the management in an effective and constructive manner; and
- He actively expresses his views and participates in Board deliberations and decision making in an objective manner; and
- His length of service on the Board does not in any way interfere with his fiduciary duties in exercising due care in the best interest of the Company and minority shareholders.

After considering the NRC's justification and recommendation, the Board intends to seek its shareholders' approval at this forthcoming Annual General Meeting to retain Mr. Charlie Ong Chye Lee as an Independent Non-Executive Director of the Company.

Effectiveness of the Board, Board Committee and Individual Directors

The NRC was established to undertake a formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each individual director. The NRC was chaired by Mr. Charlie Ong Chye Lee, Senior Independent Non-Executive Director and comprised exclusively of Independent Non-Executive Directors, namely:

Chairman	:	Charlie Ong Chye Lee *Senior Independent Non-Executive Director*
Members	:	Tan Boon Hoe *Independent Non-Executive Director*
		Lim Tian How (appointed on April 2, 2018) *Independent Non-Executive Director*
		Dr. Heinrich Komesker (resigned on May 25, 2018) *Independent Non-Executive Director*

Summary of activities of the NRC in 2018 are as follows:

- reviewed the required mix of skills of experience and other qualities, including core competencies, which Non-Executive Directors brought to the Board;
- reviewed and recommended to the Board the re-election of Directors who retired in accordance with the Articles of Association;
- reviewed and recommended to the Board the appointment of Directors in accordance with the Board Charter;
- reviewed and recommend to the Board for re-appointment of Director who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years and to seek shareholders' approval at the forthcoming AGM;
- assessed the independence of each of the existing Independent Directors with each director abstaining from deliberation on his own assessment;
- assessed the Company's compliance with applicable laws and regulations relating to corporate governance and recommended to the Board;
- Assessed the contribution of each individual Director in terms of skills, experience and other qualities, attendance in all Board meetings, Board Committee meetings and annual meeting of shareholders, willingness to rigorously prepare prior to each meeting, level of participation in the meeting, willingness to make himself/herself available to management upon required to provide advice and counsel, willing to develop a broad knowledge of both critical issues affecting the Company (including industry, technology and market specific information), ability to exercise independent judgment at all times, demonstration of high professionalism and integrity in decision-making process;
- Reviewed and assessed the annual performance of the Board Committee and the effectiveness of the Board as a whole;
- Reviewed and reassessed the adequacy of the Board Charter and the Nomination & Remuneration Committee Charter including the evaluation criteria of recruitment and assessment of Directors.

The assessment was administered using a set of questionnaires that contains both quantitative and open-ended questions, based on a self and peer rating assessment model. Further insights were gathered from respective Directors in order to corroborate the findings from the questionnaires. The outcome arising from the evaluation process was reviewed by the NRC and subsequent recommendations have been made to the Board for further improvement.

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Effectiveness of the Board, Board Committee and Individual Directors (cont'd)

For the year under review, the NRC reported that the Board is adequately represented by a wide range of expertise from diverse backgrounds with core competencies in corporate, business acumen and analytical, legal and financial, engineering and production and the composition of the Board has a balance mix of executive, non-executive and independent members. The NRC also expressed that the Board Committees and individual Directors were able to discharge their duties and responsibilities in an adequate and proper manner.

The Board is satisfied with the existing board structure, effectiveness and the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

Appointments of the Board

The appointment of any additional Directors is made as and when it is deemed necessary by the Board, with due consideration given to the mix of expertise and experience required for discharging its duties and responsibilities effectively. The Board is assisted in this regard by the NRC, who is authorized to assess and propose new nominees for the Board and further empowered to assess the existing Directors on an on-going basis. The decision as to who shall be nominated shall be the responsibility of the full Board after considering the recommendations of the Committee.

The Board has set forth Directors qualification and the Board's expectation towards its Board members in the Board Charter, among others, the Directors are required to commit sufficient time and energy to satisfy the requirements of the Board and Board Committee membership particularly in terms of:

- attendance and participation in Board meetings and annual general meetings
- Preparation prior to each meeting
- Availability to management upon request to provide advice and counsel
- Attending continuing education programmes to update knowledge and enhances their skills.

To ensure that the Directors have ample time to focus and fulfill their roles and responsibilities effectively, the Board has imposed in the Board Charter that Directors may serve on the boards of other public companies provided that the directorships shall not be more than five (5) and these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a Board member.

Directors are required to advise the Chairman in writing in advance of accepting an invitation to serve on the Board of another public company and to declare their directorship semi-annually.

Diversification Policy

UCHITEC endeavours to provide a diversified and equal opportunity work environment throughout the Company i.e. free of discrimination of any form irrespective of an individual's gender, race, age and religion. As such, the evaluation of the suitability of Board composition is purely based on the candidates' competency, skills, character, time, commitment, knowledge, experience and other qualities in meeting the needs of the Company.

The Board members have a wide range of business, financial and technical skills and experience. This mixture of skills and experience is vital to the success of the Group. The profiles and credentials of the members of the Board are provided on pages 14 & 15 of this annual report.

The Board has set its target to achieve at least 20% of women directors and key senior management for 2018. During the year, there was 29% women representation on the board and key senior management.

The Board through the NRC will consider the gender diversity as part of its future selection and will look into to maintain or increase female board and key senior management representation in year 2019.

Re-Election

In accordance with the Company's Articles of Association, one third of the Board members are required to retire at every Annual General Meeting and be subject to re-election by shareholders. Newly appointed directors shall hold office until the next following Annual General Meeting and shall then be eligible for re-election by shareholders.

Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than 9 years are required to submit themselves for re-appointment annually in accordance with the recommendations of the MCCG 2017 accordingly.

Directors' Training

All existing members have completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia, an affiliate company of the Bursa Securities and attended various training programmes under the Continuing Education Programmes (CEP) for Directors in compliance with the requirements of Bursa Securities.

The Chairman, with the assistance of the management, provides new Directors with an initial orientation in order to familiarize them with their responsibilities as Directors under the relevant rules and regulations, and with the Company and its strategic plans, business environment, significant financial, accounting and risk management issues, compliance programs, Code of Conduct, the management and internal and independent auditors.

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Directors' Training (cont'd)

The NRC review and recommend, as appropriate, director orientation and continuing education programs for members of the Board. The management is responsible to source and provide the available continuing education programmes to the Directors as well as to arrange for the Director's attendance at these training programmes.

The Directors are encouraged to attend various training programmes and seminars to ensure that they are kept abreast on various issues pertaining to the industry and business environment within which the Company operates, particularly in areas of corporate governance and regulatory compliance.

In 2018, all the Board members had attended / participated in one or more of the following training programmes / conferences / seminars / workshops on areas relating to operational management, corporate governance, risk management, and financial reporting:

- Industry 4.0 : Future of Manufacturing Seminar
- Renesas CPX3 Application & Technical Training
- Surface Mount Technology Defects & Troubleshooting
- Malaysia Productivity Blueprint for Manufacturing Seminar
- Mandatory Accreditation Programme
- Key Amendments to Listing Requirements Arising from Companies Act 2016
- Dealing in Listed Securities, Closed Period & Insider Trading
- TRI In Circuit Tester Training
- Lean Production Project
- Surface Mount Technology YS100 Training
- MCCG Bursa' Listing Requirements
- Initial Public Offering Seminar
- Deloitte International Tax Symposium 2018
- Indirect Tax Academy : The Return of Sales & Service Tax
- Latest Development in Malaysian Financial Reporting Standards (MFRS/ IFRS) & IC Interpretation – An Overview
- Deloitte Taxmax National Budget 2018

All Directors will continue to attend such further training as may be required from time to time to keep abreast with developments in the industry as well as the current changes in laws and regulations.

III. Remuneration

The NRC is also responsible to ensure that the remuneration package of members of the Board and Board Committee are internally equitable, externally competitive, motivates the Board towards the achievement of business objectives and align their focus on the long-term business of the Company.

For the year ended December 31, 2018, the NRC reviewed and recommended to the Board the Nomination & Remuneration Committee Charter and the remuneration package and other benefits extended to all Directors. Remuneration packages of Directors was decided by the Board as a whole with the Director concerned abstaining in deliberation and voting on decisions in respect of his / her individual remuneration.

The remuneration package of the members of the Board and Board Committee is as follows:

- Fee
  The Board, based on the fixed sum as authorized by the Company's shareholders, determines fees payable to all Directors after considering comparable industry rate and the level of responsibilities undertaken by the Directors.

- Salary and Other Emoluments
  The Executive Directors are entitled to a fixed component of remuneration package which includes a monthly salary, employer contributions to the Employee Provident Fund and performance-based bonus.

- Benefits-in-Kind
  Benefits-in-Kind consists of fringe benefits provided to Executive Directors such as the provision of accommodation allowance and medical coverage.

- Share-Based Payment
  Share-based payment is the fair value arising from the granting of share options to Directors. All Directors of the Company are eligible to participate in the Employee Share Option Scheme. Upon shareholders' approval, the Board is authorized to grant share options to the Directors.

Specific disclosure of Director's remuneration and key senior management's remuneration in relation to Practice 7.1 and 7.2 of the MCCG 2017 are provided in the CG Report.

The Employee Share Option Scheme ("ESOS") Committee (whose members include some management staff)

The ESOS Committee was established on August 7, 2006 and was empowered to act, execute, enter into any transaction pertaining thereto for and on behalf of the Company in such manner deemed fit by it and in accordance with the By-Laws of ESOS, regulations and guidelines in force from time to time.

Upon expiration of ESOS 2006 on August 7, 2016, a new ESOS ("Uchi Technologies Berhad ESOS 2016" or "ESOS 2016") was launched on November 8, 2016.

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. Remuneration (cont'd)

The Employee Share Option Scheme ("ESOS") Committee (whose members include some management staff) (cont'd)

The maximum number of new shares which may be issued and allotted pursuant to the exercise of ESOS 2016 shall not at any point in time in aggregate exceed fifteen percent (15%) of the issued and paid up share capital of the Company. During the financial year ended December 31, 2018, the Company granted total share options of 1,130,000 ordinary shares to eligible employees. As of December 31, 2018, balance number of share options available for allotment under ESOS 2016 was 12,855,400 ordinary shares.

The aggregate maximum allocation of share options to Directors and key senior management of the Group shall not exceed 70% of the Share Options available under the ESOS 2016. As of December 31, 2018, the actual allocation of share options to Directors and key senior management was 40%.

The details of share options granted to and exercised by the Directors during the year under review are presented on page 48 of this annual report.

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee consists solely of independent non-executive directors and is chaired by Mr. Tan Boon Hoe, who is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountant. Mr. Tan Boon Hoe has retired as an audit partner in Deloitte Malaysia for more than two (2) years before he was elected as Audit Committee Chairman of UCHITEC on September 1, 2016.

Deriving from the annual performance evaluation carried out by the NRC, the Board is satisfied that the Audit Committee is adequately represented by a wide range of expertise from diverse backgrounds with core competencies in corporate, business acumen and analytical, legal and financial, engineering and production and were able to discharge their duties and responsibilities in an adequate and proper manner.

In 2018, Audit Committee members attended / participated in conferences / seminars on areas relating to corporate governance, latest development on MFRS and national budget 2018.

Relationship with the Auditor

The Company maintains a transparent relationship with the auditors in seeking their professional advice and towards ensuring compliance with the accounting standards.

The Board adopted the Auditors' Independence Policy which stipulated that external auditors must remain independent of the Company both in fact as well as in appearance. Generally, external auditors' independence is impaired when the external auditors provide services which:

- Create a mutual or conflicting interest between the external auditors and the Company;
- Result in the external auditors functioning in the role of management;
- Place the external auditors in the position of auditing its own work;
- Place the external auditors in the position of being an advocate for the Company

Taking into account the auditors' statement on independence and the Audit Committee's own enquiries, the Audit Committee is satisfied with the suitability, objectivity and independence of Deloitte PLT as external auditors and recommended to the Board the re-appointment of Deloitte PLT as auditors of the Company.

The re-appointment of Deloitte PLT as auditors of the Company is subject to shareholders' approval at the forthcoming Annual General Meeting.

II. Risk Management and Internal Control Framework

The Board acknowledges its responsibility for establishing a sound system of internal control to safeguard shareholders' investment and Group's assets, and to provide reasonable assurances on the reliability of the financial statements. In addition, equal priority is given to financial controls, operational and compliance controls as well as risk management. While the internal control system is devised to cater for particular needs of the Group and the risk, such controls by their nature can only provide reasonable assurance but not absolute assurance against unintended material misstatement or loss.

The Group has in place an on-going process and sound framework for identifying, evaluating, monitoring and managing the significant risks affecting the Group. The Board reviews the adequacy and integrity of the Group's system of internal controls on a continuous basis. The Board is assisted in this regard by the Audit Committee in overseeing the Company's risk management and internal control framework and policies

Audit Committee Report and Statement on Risk Management & Internal Control incorporating report on risk management review, internal audit function and conclusion of the review are set out from page 39 to 43 of this annual report.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Board values dialogue with investors and recognizes the importance of accountability to its shareholders through proper and equal dissemination of information to its shareholders. The Executive Director has regular dialogue sessions with institutional investors, fund managers and analysts to explain the Group's strategy, performance and major developments.

The annual report, quarterly results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

The Company maintains a corporate website at www.uchi.net which provides all relevant information about UCHITEC and is accessible by the public. This corporate website enhances the investor relation function by including share price information, all announcement made via Bursa LINK, annual reports as well as the corporate governance structure of the Company.

Mr. Charlie Ong Chye Lee was appointed as Senior Independent Non-Executive Director on September 1, 2012. Through whom, stakeholders may convey their concerns pertaining to the Group via charles.ong6288@gmail.com.

Corporate Disclosure Policy

The Company adopted Corporate Disclosure Policy to ensure informative, timely and accurate disclosure of material information concerning the Company to the public. UCHITEC recognizes that individual investors deserve the same access to material information as institutional shareholders and analysts, and is committed to providing fair and equal access to such information through broadly disseminated disclosure.

This Corporate Disclosure Policy deals with how UCHITEC and its employees handle material non-public information. It applies to all directors, officers and employees of UCHITEC and its operating subsidiaries (collectively, the "Employees") and insiders (as defined in the Listing Requirements of Bursa Malaysia Securities Berhad).

This disclosure policy does not apply to communications in the ordinary course of business not involving material information.

II. Conduct of General Meeting

The notice of the Twentieth Annual General Meeting (AGM) held on May 24, 2018 was dispatched to the shareholders on April 24, 2018, which is more than 28 days before the AGM, so as to ensure the shareholders are given sufficient notice and time to go through the Annual Report and make the necessary attendance and voting arrangement.

Both AGM and EGM, act as the principal forum for dialogue with shareholders. At each AGM, the Board presents the progress and performance of the Group and encourages shareholders to participate in the "Questions and Answers" session. Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

All Directors, the management and external auditors were in attendance to respond to shareholders' questions during the Twentieth Annual General Meeting held on May 24, 2018.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a clear and meaningful assessment of the Company's financial positions and their reports to the shareholders, investors and regulatory authorities. This assessment is primarily provided in the annual financial statements, quarterly result announcements as well as the Chairman's statement and review of the operations in the annual report.

The Board, assisted by the Audit Committee, ensures that in presenting the financial statements and quarterly announcements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

Responsibility Statement

The Board is required by the Companies Act 2016 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results of the Group and of the Company for the financial year then ended.

For the year ended December 31, 2018, the Directors, in discharging their responsibilities, with the assistance of the Audit Committee:

- Reviewed the appropriateness of the accounting policies used and consistency in its application;
- Ensured accounting and other records are properly kept to enable the preparation of financial statements with reasonable accuracy;

D. ACCOUNTABILITY AND AUDIT (cont'd)

Responsibility Statement (cont'd)

- Reviewed the presentation of the financial statements with the external auditors to ensure that the financial statements are prepared in accordance with the approved accounting standards, the provision of the Companies Act, 2016 and the Listing Requirements of the Bursa Securities;

- Ensured the financial statements presents a true and fair view of the state of affairs of the Group and of the Company at the end of financial year, their results and cash flows for the financial year;

- Ensured accounting estimates included in the financial statements are reasonable and prudent; and

- Ensured adequate system of internal control is in place to safeguard the interest of the Group through prevention and detection of fraud and other irregularities; and

- Ensured that a related party transaction which arose during the year ended December 31, 2018 was systematically identified and made on normal commercial basis, properly approved and on terms fair to the Company.

The Directors approved the audited financial statements for the year ended December 31, 2018 on March 22, 2019.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has fared well during the financial year in application of the corporate practices recommended under the MCCG 2017. The collective approval by the Board on this Statement was tabled on April 3, 2019.

For and on behalf of the Board of Directors of

Uchi Technologies Berhad (Company No.: 457890-A)

Charlie Ong Chye Lee
Chairman

The Board of Directors of Uchi Technologies Berhad is pleased to present the report of the Audit Committee for the year ended December 31, 2018.

AUDIT COMMITTEE

The Audit Committee was established by a resolution of the Board on March 29, 2000. Currently, the Committee comprised of the following:

Chairman	:	Tan Boon Hoe *Independent Non-Executive Director*
Members	:	Charlie Ong Chye Lee *Senior Independent Non-Executive*
Director	:	Lim Tian How *Independent Non-Executive Director*

TERMS OF REFERENCE

1. Objectives

The Audit Committee is appointed by the Board to assist the Board in the oversight of:

- the integrity of the financial statement of the Company;
- the independent auditors' qualification and independence;
- the quality of the audit conducted by the internal and external auditors;
- the adequacy of the Company's control environment;
- the compliance by the Company with legal and regulatory requirements and observance of a proper code of conduct; and
- the Company's policies and practices with respect to major risk exposure.

2. Composition

The Audit Committee shall be appointed by the Board of Directors on the recommendation of the Nomination & Remuneration Committee from amongst their members and comprising not less than three (3) members, all of whom shall be Non-Executive Directors, with a majority being Independent Directors.

At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants, or if he is not a member of the Malaysian Institute of Accountants, must have at least three (3) years working experience and either have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967, or a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967 or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

No Director may serve as member of the Audit Committee if such Director serves on the audit committee of more than two (2) other public companies unless the Board determines that such simultaneous service would not impair such director's ability to serve effectively on the Audit Committee.

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an Independent Non-Executive Director. No alternate Director shall be appointed as a member of the Committee.

3. Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference and shall have unlimited access to both the internal and external auditors, as well as the employees of the Group. All employees are directed to co-operate with any request made by the Committee.

The Committee shall also able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

The Committee shall have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to senior management of the Group.

The Committee shall have the authority to obtain independent legal or other professional advices as it considers necessary.

It shall also have the power to establish Sub-Audit Committee(s) to carry out certain investigation on behalf of the Committee in such manner, as the Committee shall deem fit and necessary.

4. Meetings

The Committee is at liberty to determine the frequency of its meetings which in any event shall not be less than four (4) times a year. The quorum shall consist of two (2) members of whom the majority of members present must be independent directors.

The Senior Finance Manager and representatives of the internal and external auditors should normally attend meeting. Other Board members may attend meeting upon the invitation of the Committee. However, the Committee should meet with the external auditors without Executive Board members present at least twice a year. The Committee may invite any person to be in attendance to assist in its deliberations.

Operation of the Committee meeting is stipulated in the Board Charter.

The Company Secretary shall be the Secretary of the Committee and shall be responsible for drawing up the agenda with concurrence of the chairperson and circulating it, supported by explanatory documentation to committee members prior to each meeting.

5. Audit Committee Responsibilities

The Committee's responsibility is to oversee the financial reporting process and practices of the Company and to assist the Board in fulfilling its responsibilities to the shareholders, potential shareholders and the investment community to ensure the corporate accounting and reporting practices of the Company are in accordance with all applicable requirements. The Audit Committee members are not expected to conduct field work or other types of technical reviews to assure themselves of the quality of work performed. The Committee shall be entitled to rely upon the integrity of the Company's financial executive management and the independent auditors. Should financial executive management or the independent auditors become aware that information provided to the Committee cannot be relied upon, that party has the responsibility to promptly report such findings to the Audit Committee and the Board of Directors.

The Audit Committee, to the extent it deems necessary or appropriate, shall:

- Review and reassess the adequacy of this Charter annually, and when considered necessary, make recommendations to the Board to modify it;
- Review the adequacy and effectiveness of risk management and internal control system of the Group annually and when necessary, recommend for enhancement;
- Review the independence of external auditors in accordance with the Independent Policy adopted by the Board of Directors and recommend the appointment and re-appointment of the external auditors, the compensation and any questions of resignation or dismissal, if any;
- discuss with the external auditors on their audit plan including the assistance given by the employees of the Company to the external auditors;
- review and discuss the quarterly financial statements and audited financial statements of the Company, with the Management and the independent auditors, focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - compliance with accounting standards and other legal requirements; and
  - significant and unusual events;
- discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss, including resolution of disagreements between management and the independent auditors regarding financial reporting (in the absence of management where necessary);
- review the external auditors' management letter and management's response;
- do the following where an internal audit function exists;
  - review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - review the internal audit programme, processes, results of the internal audit programme, processes or investigation undertaken and whether or not, appropriate action is taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of the internal audit function;
  - approve any appointment or termination of the internal audit function;
  - review the resignation of internal audit function and its reasons for resigning;
- consider any related party transactions that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- review the allocation of options during the year under the Uchi Technologies Berhad Employee Share Option Scheme 2016 ("ESOS 2016") to ensure that this was in compliance with the allocation criteria determined by the ESOS committee and in accordance with the Bye-Laws of the ESOS 2016;
- consider the major findings of internal investigations and management's response; and
- consider other topics as defined by the Board.

6. Reporting

The Audit Committee shall report to the Board on its activities through presentations during the next Board meeting and/or by submission of the Minutes of the Audit Committee meetings to the Board.

SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year ended December 31, 2018, the Committee met eight times with full attendance of all members of the Committee, of which the Audit Committee met the external auditors twice without the management's presence. The minutes of the Committee meetings were formally tabled to the Board for its attention and action.

Summary of activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended December 31, 2018 is as follows:

- Reviewed the adequacy of Audit Committee Charter;
- Recommended the re-appointment of the external auditors and agreed on their remuneration;
- Reviewed the external auditors' audit plan and scope of works for the year, assessed the independence and objectivity of the external auditorss and discussed the results of the annual audit and audit report with external auditors;
- Reviewed the audited financial statements for the year ended December 31, 2018 and the un-audited quarterly financial results of the Group;
- Reported and recommended to the Board to approve the annual financial statements and un-audited quarterly financial results;
- Reviewed the internal auditors' audit reports and considered the audit issues, recommendations and the management's written response;
- Reviewed with the Company's management and the internal auditors'on the adequacy and effectiveness of risk management and internal control system of the Group;
- Reviewed the adequacy of the Risk Assessment and Evaluation Framework and approved the adoption of such Framework;
- Reviewed and assessed the adequacy of the scope,functions competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- Reviewed the allocation of options during the year under the ESOS 2016 to ensure that this was in compliance with the allocation criteria determined by the ESOS committee and in accordance with the Bye-Laws of the ESOS 2016; and
- Reviewed the procedure and control in place on:
  - Identification of related parties;
  - Timely identification of related party transaction and possible conflict of interests;
  - Determination of price and terms and possible conflict of interests;
  - Related party transaction approving process;
  - Resolving conflict of interests situation, where arising.

  and ascertained that a related party transaction that arose during the financial year was systematically identified and made on normal commercial basis, properly approved and on terms fair to the Group.

INTERNAL AUDIT FUNCTION

In respect of the financial year ended December 31, 2018, the internal audit team had carried out internal audit reviews on the following areas according to the internal audit plan which has been approved by the Audit Committee:

- Sales order management; and
- Production planning and quality review.

The reviews were conducted to assess the adequacy and effectiveness of the Group's system of internal control and its compliance with the Group's policies and procedures. The Internal audit team also established follow-up audits / reviews to monitor and to ensure that internal audit's recommendations have been effectively implemented. Reports, including where relevant, action plans agreed with the operational level management, are circulated to the Management and are tabled at the Audit Committee meeting.

The total cost incurred for internal audit function for the financial year ended December 31, 2018 was approximately RM43,887.

The Board of Directors ("Board") of Uchi Technologies Berhad ("UCHITEC" or "the Group") is pleased to present its Statement on Risk Management and Internal Control for the financial year ended December 31, 2018, which has been prepared pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guideline for Directors of Listed Issuers ("the Guidelines"), in this annual report. This statement outlines the nature and state of the internal controls of the Group.

Board Responsibility

The Board acknowledges the importance of maintaining a sound internal control system and a robust risk management framework for good corporate governance; with the objective of safeguarding the shareholders' investment, the interest of customers, regulators, and the Group's assets. The Board affirms its overall responsibility for the Group's system of risk management and internal control which is vital to managing principal risk which may impede the achievement of the Group's corporate and business objectives. This responsibility includes reviewing the adequacy and integrity of this system which covers enterprise risk management, financial, organizational, operation and compliance controls.

However, in view of the limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate risk of failure to achieve business objectives, and to provide only reasonable and not absolute assurance against material misstatement or loss.

Management Responsibility

The Management is responsible for implementing the Board's framework, policies and procedures on risk and control by identifying, assessing monitoring and reporting risks and internal control; as well as taking proper actions to address the risks.

RISK MANAGEMENT REVIEW

The Board regards risk management as an integral part of business operations and continuously update and identify the various risk factors that could have a potentially significant impact on the Groups mid to long term business objectives. Arising from this, a risk-based audit plan was developed and approved by the Audit Committee.

The Board was assisted by the Management Team in ensuring that there is an on-going and systematic risk management process undertaken to identify, assess and evaluate principal risks. The Management Team comprised the Executive Directors as well as Division Heads, Department Heads and Managers of the subsidiaries. The Management Team had identified and evaluated the significant risks faced by the Group against a defined risk appetite and ensured that appropriate risk treatments were established to mitigate those risks affecting the achievement of the Groups business objectives.

The Board throughout the current financial year, has also identified, evaluated and managed the significant risks faced by the Group through monitoring of the Group's operational efficiency and profitability at its Board meeting.

KEY RISK MANAGEMENT & INTERNAL CONTROL PROCESSES

Salient features of the framework of risk management and internal control system of the Group are as follows:

- Code of Ethics which sets out the principles to guide Directors' and employees' conduct to the highest standards of personal and corporate integrity;

- Fraud Policy which was established with the intention to promote consistent organisation behaviour by providing guidelines and assigning responsibilities for the development of controls and conduct of investigations;

- Whistle Blowing Policy which outlines the Group's commitment towards enabling the employees to raise concerns in a responsible manner regarding any wrongdoings or malpractices without being subject to victimization or discriminatory treatment, and to have such concerns properly investigated. All the disclosures made under the Policy will be handled with strict confidence. The Policy promotes a culture of honesty, openness and transparency within the Group;

- Operating procedures that set out the policies, procedures and practices adopted in the Group are properly documented and communicated to staff member so as to ensure clear accountabilities. The operating procedures are regularly assessed, reviewed and revised to maintain their effectiveness and continue to support the Groups business activities;

- The Board has established a formal organizational structure with well-defined lines of reporting as well as a clear responsibility and accountability within the Group. The Group has also sets out roles and responsibilities, appropriate authority limits and a structured review and approval procedures in order to enhance the decision-making process and the internal control system of the Group;

- The main subsidiaries of the Group, namely Uchi Optoelectronic (M) Sdn. Bhd. and Uchi Technologies (Dongguan) Co., Ltd. are ISO9001:2015, ISO14001:2015 and OHSAS18001:2007 certified. With these certifications, annual surveillance audits are conducted by independent external ISO auditors particularly to ensure compliance with ISO procedures or manual;

- The Board meets regularly and is kept updated on the Group's activities and operations and significant changes in the business and external environment, if any, which may result in significant risks;

- Financial results, which includes key performance indicators are reviewed quarterly by the Board and the Audit Committee;

- Executive Directors are closely involved in the daily operations and are responsible for the business performance of the respective business. Executive Directors and Head of Departments meet regularly to discuss operational, corporate, financial and key management issues. Significant issues are brought to the attention of the Board; and

- Effective reporting system, which provides for a documented and auditable trail of accountability to ensure timely generation of information for management review, has been put in place.

INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function to KPMG Management & Risk Consulting Sdn Bhd ("KPMG"). The internal audit engagement by KPMG is headed by an Executive Director, namely, Dato' Ooi Kok Seng. Dato' Ooi is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. Dato' Ooi has accumulated over 30 years of experience in a wide range of audit, risk and internal audit work.

All the personnel deployed by KPMG are free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of the work.

There were a total of 5 personnel which were deployed by KPMG for the internal audit work during the financial year ended December 31, 2018. All the personnel possess tertiary qualifications and the level of expertise and professionalism is as follows:

Expertise category	Percentage of total auditors
Bachelor degree	20%
Professional (ACCA,CPA, CIA,etc)	60%
Post Graduate (MBA, MA, etc)	20%

The internal audit work was carried out in accordance with a framework set by a recognised professional body i.e. International Professional Practices Framework for Internal Auditing issued by Institute of Internal Auditors, of which final communication of internal audit plan, processes and results of the internal audit assessment are supported by sufficient, reliable and relevant information which signifies a satisfactory conclusion of the internal audit work.

The internal audit adopts a risk-based approach and prepares its audit plan based on the risk assessment and evaluation framework of the Group. The internal audit plan is reviewed and approved by the Audit Committee.

The internal audit reports were forwarded to the Management concerned for attention and necessary action and presented to the Audit Committee. The Management is responsible for ensuring that a written reply on action plan is sent to the Internal Auditors and corrective actions are taken.

KPMG reported to the Audit Committee that while it has addressed certain individual lapses in internal control during the course of its internal audit assignments for the year, it has not identified any circumstances which suggest any fundamental deficiencies in the Group's internal control and risk management system.

CONCLUSION

The Board has received assurance from the Management, including the Managing Director and the Senior Finance Manager, that the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management framework adopted by the Company.

For the financial year under review, there were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

In line with the guidance for directors on risk management and internal control stipulated in the 'Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers', the Board is satisfied that there is an ongoing and effective process for identifying, evaluating and managing the risk management and internal control of the Group to safeguard the Group's assets and stakeholders' interest.

REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of the Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement for inclusion in the 2018 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is not prepared, in all material aspects, in accordance with disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

This Statement was approved by the Board on April 3, 2019.

FINANCIAL STATEMENTS

ISO 9001 QUALITY POLICY

Uchi Optoelectronic (M) Sdn Bhd believes that “Exceed Customers’ Expectations Through Continuous Improvement” is the key to sustain success in business

Total customer satisfaction is our business priority. In line with this commitment, we provide:

Products and services which fully meeting interested parties expectations in a balance approach with on time and defect free delivery; and

Product and services improvement through employees training and development and implementation of Plan Do Check Action (PDCA) cycle

Continuous commitment to implement ISO9001 Quality Management System and satisfy applicable requirements.

宇琦光电（东莞）有限公司
ISO9001

质量方针：
满足顾客需求，持续不断改善

质量目标：
全部顾客满意是我们的首要目标

The directors of UCHI TECHNOLOGIES BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2018.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The information on the name, principal activities, place of incorporation and percentage of issued share capital held by the Company in each subsidiary are as follows:

Name of companies	Principal activities	Place of incorporation	Percentage of issued share capital held by the Company
Uchi Electronic (M) Sdn. Bhd.	Assembly of electrical components onto printed circuit boards and trading of complete electric module and saturated paper for PCB lamination.	Malaysia	100%
Uchi Optoelectronic (M) Sdn. Bhd.	Design, research, 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 equipment, touch screen advance display, high precision light measurement (optoelectronic) equipment, mixed signal control system for centrifuge/ laboratory equipment, mixed signal microprocessor based application and system integration products.	Malaysia	100%
Uchi Technologies (Dongguan) Co., Ltd.	Design, research, development, manufacture and trading of electronic modules.	People's Republic of China	100%

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit for the year	69,009,027	71,630,367

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

A final dividend of 8 sen per ordinary share, tax exempt, amounting to RM35,839,613 in respect of the financial year ended December 31, 2017, was declared and paid by the Company during the current financial year.

The directors declared an interim dividend of 7 sen per ordinary share, tax exempt, amounting to RM31,407,786, in respect of the current financial year. The interim dividend has been paid in January 2019.

The directors have also proposed a final dividend of 7 sen per ordinary share, tax exempt, in respect of the current financial year. The proposed dividend if payable in respect of all ordinary shares in issue as at the date of issue of the financial statements would amount to RM31,409,074 and has not been included as a liability in the financial statements. The dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and the date of entitlement of dividend has yet to be determined as at the date of issue of these financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from 449,185,759 ordinary shares to 450,755,159 ordinary shares by way of issuance of 1,569,400 new ordinary shares for cash pursuant to the Employees' Share Options Scheme ("ESOS") of the Company at exercise prices ranging from RM1.57 to RM2.77 per ordinary share.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

TREASURY SHARES

The Company has not repurchased or resold any treasury shares during the financial year.

EMPLOYEES' SHARE OPTION SCHEME

On November 8, 2016, the Company implemented an ESOS for a period of 5 years. The ESOS is governed by the By-Laws, which were approved by the shareholders at an Extraordinary General Meeting held on May 18, 2016.

The principal features of the ESOS are as follows:

(a) The total number of share options offered under the scheme shall not exceed 15% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.

(b) Persons who are eligible to participate in the ESOS are all employees including directors of the Group who, as at the date of offer, are confirmed in writing of his/ her employment in the Group.

(c) The option price shall be determined at a discount of not more than 10% from the weighted average market price of the ordinary shares of the Company as quoted and shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five preceding market days prior to the date of offer.

(d) The options granted may be exercised upon giving notice in writing to the Company within a period of 5 years from the date of offer of the option or such shorter period as may be specifically stated in the offer.

(e) The new ordinary shares to be allotted upon any exercise of the ESOS shall upon allotment and issuance, rank pari passu in all respects with the then existing ordinary shares of the Company except that these new ordinary shares will not be entitled to any dividends or distributions which may be declared prior to the allotment of these shares.

The share options granted and exercised during the financial year are as follows :

			No. of options over ordinary shares				
Granted on	**Expiry date**	**Exercise price per ordinary share**	**Balance as of 1.1.2018**	**Granted**	**Exercised**	**Forfeited**	**Balance as of 31.12.2018**
		RM					
November 8, 2016	November 7, 2021	1.57	13,197,100	–	(1,303,000)	(1,067,000)	10,827,100
February 8, 2017	November 7, 2021	1.67	321,900	–	(48,800)	(6,400)	266,700
March 8, 2017	November 7, 2021	1.66	98,200	–	(23,200)	–	75,000
May 23, 2017	November 7, 2021	1.57	400,000	–	(100,000)	–	300,000
September 8, 2017	November 7, 2021	2.11	208,000	–	(12,400)	–	195,600
October 6, 2017	November 7, 2021	2.47	103,000	–	–	–	103,000
November 8, 2017	November 7, 2021	2.78	48,000	–	–	–	48,000
December 8, 2017	November 7, 2021	3.19	75,000	–	–	(40,000)	35,000
January 8, 2018	November 7, 2021	2.92	–	15,000	–	–	15,000
February 8, 2018	November 7, 2021	2.43	–	286,000	(40,000)	(14,000)	232,000
April 6, 2018	November 7, 2021	2.26	–	16,000	–	–	16,000
May 8, 2018	November 7, 2021	2.52	–	120,000	(30,000)	–	90,000
May 25, 2018	November 7, 2021	2.72	–	360,000	–	–	360,000
July 6, 2018	November 7, 2021	2.55	–	168,000	(12,000)	–	156,000
August 8, 2018	November 7, 2021	2.86	–	73,000	–	(29,000)	44,000
December 7, 2018	November 7, 2021	2.89	–	92,000	–	–	92,000
			14,451,200	1,130,000	(1,569,400)	(1,156,400)	12,855,400

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps :

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that there were no known bad debts to be written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances :

(a) which would require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements of the Group and of the Company, which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist :

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year, which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Kao, De-Tsan also known as Ted Kao	
Kao, Te-Pei also known as Edward Kao	
Charlie Ong Chye Lee	
Tan Boon Hoe	
Chin Yau Meng	(appointed on March 1, 2018)
Lim Tian How	(appointed on April 2, 2018)
Dr. Heinrich Komesker	(resigned on May 25, 2018)
Huang, Yen-Chang also known as Stanley Huang (Alternate to Kao, De-Tsan also known as Ted Kao)	
Ow Chooi Khim (Alternate to Kao, Te-Pei also known as Edward Kao)	

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are :

Direct subsidiaries	Directors of the subsidiaries
Uchi Electronic (M) Sdn. Bhd.	Kao, De-Tsan also known as Ted Kao Kao, Te-Pei also known as Edward Kao Ow Chooi Khim Chin Yau Meng Eng Chiew Ming (appointed on April 2, 2018)
Uchi Optoelectronic (M) Sdn. Bhd.	Kao, De-Tsan also known as Ted Kao Kao, Te-Pei also known as Edward Kao Ow Chooi Khim Chin Yau Meng Eng Chiew Ming (appointed on April 2, 2018)
Uchi Technologies (Dongguan) Co.,Ltd.	Kao, Te-Pei also known as Edward Kao Ow Chooi Khim Chin Yau Meng

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	No. of ordinary shares			
	Balance as of 1.1.2018/ date of appointment	**Bought**	**Sold**	**Balance as of 31.12.2018**
Direct interest:				
Kao, De-Tsan also known as Ted Kao	2,335,000	190,000	–	2,525,000
Kao, Te-Pei also known as Edward Kao	2,335,000	250,000	–	2,585,000
Huang, Yen-Chang also known as Stanley Huang	221,270	30,600	–	251,870
Ow Chooi Khim	188,000	–	–	188,000
Charlie Ong Chye Lee	595,900	100,000	–	695,900
Tan Boon Hoe	100,000	100,000	(30,000)	170,000
Chin Yau Meng	261,400	–	–	261,400
Indirect interest:				
Kao, De-Tsan also known as Ted Kao	86,778,696	–	–	86,778,696
Kao, Te-Pei also known as Edward Kao	39,276,266	–	–	39,276,266
Ow Chooi Khim	123,000	12,000	(123,000)	12,000
Chin Yau Meng	230,000	–	–	230,000

In addition to the above, the following directors are deemed to have an interest in the shares of the Company to the extent of the options granted to them pursuant to the ESOS of the Company:

	No. of option over ordinary shares			
	Balance as of 1.1.2018/ date of appointment	**Granted**	**Exercised**	**Balance as of 31.12.2018**
Kao, De-Tsan also known as Ted Kao	760,000	–	(190,000)	570,000
Kao, Te-Pei also known as Edward Kao	760,000	–	(190,000)	570,000
Charlie Ong Chye Lee	300,000	–	(100,000)	200,000
Huang, Yen-Chang also known as Stanley Huang	422,400	–	(30,600)	391,800
Ow Chooi Khim	417,000	–	–	417,000
Tan Boon Hoe	400,000	–	(100,000)	300,000
Chin Yau Meng	417,000	200,000	–	617,000
Lim Tian How	–	280,000	–	280,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company have received or become entitled to receive any benefit (other than a benefit included in the aggregate of remuneration received or due and receivable by directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of the disposal of property, plant and equipment to a related party as shown in Note 32 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for options granted to the directors pursuant to the Company's ESOS as disclosed above.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains directors' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance cover for the directors of the Company. The amount of insurance premium paid during the year amounted to RM14,885.

There was no indemnity given to or insurance effected for officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

AUDITORS' REMUNERATION

The amount paid/ payable as remuneration of the auditors of the Group and of the Company for the financial year ended December 31, 2018, are RM113,355 and RM55,000 respectively.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board, as approved by the Board
in accordance with a resolution of the Directors,

CHIN YAU MENG

KAO, DE-TSAN also known as TED KAO

Penang,

March 22, 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UCHI TECHNOLOGIES BERHAD

(Incorporated in Malaysia)

Report on the Atudit of the Financial Statements

Opinion

We have audited the financial statements of Uchi Technologies Berhad, which comprise the statements of financial position of the Group and of the Company as of December 31, 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 111.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at December 31, 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Determination of income tax under pioneer status Uchi Optoelectronic (M) Sdn. Bhd. ("UO"), a subsidiary of the Company, has been granted pioneer status by the Ministry of International Trade and Industry ("MITI") under the Promotion of Investments Act, 1986. Under this incentive, upon fulfilment of certain terms and conditions, 100% of UO's taxable income derived from the production of the approved pioneer products will be exempted from income tax for a period of five years commencing from the production day (the commencement date of the tax-free period). As of December 31, 2018, the commencement date of the tax-free period had not been fixed by the MITI. Due to the said terms and conditions of the granting of the pioneer status, management exercises significant judgement in determining the status of fulfilment of the terms and conditions of the pioneer status granted to UO in their assessment of current and deferred tax of the Group. The significant management judgement on income taxes is disclosed in Note 4 to the Financial Statements. The current and deferred tax of the Group are disclosed in Notes 9 and 16 to the Financial Statements.	We obtained an understanding of the terms and conditions of the pioneer status granted to UO. We obtained and evaluated management's assessment of their fulfilment of those terms and conditions relating to the pioneer status granted to UO. Specifically, we assessed the current stage of fulfilment by UO of those terms and conditions with reference to audit enquiries and evidence obtained during audit of the Financial Statements of UO. We then evaluated the appropriateness of the current and deferred tax computation of the Group, which were prepared by managementbased on the status of the fulfilment of the terms and conditions of the pioneer status granted to UO. We further assessed the appropriateness of the disclosures of pioneer status in the Financial Statements of the Group. We obtained specific representations from management and the board of directors as to the matters above.

We have not identified any key audit matter pertaining to the financial statements of the Company for the financial year ended December 31, 2018.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significant in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

LIM KENG PEO
Partner – 02939/01/2020 J
Chartered Accountant

Penang,

March 22, 2019

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	Notes	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
Revenue	5	**139,967,107**	136,585,426	**72,217,339**	72,043,396
Investment income	6	**5,229,775**	6,468,016	**4,078,613**	5,126,243
Other income		**122,728**	66,511	**–**	–
Other gains and losses	7	**2,686,334**	2,588,382	**16**	(87)
Raw materials consumed		**(43,718,111)**	(42,991,126)	**–**	–
Changes in inventories of finished goods and work-in-progress		**(467,424)**	(515,282)	**–**	–
Employee benefit expenses	8	**(17,289,459)**	(17,897,861)	**(3,109,910)**	(3,054,536)
Depreciation and amortisation expenses		**(6,412,856)**	(6,278,974)	**–**	–
Other expenses		**(7,575,399)**	(5,877,212)	**(582,615)**	(332,843)
Profit before tax		**72,542,695**	72,147,880	**72,603,443**	73,782,173
Tax expenses	9	**(3,533,668)**	(1,646,834)	**(973,076)**	(1,179,258)
Profit for the year attributable to owners of the Company	10	**69,009,027**	70,501,046	**71,630,367**	72,602,915
Other comprehensive loss, net of income tax					
Items that will be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(1,081,492)**	(1,143,938)	**–**	–
Total comprehensive income for the year, net of tax attributable to owners of the Company		**67,927,535**	69,357,108	**71,630,367**	72,602,915
Earnings per share	11				
Basic (sen per share)		**15.41**	16.08		
Diluted (sen per share)		**15.23**	15.96		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2018

	Notes	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
Assets					
Non-current assets					
Property, plant and equipment	12	**51,580,290**	55,837,501	**–**	–
Investment property	13	**7,178,465**	7,414,211	**–**	–
Prepaid lease payments on leasehold land	14	**6,577,714**	6,925,611	**–**	–
Investments in subsidiaries	15	**–**	–	**53,511,940**	53,173,442
Deferred tax assets	16	**212,508**	230,729	**115,000**	129,000
Total non-current assets		**65,548,977**	70,408,052	**53,626,940**	53,302,442
Current assets					
Inventories	17	**18,050,214**	15,739,819	**–**	–
Trade and other receivables	18	**19,631,327**	10,024,963	**54,440,517**	39,530,104
Other financial assets	26	**–**	1,692,929	**–**	–
Other assets	19	**2,055,388**	1,967,227	**2,000**	2,000
Short-term deposits	20	**97,542,548**	222,166,197	**47,623,335**	189,457,080
Cash and bank balances	21	**16,171,698**	20,921,843	**57,175**	129,715
Total current assets		**153,451,175**	272,512,978	**102,123,027**	229,118,899
Total assets		**219,000,152**	342,921,030	**155,749,967**	282,421,341
Equity and liabilities					
Capital and reserves					
Share capital	22	**70,077,720**	157,036,362	**70,077,720**	157,036,362
Treasury shares	22	**(3,295,223)**	(3,295,223)	**(3,295,223)**	(3,295,223)
Reserves	23	**8,630,500**	8,966,084	**9,160,430**	8,414,523
Retained earnings	24	**75,412,315**	73,635,039	**47,416,891**	43,021,706
Total equity attributable to owners of the Company		**150,825,312**	236,342,262	**123,359,818**	205,177,368
Non-current liabilities					
Deferred tax liabilities	16	**1,312,057**	1,360,759	**–**	–
Current liabilities					
Trade and other payables	25	**33,567,695**	27,926,820	**880,439**	1,010,469
Other financial liabilities	26	**804,415**	–	**–**	–
Dividend payable		**31,407,786**	76,009,254	**31,407,786**	76,009,254
Current tax liabilities		**482,887**	374,102	**101,924**	224,250
Provision for rework and warranty	27	**600,000**	907,833	**–**	–
Total current liabilities		**66,862,783**	105,218,009	**32,390,149**	77,243,973
Total liabilities		**68,174,840**	106,578,768	**32,390,149**	77,243,973
Total equity and liabilities		**219,000,152**	342,921,030	**155,749,967**	282,421,341

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

The Group

	Share capital	Treasury shares	Share premium	Equity-settled employee benefits reserve	Foreign currency translation reserve	Retained earnings	Total
	RM	RM	RM	RM	RM	RM	RM
Balance at January 1, 2017	88,739,112	(11,241,985)	50,629,680	908,323	8,473,145	114,157,482	251,665,757
Profit for the year	–	–	–	–	–	70,501,046	70,501,046
Other comprehensive loss for the year, net of income tax	–	–	–	–	(1,143,938)	–	(1,143,938)
Total comprehensive income for the year	–	–	–	–	(1,143,938)	70,501,046	69,357,108
Issue of ordinary shares under employee share option plan	9,366,276	–	–	–	–	–	9,366,276
Transfer arising from “no par value” regime (Note 22)	50,629,680	–	(50,629,680)	–	–	–	–
Sales of treasury shares (Note 22)	8,301,294	7,947,380	–	–	–	–	16,248,674
Buy-back of ordinary shares	–	(618)	–	–	–	–	(618)
Recognition of share-based payments	–	–	–	755,308	–	–	755,308
Share-based payments forfeited	–	–	–	(26,754)	–	26,754	–
Payments of dividends (Note 28)	–	–	–	–	–	(111,050,243)	(111,050,243)
Balance at December 31, 2017	157,036,362	(3,295,223)	–	1,636,877	7,329,207	73,635,039	236,342,262
Balance at January 1, 2018	**157,036,362**	**(3,295,223)**	**–**	**1,636,877**	**7,329,207**	**73,635,039**	**236,342,262**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**69,009,027**	**69,009,027**
Other comprehensive loss for the year, net of income tax	**–**	**–**	**–**	**–**	**(1,081,492)**	**–**	**(1,081,492)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(1,081,492)**	**69,009,027**	**67,927,535**
Issue of ordinary shares under employee share option plan	**2,737,010**	**–**	**–**	**–**	**–**	**–**	**2,737,010**
Capital repayment	**(89,695,652)**	**–**	**–**	**–**	**–**	**–**	**(89,695,652)**
Recognition of share-based payments	**–**	**–**	**–**	**761,556**	**–**	**–**	**761,556**
Share-based payments forfeited	**–**	**–**	**–**	**(15,648)**	**–**	**15,648**	**–**
Payments of dividends (Note 28)	**–**	**–**	**–**	**–**	**–**	**(67,247,399)**	**(67,247,399)**
Balance at December 31, 2018	**70,077,720**	**(3,295,223)**	**–**	**2,382,785**	**6,247,715**	**75,412,315**	**150,825,312**

The Company

	Share capital	Treasury shares	Share premium	Merger reserve	Equity-settled employee benefits reserve	Retained earnings	Total
	RM	RM	RM	RM	RM	RM	RM
Balance at January 1, 2017	88,739,112	(11,241,985)	50,629,680	6,777,646	908,323	81,467,699	217,280,475
Profit for the year	–	–	–	–	–	72,602,915	72,602,915
Other comprehensive income for the year, net of income tax	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	72,602,915	72,602,915
Issue of ordinary shares under employee share option plan	9,366,276	–	–	–	–	–	9,366,276
Transfer arising from "no par value" regime (Note 22)	50,629,680	–	(50,629,680)	–	–	–	–
Sales of treasury shares (Note 22)	8,301,294	7,947,380	–	–	–	–	16,248,674
Buy-back of ordinary shares	–	(618)	–	–	–	–	(618)
Recognition of share-based payments:							
Recognised in profit or loss	–	–	–	–	367,890	–	367,890
Included in investments in subsidiaries	–	–	–	–	361,999	–	361,999
Share-based payments forfeited	–	–	–	–	(1,335)	1,335	–
Payments of dividends (Note 28)	–	–	–	–	–	(111,050,243)	(111,050,243)
Balance at December 31, 2017	157,036,362	(3,295,223)	–	6,777,646	1,636,877	43,021,706	205,177,368
Balance at January 1, 2018	**157,036,362**	**(3,295,223)**	**–**	**6,777,646**	**1,636,877**	**43,021,706**	**205,177,368**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**71,630,367**	**71,630,367**
Other comprehensive income for the year, net of income tax	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**71,630,367**	**71,630,367**
Issue of ordinary shares under employee share option plan	**2,737,010**	**–**	**–**	**–**	**–**	**–**	**2,737,010**
Capital repayment	**(89,695,652)**	**–**	**–**	**–**	**–**	**–**	**(89,695,652)**
Recognition of share-based payments:							
Recognised in profit or loss	**–**	**–**	**–**	**–**	**419,626**	**–**	**419,626**
Included in investments in subsidiaries	**–**	**–**	**–**	**–**	**338,498**	**–**	**338,498**
Share-based payments forfeited	**–**	**–**	**–**	**–**	**(12,217)**	**12,217**	**–**
Payments of dividends (Note 28)	**–**	**–**	**–**	**–**	**–**	**(67,247,399)**	**(67,247,399)**
Balance at December 31, 2018	**70,077,720**	**(3,295,223)**	**–**	**6,777,646**	**2,382,784**	**47,416,891**	**123,359,818**

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash flows from operating activities				
Profit for the year	**69,009,027**	70,501,046	**71,630,367**	72,602,915
Adjustments for:				
Depreciation and amortisation of non-current assets	**6,412,856**	6,278,974	**–**	–
Tax expenses recognised in profit or loss	**3,533,668**	1,646,834	**973,076**	1,179,258
Unrealised loss/ (gain) arising on financial assets/ liabilities designated as at fair value through profit or loss	**804,415**	(1,692,929)	**–**	–
Expense recognised in respect of equity-settled share-based payments	**761,556**	755,308	**419,626**	367,890
Unrealised loss on foreign exchange	**485,425**	77,914	**10**	5
Provision for rework and warranty	**466,883**	1,127,989	**–**	–
Impairment loss recognised on trade receivables	**359,411**	–	**–**	–
Property, plant and equipment written off	**122,397**	6,562	**–**	–
Allowance for obsolete inventories	**62,061**	–	**–**	–
Investment income recognised in profit or loss	**(5,229,775)**	(6,468,016)	**(4,078,613)**	(5,126,243)
Gain on disposal of property, plant and equipment	**(2,682,708)**	(41,697)	**–**	–
Reversal for rework and warranty no longer required	**(223,694)**	(1,528,823)	**–**	–
Reversal of allowance for obsolete inventories	**–**	(23,931)	**–**	–
Reversal of impairment loss on trade receivables	**–**	(14,230)	**–**	–
Gross dividend income from a subsidiary	**–**	–	**(70,000,000)**	(70,000,000)
	73,881,522	70,625,001	**(1,055,534)**	(976,175)
Movements in working capital:				
Increase in inventories	**(2,473,643)**	(2,107,767)	**–**	–
(Increase)/ decrease in trade and other receivables	**(11,455,124)**	294,925	**(3,728)**	(4,409)
Increase in other assets	**(91,572)**	(339,061)	**–**	–
Decrease in other financial assets	**1,692,929**	–	**–**	–
Increase/ (decrease) in trade and other payables	**5,823,887**	6,636,550	**(130,030)**	142,592
Decrease in other financial liabilities	**–**	(4,595,710)	**–**	–
Cash generated from/ (used in) operations	**67,377,999**	70,513,938	**(1,189,292)**	(837,992)
Income taxes refunded	**–**	125,221	**–**	–
Income taxes paid	**(3,456,420)**	(1,598,263)	**(1,081,402)**	(1,301,926)
Rework and warranty costs paid	**(551,022)**	(705,156)	**–**	–
Net cash generated from/ (used in) operating activities	**63,370,557**	68,335,740	**(2,270,694)**	(2,139,918)

STATEMENTS OF CASH FLOWS (cont'd)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Notes	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
Cash flows from investing activities					
Interest received		**6,360,456**	6,783,374	**5,219,764**	5,433,602
Proceeds from disposal of property, plant and equipment		**9,628,530**	41,698	**–**	–
Payments for property, plant and equipment	12	**(9,228,124)**	(1,109,538)	**–**	–
Dividend received from a subsidiary		**–**	–	**70,000,000**	70,000,000
Advances to subsidiaries		**–**	–	**(16,047,836)**	(2,093,566)
Net cash generated from investing activities		**6,760,862**	5,715,534	**59,171,928**	73,340,036
Cash flows from financing activities					
Proceeds from issue of equity shares		**2,737,010**	9,366,276	**2,737,010**	9,366,276
Dividends paid to owners of the Company		**(111,848,867)**	(56,872,222)	**(111,848,867)**	(56,872,222)
Capital repayment		**(89,695,652)**	–	**(89,695,652)**	–
Proceeds from sales of treasury shares		**–**	16,248,674	**–**	16,248,674
Payments for buy-back of shares		**–**	(618)	**–**	(618)
Net cash used in financing activities		**(198,807,509)**	(31,257,890)	**(198,807,509)**	(31,257,890)
Net (decrease)/ increase in cash and cash equivalents		**(128,676,090)**	42,793,384	**(141,906,275)**	39,942,228
Cash and cash equivalents at the beginning of the year		**243,088,040**	200,760,279	**189,586,795**	149,644,572
Effects of exchange rate changes on the balances of cash held in foreign currencies		**(697,704)**	(465,623)	**(10)**	(5)
Cash and cash equivalents at the end of the year	29	**113,714,246**	243,088,040	**47,680,510**	189,586,795

The accompanying notes form an integral part of the financial statements.

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

The Company is principally involved in investment holding and providing management services. The information on the name, principal activities, place of incorporation and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 15.

The registered office of the Company is located at Suite A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah,10050 Georgetown, Penang, Malaysia.

The principal place of business of the Company is located at 3097, Tingkat Perusahaan 4A, Free Trade Zone, 13600 Prai, Penang, Malaysia.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on March 22, 2019.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Adoption of new and revised MFRSs

In the current year, the Group and the Company have applied a number of new and revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018.

Impact on initial application of MFRS 9 Financial Instruments

In the current year, the Group and the Company have applied MFRS 9 Financial Instruments at its effective date. MFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group and the Company have applied MFRS 9 in accordance with the transitional provisions set out in MFRS 9.

Classification and measurement of financial assets

The date of initial application is January 1, 2018. Accordingly, the Group and the Company have applied the requirements of MFRS 9 to instruments that continue to be recognised as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. Comparative amounts in relation to instruments that continue to be recognised as at January 1, 2018 have not been restated.

All recognised financial assets that are within the scope of MFRS 9 are required to be measured subsequently at amortised cost or at fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

Classification and measurement of financial assets (cont'd)

Despite the foregoing, the Group and the Company may make the following irrevocable election/ designation at initial recognition of a financial asset:

- the Group and the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

- the Group and the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group and the Company have not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

The directors of the Company reviewed and assessed the Group's and the Company's existing financial assets as at January 1, 2018, based on the facts and circumstances that existed at that date and concluded that the initial application of MFRS 9 has had the following impact on the Group's and the Company's financial assets as regards their classification and measurement:

- financial assets classified as held-to-maturity and loans and receivables under MFRS 139 that were measured at amortised cost continue to be measured at amortised cost under MFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;

- financial assets that were measured at FVTPL under MFRS 139 continue to be measured as such under MFRS 9.

None of the reclassifications of financial assets has had any impact on the Group's and the Company's financial position, profit or loss, other comprehensive income or total comprehensive income for both years.

Impairment of financial assets

In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model as opposed to an incurred loss model under MFRS 139. The expected credit loss model requires the Group and the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, MFRS 9 requires the Group and the Company to recognise a loss allowance for expected credit losses on i) debt investments subsequently measured at amortised cost or at FVTOCI, ii) lease receivables, iii) trade receivables and contract assets and iv) financial guarantee contracts to which the impairment requirements of MFRS 9 apply. In particular, MFRS 9 requires the Group and the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group and the Company are required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. MFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

As at January 1, 2018, the directors of the Company reviewed and assessed the Group's and the Company's existing financial assets and amounts due from customers for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of MFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at January 1, 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

Impairment of financial assets (cont'd)

The result of the assessment is as follows:

Items existing as at January 1, 2018 that are subject to the impairment provisions of MFRS 9	Note	Credit risk attributes at January 1, 2018	Cumulative additional loss allowance recognised on January 1, 2018 RM
Cash and bank balances	21	All bank balances and short-term deposits are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions.	–
Short-term deposits	20		–
Trade and other receivables	18	The Group and the Company applies the simplified approach and recognises lifetime ECL for these assets.	–

Classification and measurement of financial liabilities

A significant change introduced by MFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, MFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of MFRS 9 has had no impact on the classification and measurement of the Group's and the Company's financial liabilities.

Disclosures in relation to the initial application of MFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under MFRS 9 and MFRS 139 at the date of initial application, January 1, 2018.

The Group:

	Original measurement category under MFRS 139	New measurement category under MFRS 9	Original carrying amount under MFRS 139 RM	Additional loss allowance recognised under MFRS 9 RM	New carrying amount under MFRS 9 RM
1. Cash and bank balances (Note 21)	Loans and receivables	Financial assets at amortised cost	20,921,843	–	20,921,843
2. Short-term deposits (Note 20)	Loans and receivables	Financial assets at amortised cost	222,166,197	–	222,166,197
3. Foreign currency forward contracts (Note 26)	Financial assets at FVTPL	Financial assets at FVTPL	1,692,929	–	1,692,929
4. Trade and other receivables (Note 18)	Loans and receivables	Financial assets at amortised cost	10,024,963	–	10,024,963
5. Trade and other payables (Note 25)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	27,926,820	–	27,926,820
6. Dividend payable	Financial liabilities at amortised cost	Financial liabilities at amortised cost	76,009,254	–	76,009,254

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

Disclosures in relation to the initial application of MFRS 9(cont'd)

The Company:

		Original measurement category under MFRS 139	New measurement category under MFRS 9	Original carrying amount under MFRS 139	Additional loss allowance recognised under MFRS 9	New carrying amount under MFRS 9
				RM	RM	RM
1.	Cash and bank balances (Note 21)	Loans and receivables	Financial assets at amortised cost	129,715	–	129,715
2.	Short-term deposits (Note 20)	Loans and receivables	Financial assets at amortised cost	189,457,080	–	189,457,080
4.	Trade and other receivables (Note 18)	Loans and receivables	Financial assets at amortised cost	39,530,104	–	39,530,104
5.	Trade and other payables (Note 25)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	1,010,469	–	1,010,469
6.	Dividend payable	Financial liabilities at amortised cost	Financial liabilities at amortised cost	76,009,254	–	76,009,254

The application of MFRS 9 has had no material impact on the financial performance and cash flows of the Group and of the Company.

Impact on application of MFRS 15 *Revenue from Contracts with Customers*

In the current year, the Group and the Company have applied MFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after January 1, 2018. MFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group and the Company have applied MFRS 15 in accordance with the full retrospective transitional approach without using the practical expedients for completed contracts in MFRS 15:C5(a), and (b), or for modified contracts in MFRS 15:C5(c) but using the expedient in MFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. January 1, 2018.

MFRS 15 uses the terms "contract asset" and "contract liability" to describe what might more commonly be known as "accrued revenue" and "deferred revenue", however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group and the Company have adopted the terminology used in MFRS 15 to describe such balances.

The Group's and the Company's accounting policies for its revenue streams are disclosed in detail in Note 3 below. Apart from providing more extensive disclosures on the Group's and the Company's revenue transactions, the application of MFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group and the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

New and Revised Standards in Issue but Not Yet Effective

The Group and the Company have not applied the following new and revised MFRSs and IC Interpretations ("IC Int.") that have been issued and are not yet effective:

MFRS 16	Leases [(a)]
Amendments to MFRS 9	Financial Instrument - Prepayment Features with Negative Compensation [(a)]
Amendments to MFRS 119	Employee Benefits - Plan Amendmend, Curtailment or Settlement [(a)]
Amendments to MFRS 128	Long-term interests in Associated and Joint Ventures [(a)]
IC Int. 23	Uncertainty over Income Tax Payments [(a)]
Amendments to MFRSs	Annual Improvements to MFRS 2015 - 2018 Cycle: Amendments to MFRS 3 Business Combination, MFRS 11 Joint Arrangement, MFRS 112 Income Taxes and MFRS 123 Borrowing Costs [(a)]
Amendments to MFRS	References to the Conceptual Framework in MFRS Standards [(b)]
Amendments to MFRS 3	Definition of a Business [(b)]
Amendments to MFRS 101 and MFRS 108	Definition of Material [(b)]
MFRS 17	Insurance Contracts [(c)]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an investor and its Associate or joint venture [(d)]

[(a)] Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
[(b)] Effective for annual periods beginning on or after January 1, 2020, with earlier application permitted
[(c)] Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.
[(d)] Effective date deferred to a date to be determined and announced, with earlier application still permitted.

The directors anticipate that the abovementioned Standards will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these MFRSs will have no material impact on the financial statements of the Group and of the Company in the period of initial application except as discussed below:

MFRS 16 *Leases*

General impact of application of MFRS 16 Leases

MFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. MFRS 16 will supersede the current lease guidance including MFRS 117 *Leases* and the related Interpretations when it becomes effective for accounting periods beginning on or after January 1, 2019. The date of initial application of MFRS 16 for the Group and the Company will be January 1, 2019.

The Group and the Company have chosen the full retrospective application of MFRS 16 in accordance with MFRS 16:C5(a). Consequently, the Group and the Company will restate the comparative information.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117.

Impact of the new definition of a lease

The Group and the Company will make use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 and IC Int. 4 will continue to apply to those leases entered or modified before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group and the Company will apply the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). The directors do not anticipate that the application of MFRS 16 will have a significant impact on the financial position and/ or financial performance of the Group and of the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

MFRS 16 *Leases* (cont'd)

Impact on Lessee Accounting

Operating leases

MFRS 16 will change how the Group and the Company account for leases previously classified as operating leases under MFRS 117, which were off-statement of financial position.

On initial application of MFRS 16, for all leases (except as noted below), the Group and the Company will:

a. Recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
b. Recognise depreciation of right-of-use assets and interest on lease liabilities in the statements of profit or loss;
c. Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statements of cash flows.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under MFRS 16, right-of-use assets will be tested for impairment in accordance with MFRS 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group and the Company will opt to recognise a lease expense on a straight-line basis as permitted by MFRS 16.

Under MFRS 117, all lease payments on operating leases are presented as part of cash flows from operating activities.

Finance leases

The main differences between MFRS 16 and MFRS 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. MFRS 16 requires that the Group and the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by MFRS 117. On initial application the Group and the Company will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group and the Company's leases as at December 31, 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's and the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of accounting (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

(a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
(b) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
(c) Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Subsidiaries and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

(a) has power over the investee;
(b) is exposed, or has rights, to variable returns from its involvement with the investee; and
(c) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

(a) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(b) potential voting rights held by the Company, other vote holders or other parties;
(c) rights arising from other contractual arrangements; and
(d) any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries are consolidated using the purchase method of accounting, except for certain business combinations with agreement dates before January 1, 2006, that meet the conditions of a merger as set out in FRS 122^{2004} Business Combinations, which were accounted for using the merger method.

MFRS 1 provides the option to apply MFRS 3 Business combinations prospectively for business combination that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or a designated date prior to the transition date. The Group elected to apply MFRS 3 prospectively to business combinations that occurred after January 1, 2011. However, there are no business combinations occurring after January 1, 2006.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsidiaries and basis of consolidation (cont'd)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statements of comprehensive income.

When the merger method is used, the cost of investment in the Company's books is recorded at cost. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit balance is adjusted against any suitable reserve. The results of the subsidiary companies being merged are presented as if the merger had been effected throughout the current and previous financial years.

The financial statements of all subsidiaries are consolidated under the merger method except for the financial statements of Uchi Technologies (Dongguan) Co., Ltd. which are consolidated under the purchase method.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or a loss is recognised in profit or loss and is calculated as the difference between (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or at fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Subsidiaries

Investments in subsidiaries, which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

Revenue recognition

The Group recognises revenue from sale of goods. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

(a) Sale of goods

The Group's sale of goods include 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 equipment, touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipment.

For sale of goods, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the port of shipment. A receivable is recognised by the Group when the control of the goods are transferred as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition (cont'd)

(b) Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that the economic benefits will flow to the Group and the Company and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(c) Other income

Management fee and other operating income are recognised on an accrual basis.

Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. The Group and the Company have no further payment obligations once these contributions have been paid.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 23.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

(b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The tax effects of unutilised reinvestment allowances are only recognised upon actual realisation.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or to settle the carrying amount of their assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle their current tax assets and liabilities on a net basis.

(c) Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the consolidated profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for treasury shares.

Diluted EPS is determined by adjusting the consolidated profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for treasury shares held and the effects of all dilutive potential ordinary shares.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia ("RM"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are retranslated at the rate prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies (cont'd)

Exchange differences are recognised in profit or loss in the period in which they arise except for:

(a) exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in other comprehensive income;

(b) exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

(c) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated in RM using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Research and development expenses

Research and development expenses are charged to profit or loss in the period in which they are incurred.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at deemed costs, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Freehold land is not depreciated.

All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	2.5% & 4.5%
Plant and machinery	9% - 50%
Fire-fighting and security system	12% & 18%
Air-conditioning system	12% & 18%
Furniture and fittings	12% & 18%
Office equipment	12% - 50%
Electrical installation	9% & 10%
Motor vehicles	18% & 20%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment (cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment property

Investment property, comprising building, is held for long-term to earn rental and/ or for capital appreciation or both, and is not occupied by the Group.

Investment property is stated at cost less any accumulated depreciation and impairment losses. Investment property is depreciated on a straight-line method of 2.5% per annum.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, includes an appropriate portion of fixed and variable overhead expenses that have been incurred in bringing the inventories to their present location and condition. Cost is determined based on the first-in, first-out method.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

(i) Applicable prior to January 1, 2018

Financial assets and financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL") and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(a) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

(b) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling it in the near term; or
(ii) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
(iii) it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

(b) Financial assets at FVTPL (cont'd)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
(ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
(iii) it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 31.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(d) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

(i) significant financial difficulty of the issuer or counterparty; or
(ii) breach of contract, such as a default or delinquency in interest or principal payments; or
(iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
(iv) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit periods of 30 to 45 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are debited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(e) Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and the Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

(e) Derecognition of financial assets (cont'd)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments issued by the Group and the Company

(a) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(c) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' ("FVTPL") or 'other financial liabilities'.

(d) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

(i) it has been acquired principally for the purpose of repurchasing it in the near term; or
(ii) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
(iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
(ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
(iii) it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair vawlue through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statements of comprehensive income. Fair value is determined in the manner described in Note 31.

(e) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments issued by the Group and the Company (cont'd)

(f) Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Derivative financial instruments

The Group enters into derivative financial instruments, foreign exchange contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 26.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(ii) Applicable with effect from January 1, 2018

Financial assets and financial liabilities are recognised in the Group's and the Company's statements of financial position when the Group and the Company become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(a) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

(b) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group and the Company recognise interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "investment income" line item.

(c) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or at FVTOCI are measured at FVTPL. Specifically:

- investments in equity instruments are classified as at FVTPL, unless the Group and the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group and the Company have not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item (Note 7). Fair value is determined in the manner described in Note 31.

(d) Impairment of financial assets

The Group and the Company recognise a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, amounts due from customers, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

(d) Impairment of financial assets (cont'd)

The Group and the Company always recognise lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(e) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group and the Company consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's and the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's and the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group and the Company assume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group and the Company have reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group and the Company assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group and the Company consider a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing".Performing means that the counterparty has a strong financial position and there is no past due amounts.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

(e) Significant increase in credit risk (cont'd)

For financial guarantee contracts, the date that the Group and the Company become a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group and the Company consider the changes in the risk that the specified debtor will default on the contract.

The Group and the Company regularly monitor the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revise them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(f) Definition of default

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group and the Company, in full (without taking into account any collaterals held by the Group and the Company).

Irrespective of the above analysis, the Group and the Company consider that default has occurred when a financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(g) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

(h) Write-off policy

The Group and the Company write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(i) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's and the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with MFRS 117 *Leases.*

For a financial guarantee contract, as the Group and the Company are required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

(i) Measurement and recognition of expected credit losses (cont'd)

If the Group and the Company have measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determine at the current reporting date that the conditions for lifetime ECL are no longer met, the Group and the Company measure the loss allowance at an amount equal to 12 months ECL at the current reporting date, except for assets for which simplified approach was used.

The Group and the Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(j) Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group and the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group and the Company have elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

(a) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group and the Company, are measured in accordance with the specific accounting policies set out below.

(a) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination, 2) held for trading, or 3) it is designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities (cont'd)

(a) Financial liabilities at FVTPL (cont'd)

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's and the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other gains and losses" line item (Note 7).

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group and the Company that are designated by the Group as at FVTPL are recognised in profit or loss.

Fair value is determined in the manner described in Note 31.

(b) Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

(c) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities (cont'd)

(c) Derecognition of financial liabilities (cont'd)

When the Group and the Company exchange with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group and the Company account for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

(d) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 26.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Treasury shares

Shares bought back are retained as treasury shares under the treasury stock method. Shares repurchased and held as treasury shares are accounted for at the cost of repurchase and set off against equity. Where such treasury shares are subsequently sold or reissued, the net consideration received is included in shareholders' equity.

Where the Company reacquires its own equity share capital, the consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in statements of comprehensive income on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

Segment information

For management purpose, the Group is organised into operating segments based on their business segment which is regularly reviewed by the Group's chief operation decision officer for the performance of the respective segments under their charge. The segment chief operation officer reports directly to the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

Cash and cash equivalents

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents comprise cash and bank balances, demand deposits, bank overdrafts and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgements made by management in the process of applying the Group's accounting policies that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

The key assumptions made concerning the future, and, other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(i) Income taxes

The management exercises significant judgement in determining the status of fulfilment of the terms and conditions of the pioneer status granted to a subsidiary, Uchi Optoelectronic (M) Sdn. Bhd. in their assessment of current and deferred tax of the Group. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be 2 to 40 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment. Therefore the future depreciation charge could be revised.

5. REVENUE

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Revenue from contracts with customers:				
Sale of goods	**139,967,107**	136,585,426	**–**	–
Management fee	**–**	–	**2,217,339**	2,043,396
Revenue from other sources:				
Dividend income from a subsidiary	**–**	–	**70,000,000**	70,000,000
	139,967,107	136,585,426	**72,217,339**	72,043,396

Disaggregation of the Group's and the Company's revenue from contracts with customers:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	RM	**RM**	RM
Segment revenue				
Sale of goods	**139,967,107**	136,585,426	**–**	–
Management fee	**–**	–	**2,217,339**	2,043,396
Timing of revenue recognition				
At a point in time				
Sale of goods	**139,967,107**	136,585,426	**–**	–
Over time				
Management fee	**–**	–	**2,217,339**	2,043,396

6. INVESTMENT INCOME

	The Group		The Company	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Interest income on short-term deposits	**5,229,775**	6,468,016	**4,078,613**	5,126,243

The following is an analysis of investment income by category of asset:

	The Group		The Company	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Interest income for financial assets not designated as at fair value through profit or loss:				
Financial assets measured at amortised cost (including cash and bank balances)	**5,229,775**	6,468,016	**4,078,613**	5,126,243

7. OTHER GAINS AND LOSSES

	The Group		The Company	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Gain on disposal of property, plant and equipment	**2,682,708**	41,697	**–**	–
Net foreign exchange gain/ (loss)	**834,826**	(3,187,869)	**16**	(87)
Net (loss)/ gain arising on financial assets/ liabilities designated as at fair value through profit or loss	**(788,278)**	5,180,392	**–**	–
Impairment loss recognised on trade receivables	**(359,411)**	–	**–**	–
Property, plant and equipment written off	**(122,397)**	(6,562)	**–**	–
Allowances for obsolete inventories	**(62,061)**	–	**–**	–
Reversal of allowance for obsolete inventories	**–**	23,931	**–**	–
Reversal of impairment loss on trade receivables	**–**	14,230	**–**	–
Others	**500,947**	522,563	**–**	–
	2,686,334	2,588,382	**16**	(87)

8. EMPLOYEE BENEFIT EXPENSES

	The Group		The Company	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Post employment benefits:				
Defined contribution plan	**976,326**	1,085,262	**248,173**	250,375
Equity-settled share-based payments	**761,556**	755,308	**419,626**	367,890
Other employee benefits	**15,551,577**	16,057,291	**2,442,111**	2,436,271
Total employee benefit expenses	**17,289,459**	17,897,861	**3,109,910**	3,054,536

The employees of the Group and of the Company are required by law to make contributions to the Employees Provident Fund ("EPF"), a post-employment plan. The Group and the Company are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group and of the Company with respect to the retirement benefit plan is to make the specified contributions.

8. EMPLOYEE BENEFIT EXPENSES (cont'd)

Details of remuneration of the directors of the Group and of the Company are as follows:

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Executive directors of the Company:				
Fee	**200,400**	156,400	**172,400**	132,400
Contribution to employees provident fund	**146,412**	148,035	**125,419**	124,702
Benefits-in-kind	**50,000**	45,000	**50,000**	45,000
Other emoluments	**1,387,779**	1,105,760	**1,006,238**	921,069
Non-executive directors of the Company:				
Fee	**251,400**	267,100	**251,400**	267,100
Other emoluments	**78,201**	75,184	**78,201**	75,184
	2,114,192	1,797,479	**1,683,658**	1,565,455
Executive directors of a subsidiary:				
Fee	**18,000**	24,000	**–**	–
Contribution to employees provident fund	**19,293**	29,982	**–**	29,982
Other emoluments	**188,922**	212,542	**–**	212,542
	2,340,407	2,064,003	**1,683,658**	1,807,979

Remuneration of executive directors, who are the key management personnel of the Group and of the Company, are disclosed above.

9. TAX EXPENSES

Tax expenses recognised in profit or loss

Tax expenses comprise:

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Current tax expenses:				
Malaysian	**3,518,700**	1,560,016	**959,000**	1,198,000
Foreign	**43,706**	34,100	**–**	–
Deferred tax (income)/ expenses:				
Relating to origination and reversal of temporary differences	**113,306**	19,944	**11,000**	(22,000)
Adjustments recognised in the current year in relation to prior year:				
Current tax	**3,956**	(811)	**76**	258
Deferred tax	**(146,000)**	33,585	**3,000**	3,000
Tax expenses	**3,533,668**	1,646,834	**973,076**	1,179,258

9. TAX EXPENSES (cont'd)

The tax expenses for the year can be reconciled to the accounting profit as follows:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Profit before tax	**72,542,695**	72,147,880	**72,603,443**	73,782,173
Tax expense calculated using the Malaysian statutory income tax rate of 24% (2017:24%)	**17,410,000**	17,315,000	**17,425,000**	17,708,000
Effect of expenses that are not deductible in determining taxable profit	**810,712**	569,860	**345,000**	268,000
Effect of revenue that is exempt from taxation	**(13,439,000)**	(15,732,000)	**–**	–
Effect of income that are not taxable in determining taxable profit	**(775,000)**	(408,000)	**(16,800,000)**	(16,800,000)
Deferred tax not recognised on pioneer activity	**(331,000)**	(130,800)	**–**	–
	3,675,712	1,614,060	**970,000**	1,176,000
Adjustments recognised in the current year in relation to prior year:				
Current tax	**3,956**	(811)	**76**	258
Deferred tax	**(146,000)**	33,585	**3,000**	3,000
Tax expenses recognised in profit or loss	**3,533,668**	1,646,834	**973,076**	1,179,258

The Group is operating in the jurisdictions of Malaysia and the People's Republic of China. The applicable domestic statutory income tax rates are 24% (2017: 24%) for Malaysia and 25% (2017: 25%) for the People's Republic of China. The applicable tax rate of 24% (2017: 24%) used in the above numerical reconciliation of tax of the Group and of the Company is determined based on the statutory income tax rate prevailing for the Company.

Tax income recognised in other comprehensive income

	The Group	
	2018	**2017**
	RM	**RM**
Deferred tax		
Translation of foreign operations	**(2,213)**	(2,358)

A subsidiary, Uchi Optoelectronic (M) Sdn. Bhd. ("UO") has been 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 equipment. Under this incentive, upon certain terms and conditions 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 the production day (the commencement date of the tax free period). As of December 31, 2018, the commencement date of the tax free period had not been fixed by the MITI.

The directors expect that the tax free period for abovementioned products should commence in January 2018. Accordingly, no income taxes and deferred tax was recognised in respect of the statutory income derived from the production of the abovementioned products during the financial year ended/ as of December 31, 2018.

Management exercises significant judgement in determining the status of fulfilment of the terms and conditions of the pioneer status granted to UO in their assessment of current and deferred tax of the Group, and believe that the current and deferred tax computation of the Group is appropriate with reference to the status of fulfillment of the pioneer status granted to UO.

9. TAX EXPENSES (cont'd)

As of December 31, 2018, the approximate amounts of unused reinvestment allowances and unused tax capital allowances of the Group which are available for set off against future taxable income are as follows:

	The Group	
	2018	**2017**
	RM	**RM**
Unused reinvestment allowances#	**1,236,000**	1,236,000
Unused tax capital allowances	**351,000**	559,000

The unused reinvestment allowances of RM1,236,000 will expire in the financial year ending December 31, 2025.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
After charging:				
Depreciation of property, plant and equipment	**5,963,415**	5,846,603	**–**	–
Research and development expenses:				
Employee benefit expenses	**1,655,551**	1,701,152	**–**	–
Others*	**2,597,711**	2,364,733	**–**	–
Unrealised loss arising on financial liabilities designated as at fair value through profit or loss	**804,415**	–	**–**	–
Loss on foreign exchange:				
Unrealised	**485,425**	77,914	**10**	5
Realised	**–**	3,109,955	**–**	82
Provision for rework and warranty*	**466,883**	1,127,989	**–**	–
Depreciation of investment property	**235,746**	235,746	**–**	–
Amortisation of prepaid lease payments on leasehold land	**213,695**	196,625	**–**	–
Audit fee:				
Current year	**113,355**	104,767	**55,000**	50,000
Underprovision in prior year	**–**	8,800	**–**	4,850
And crediting:				
Realised gain on foreign exchange	**1,320,251**	–	**26**	–
Reversal of provision for rework and warranty no longer required	**223,694**	1,528,823	**–**	–
Gain arising on financial assets/ liabilities designated as at fair value through profit or loss:				
Realised	**16,137**	3,487,463	**–**	–
Unrealised	**–**	1,692,929	**–**	–

* Included in other expenses

11. 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:

	The Group	
	2018	**2017**
Profit for the year attributable to owners of the Company (RM)	**69,009,027**	70,501,046
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	**447,898,867**	438,309,557
Basic earnings per share (sen)	**15.41**	16.08

Diluted earnings per share

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

	The Group	
	2018	**2017**
	RM	**RM**
Profit for the year attributable to owners of the Company	**69,009,027**	70,501,046

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	The Group	
	2018	**2017**
	Unit	**Unit**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**447,898,867**	438,309,557
Shares deemed to be issued for no consideration in respect of employee share options	**5,360,534**	3,301,745
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**453,259,401**	441,611,302

	The Group	
	2018	**2017**
Diluted earnings per share (sen)	**15.23**	15.96

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	The Group	
	2018	**2017**
	Unit	**Unit**
Weighted average number of unissued shares in respect of employee share options	**59,808**	102,118

12. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land	Buildings	Plant and machinery	Fire fighting and security system	Air conditioning system	Furniture and fittings	Office equipment	Electrical installation	Motor vehicles	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost										
Balance at January 1, 2018	5,167,266	43,009,183	30,222,341	1,726,180	3,729,089	1,124,261	3,640,118	4,908,688	2,379,383	95,906,509
Additions	–	250,360	8,595,829	–	10,000	25,917	277,058	30,360	38,600	9,228,124
Disposals/ write-off	(5,167,266)	(2,000,000)	(1,323,004)	–	–	(943)	(23,671)	–	(189,026)	(8,703,910)
Currency translation differences	–	(651,528)	(99,919)	(22,365)	(37,309)	(4,048)	(23,054)	(87,098)	(13,707)	(939,028)
Balance at December 31, 2018	**–**	**40,608,015**	**37,395,247**	**1,703,815**	**3,701,780**	**1,145,187**	**3,870,451**	**4,851,950**	**2,215,250**	**95,491,695**
Balance at January 1, 2017	5,167,266	43,670,650	30,052,953	1,741,645	3,794,231	1,116,603	3,184,258	4,980,827	2,339,679	96,048,112
Additions	–	24,424	312,270	8,160	6,682	13,826	554,994	19,275	169,907	1,109,538
Disposals/ write-off	–	–	(22,934)	–	(32,522)	(2,057)	(77,641)	–	(116,259)	(251,413)
Currency translation differences	–	(685,891)	(119,948)	(23,625)	(39,302)	(4,111)	(21,493)	(91,414)	(13,944)	(999,728)
Balance at December 31, 2017	5,167,266	43,009,183	30,222,341	1,726,180	3,729,089	1,124,261	3,640,118	4,908,688	2,379,383	95,906,509

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group (cont'd)

	Freehold land	Buildings	Plant and machinery	Fire fighting and security system	Air conditioning system	Furniture and fittings	Office equipment	Electrical installation	Motor vehicles	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Accumulated depreciation										
Balance at January 1, 2018	–	10,438,514	17,886,976	1,237,531	2,601,100	727,653	2,293,381	3,115,316	1,768,537	40,069,008
Charge for the year	–	1,461,140	2,993,476	128,643	314,939	114,435	254,431	443,550	252,801	5,963,415
Disposals/ write-off	–	(273,333)	(1,148,822)	–	–	(849)	(23,663)	–	(189,024)	(1,635,691)
Currency translation differences	–	(255,158)	(82,866)	(20,128)	(33,386)	(3,212)	(15,024)	(65,360)	(10,193)	(485,327)
Balance at December 31, 2018	**–**	**11,371,163**	**19,648,764**	**1,346,046**	**2,882,653**	**838,027**	**2,509,125**	**3,493,506**	**1,822,121**	**43,911,405**
Balance at January 1, 2017	–	9,177,961	15,189,067	1,130,233	2,348,494	615,482	2,183,532	2,723,933	1,590,658	34,959,360
Charge for the year	–	1,505,797	2,819,057	128,561	317,355	117,310	200,826	453,973	303,724	5,846,603
Disposals/ write-off	–	–	(21,770)	–	(29,535)	(1,850)	(75,437)	–	(116,258)	(244,850)
Currency translation differences	–	(245,244)	(99,378)	(21,263)	(35,214)	(3,289)	(15,540)	(62,590)	(9,587)	(492,105)
Balance at December 31, 2017	–	10,438,514	17,886,976	1,237,531	2,601,100	727,653	2,293,381	3,115,316	1,768,537	40,069,008
Net book value										
Balance at December 31, 2018	**–**	**29,236,852**	**17,746,483**	**357,769**	**819,127**	**307,160**	**1,361,326**	**1,358,444**	**393,129**	**51,580,290**
Balance at December 31, 2017	5,167,266	32,570,669	12,335,365	488,649	1,127,989	396,608	1,346,737	1,793,372	610,846	55,837,501

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company

	Furniture and fittings	Office equipment	Total
	RM	RM	RM
Cost			
Balance at January 1, 2018	7,045	109,334	116,379
Addition	–	–	–
Disposals/ write-off	–	(2,851)	(2,851)
Balance at December 31, 2018	**7,045**	**106,483**	**113,528**
Balance at January 1, 2017	7,045	138,305	145,350
Addition	–	–	–
Disposals/ write-off	–	(28,971)	(28,971)
Balance at December 31, 2017	7,045	109,334	116,379
Accumulated depreciation			
Balance at January 1, 2018	7,045	109,334	116,379
Charge for the year	–	–	–
Disposals/ write-off	–	(2,851)	(2,851)
Balance at December 31, 2018	**7,045**	**106,483**	**113,528**
Balance at January 1, 2017	7,045	138,305	145,350
Charge for the year	–	–	–
Disposals/ write-off	–	(28,971)	(28,971)
Balance at December 31, 2017	7,045	109,334	116,379
Net book value			
Balance at December 31, 2018	–	–	–
Balance at December 31, 2017	–	–	–

13. INVESTMENT PROPERTY

	The Group	
	2018	**2017**
	RM	**RM**
At cost:		
Balance at beginning/ end of the year	**9,429,858**	9,429,858
Accumulated depreciation:		
Balance at beginning of the year	**(2,015,647)**	(1,779,901)
Charge for the year	**(235,746)**	(235,746)
Balance at end of the year	**(2,251,393)**	(2,015,647)
Net	**7,178,465**	7,414,211

The Group's investment property, comprising building, is held under leasehold interest.

Details of the Group's investment property and information about the fair value hierarchy is as follows:

	Fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
	RM	**RM**	**RM**	**RM**
The Group				
December 31, 2018:				
Building	**–**	**–**	**9,780,000**	**9,780,000**
December 31, 2017:				
Building	–	–	9,780,000	9,780,000

There was no transfer between Levels 1 and 2 during the financial year.

The fair value of the Group's investment property has been arrived at on the basis of a valuation carried out at December 31, 2018 by an independent valuer who has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The fair value was determined based on open market value.

The building is valued by reference to current estimates of construction costs to erect equivalent buildings, taking into consideration similar accommodation in terms of size and construction. Appropriate adjustments are then made for factors of age, obsolescence and existing physical condition of the building.

The building valued using this method is categorised as level 3 in the fair value hierarchy. The significant unobservable inputs for this category of assets are the replacement cost per square meter of RM835 per square meter (2017: RM835 per square meter). It is further depreciated by 8% (2017: 8%) after taking consideration of the building condition and other relevant factors.

Direct operating expenses incurred by the Group on its investment property which did not generate rental income during the financial year is RM391,925 (2017: RM351,238).

14. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

	The Group	
	2018	2017
	RM	RM
Short leasehold land		
Balance at beginning of the year	**6,925,611**	7,266,892
Amortisation during the year	**(213,695)**	(196,625)
Currency translation differences	**(134,202)**	(144,656)
Balance at end of the year	**6,577,714**	6,925,611

As of December 31, 2018, the unexpired lease periods of the Group's short leasehold land are 32 and 36 years respectively.

15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2018	2017
	RM	RM
Unquoted equity shares, at cost	**57,932,740**	57,594,242
Less: Accumulated impairment losses	**(4,420,800)**	(4,420,800)
	53,511,940	53,173,442

Included in the cost of investments in subsidiaries during the year is a charge of RM338,498 (2017: charge of RM361,999) representing the recognition of equity-settled share-based payments for share options granted to/ forfeited from subsidiaries' employees to acquire ordinary shares of the Company.

Details of the Company's subsidiaries as at the end of the reporting period are as follows:

Direct subsidiaries	Principal activities	Place of incorporation	Proportion of ownership interest 2018	Proportion of ownership interest 2017
Uchi Electronic (M) Sdn. Bhd.	Assembly of electrical components onto printed circuit boards and trading of complete electric module and saturated paper for PCB lamination.	Malaysia	100%	100%
Uchi Optoelectronic (M) Sdn. Bhd.	Design, research, 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 equipment, touch screen advance display, high precision light measurement (optoelectronic) equipment, mixed signal control system for centrifuge/ laboratory equipment, mixed signal microprocessor based application and system integration products.	Malaysia	100%	100%
Uchi Technologies (Dongguan) Co.,Ltd.*#	Design, research, development, manufacture and trading of electronic modules.	People's Republic of China	100%	100%

* Audited by Deloitte PLT for purposes of consolidation.
\# The financial statements of the subsidiary was audited by auditors other than auditors of the Company.

16. DEFERRED TAX ASSETS/ (LIABILITIES)

Deferred tax balances are presented in the statements of financial position as follows:

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Deferred tax assets	**212,508**	230,729	**115,000**	129,000
Deferred tax liabilities	**(1,312,057)**	(1,360,759)	**–**	–
	(1,099,549)	(1,130,030)	**115,000**	129,000

Movement in deferred tax assets/ (liabilities) is as follows:

The Group

	Opening balance	Recognised in profit or loss (Note 9)	Recognised in other comprehensive income (Note 9)	Closing balance
	RM	RM	RM	RM
2018:				
Deferred tax assets				
Accrued expenses	**153,000**	**(3,000)**	**–**	**150,000**
Provision for rework and warranty	**26,000**	**30,000**	**–**	**56,000**
Inventories	**5,032**	**(1,980)**	**–**	**3,052**
Unused tax capital allowances	**134,000**	**(50,000)**	**–**	**84,000**
Others	**64,697**	**145,972**	**(2,213)**	**208,456**
	382,729	**120,992**	**(2,213)**	**501,508**
Deferred tax liabilities				
Property, plant and equipment	**(968,793)**	**(114,000)**	**–**	**(1,082,793)**
Gain on revaluation of properties	**(543,966)**	**25,702**	**–**	**(518,264)**
	(1,512,759)	**(88,298)**	**–**	**(1,601,057)**
Net	**(1,130,030)**	**32,694**	**(2,213)**	**(1,099,549)**
2017:				
Deferred tax assets				
Accrued expenses	271,000	(118,000)	–	153,000
Provision for rework and warranty	43,000	(17,000)	–	26,000
Inventories	5,284	(231)	(21)	5,032
Unused tax capital allowances	–	134,000	–	134,000
Others	6,034	61,000	(2,337)	64,697
	325,318	59,769	(2,358)	382,729
Deferred tax liabilities				
Property, plant and equipment	(829,793)	(139,000)	–	(968,793)
Gain on revaluation of properties	(569,668)	25,702	–	(543,966)
	(1,399,461)	(113,298)	–	(1,512,759)
Net	(1,074,143)	(53,529)	(2,358)	(1,130,030)

16. DEFERRED TAX ASSETS/ (LIABILITIES) (cont'd)

The Company

	Opening balance	Recognised in profit or loss (Note 9)	Closing balance
	RM	RM	RM
2018:			
Deferred tax asset			
Accrued expenses	**129,000**	**(14,000)**	**115,000**
2017:			
Deferred tax asset			
Accrued expenses	110,000	19,000	129,000

As of December 31, 2018, deferred tax has not been recognised in respect of the temporary differences relating to pioneer activity:

	The Group	
	2018	2017
	RM	RM
Gross amount of temporary differences arising from:		
Property, plant and equipment	**13,145,000**	11,329,000
Accrued expenses	**(5,717,000)**	(5,604,000)
Provision for rework and warranty	**(556,000)**	(799,000)
Other payables	**(381,000)**	(64,000)
Inventories	**(73,000)**	(26,000)
Others	**(121,000)**	(180,000)
Net	**6,297,000**	4,656,000

17. INVENTORIES

	The Group	
	2018	2017
	RM	RM
Raw materials	**13,297,201**	10,478,769
Work-in-progress	**3,644,799**	3,451,079
Finished goods	**1,108,214**	1,809,971
	18,050,214	15,739,819

The cost of inventories recognised as an expense during the financial year is RM59,866,093 (2017: RM59,109,843).

The cost of inventories recognised as an expense included RM62,061 (2017: RM Nil) in respect of allowance for obsolete inventories, and has been reduced by RM Nil (2017: RM23,931) in respect of the reversal of allowances for obsolete inventories.

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Trade receivables	**19,251,035**	8,128,722	**–**	–
Less: Allowance for doubtful debts	**(436,327)**	(76,916)	**–**	–
	18,814,708	8,051,806	**–**	–
Amount owing by subsidiaries	**–**	–	**54,136,945**	38,089,109
Interest receivable	**500,894**	1,631,574	**287,143**	1,428,294
Other receivables	**315,725**	341,583	**16,429**	12,701
	19,631,327	10,024,963	**54,440,517**	39,530,104

The currency exposure profile of trade and other receivables is as follows:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
United States Dollar	**18,699,998**	8,039,271	**–**	–
Ringgit Malaysia	**929,223**	1,984,758	**54,440,517**	39,530,104
Chinese Renminbi	**2,106**	934	**–**	–
	19,631,327	10,024,963	**54,440,517**	39,530,104

The average credit periods granted to trade receivables on sale of goods range from 30 to 45 days (2017: 30 to 45 days). No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

Trade receivables disclosed above include amounts (see below for aged analysis) 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 of past due but not impaired trade receivables:

	The Group	
	2018	**2017**
	RM	**RM**
1 to 30 days	**2,274,692**	1,975,491
31 to 60 days	**321,992**	42,439
More than 60 days	**30**	110,365
Total	**2,596,714**	2,128,295

18. TRADE AND OTHER RECEIVABLES (cont'd)

Movement in the allowance for doubtful debts:

	The Group 2018 RM	The Group 2017 RM
Balance at beginning of the year	**76,916**	91,146
Impairment losses recognised	**359,411**	–
Impairment losses reversed	**–**	(14,230)
Balance at end of the year	**436,327**	76,916

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

The allowance for doubtful debts on trade receivables are made for individually impaired receivables relating to dispute over quality issues on products sold. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables:

	The Group 2018 RM	The Group 2017 RM
1 to 30 days	**10,227**	13,973
31 to 60 days	**15,995**	47,673
61 to 90 days	**13,283**	15,270
91 to 120 days	**–**	–
More than 120 days	**396,822**	–
Total	**436,327**	76,916

The amount owing by subsidiaries is as follows:

	The Company 2018 RM	The Company 2017 RM
Uchi Optoelectronic (M) Sdn. Bhd.	**54,133,799**	38,072,212
Uchi Electronic (M) Sdn. Bhd.	**3,146**	16,897
	54,136,945	38,089,109

The amounts owing by subsidiaries arose mainly from advances which are unsecured, interest free and are repayable on demand.

Other receivables comprise mainly goods and services tax refundable.

19. OTHER ASSETS

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Prepayments	**1,958,518**	1,869,157	**–**	–
Deposits	**96,870**	98,070	**2,000**	2,000
	2,055,388	1,967,227	**2,000**	2,000

20. SHORT-TERM DEPOSITS

The currency exposure profile of short-term deposits is as follows:

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Ringgit Malaysia	**70,178,965**	204,938,982	**47,623,335**	189,457,080
United States Dollar	**18,939,783**	10,187,315	**–**	–
Chinese Renminbi	**8,423,800**	7,039,900	**–**	–
	97,542,548	222,166,197	**47,623,335**	189,457,080

The short-term deposits of the Group carry interests at rates ranging from 1.69% to 4.3% (2017: 1.04% to 4.3%) per annum and have maturity periods ranging between 1 to 12 months (2017: 1 to 12 months). The short-term deposits of the Company carry interests at rates ranging from 3.0% to 4.30% (2017: 2.85% to 4.0%) per annum and have maturity periods ranging between 1 to 8 months (2017: 1 to 9 months).

21. CASH AND BANK BALANCES

The currency exposure profile of cash and bank balances is as follows:

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
United States Dollar	**13,124,066**	18,450,473	**843**	831
Chinese Renminbi	**2,106,464**	1,611,046	**–**	–
Ringgit Malaysia	**919,806**	822,875	**56,332**	128,884
Euro	**19,576**	35,182	**–**	–
Swiss Franc	**1,303**	1,826	**–**	–
Other foreign currencies	**483**	441	**–**	–
	16,171,698	20,921,843	**57,175**	129,715

22. SHARE CAPITAL

	The Company			
	2018		2017	
	No. of shares	RM	No. of shares	RM
Issued and fully paid:				
Ordinary shares:				
At beginning of the year	**449,185,759**	**157,036,362**	443,695,559	88,739,112
Issue of shares pursuant to ESOS	**1,569,400**	**2,737,010**	5,490,200	9,366,276
Capital repayment	**–**	**(89,695,652)**	–	–
Transfer from share premium	**–**	**–**	–	50,629,680
Sales of treasury shares	**–**	**–**	–	8,301,294
At end of the year	**450,755,159**	**70,077,720**	449,185,759	157,036,362

The Company's issued and fully paid-up share capital comprised ordinary shares with a par value of RM0.20 each. The new Companies Act, 2016, which came into operation on January 31, 2017, introduced the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the transitional provisions of the Act, the amount standing to the credit of the Company's share premium account became part of the Company's share capital. The change does not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

However, the Company has a period of 24 months from the effective date of the Act to use the existing balances credited in the share premium account and in a manner as specified by the Act.

At the Annual General Meeting held on May 24, 2018, the Company's shareholders renewed the Company's authority to repurchase its own shares. Under the share buy-back exercise, the Company is authorised to purchase up to maximum of 10% of the total issued and paid-up share capital.

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from 449,185,759 ordinary shares to 450,755,159 ordinary shares by way of issuance of 1,569,400 new ordinary shares for cash pursuant to the Employees' Share Options Scheme ("ESOS") of the Company at exercise prices ranging from RM1.57 to RM2.77 per ordinary share.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

During the financial year, the Company performed a capital repayment of RM89,695,652 on the basis of RM0.20 for each ordinary share held, via a reduction of the share capital of the Company pursuant to Section 116 of the Companies Act, 2016. The capital repayment was completed on September 19, 2018.

As of December 31, 2018, out of the total number of 450,755,159 (2017: 449,185,759) of ordinary shares issued and paid-up, 2,072,500 (2017: 2,072,500) are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid is 448,682,659 (2017: 447,113,259).

23. RESERVES

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Non-distributable reserves:				
Equity-settled employee benefits reserve	**2,382,785**	1,636,877	**2,382,784**	1,636,877
Foreign currency translation reserve	**6,247,715**	7,329,207	**–**	–
Merger reserve	**–**	–	**6,777,646**	6,777,646
	8,630,500	8,966,084	**9,160,430**	8,414,523

The equity-settled employee benefits reserve relates to share options granted by the Company to employees under the employee share option plan.

23. RESERVES (cont'd)

On November 8, 2016, the Company implemented an ESOS for a period of 5 years. The ESOS is governed by the By-Laws which were approved by the shareholders at an Extraordinary General Meeting held on May 18, 2016.

The principal features of the ESOS are as follows:

(a) The total number of shares offered under the ESOS scheme shall not exceed 15% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.

(b) Persons who are eligible to participate in the ESOS are all employees including directors of the Group who as at the date of offer are confirmed in writing of his/ her employment in the Group.

(c) The option price shall be determined at a discount of not more than 10% from the weighted average market price of the ordinary shares of the Company as quoted and shown in the Daily Official List issued by Bursa Malaysia Securities Berhad for the five preceding market days prior to the date of offer.

(d) The options granted may be exercised upon giving notice in writing to the Company within a period of 5 years from the date of offer of the option or such shorter period as may be specifically stated in the offer.

(e) The new ordinary shares to be allotted upon any exercise of the ESOS shall upon allotment and issuance, rank pari passu in all respects with the then existing ordinary shares of the Company except that these new ordinary shares will not be entitled to any dividends or distributions which may be declared prior to the allotment of these shares.

Share options are conditional on the employee's confirmation of service. The share options are exercisable in a staggered basis within the option period up to November 7, 2021. The Group and the Company have no legal or constructive obligation to repurchase or to settle the share options in cash.

The persons to whom the share options have been granted have no right to participate by virtue of the share options in any share options of any other companies in the Group.

The following share based payments arrangements were in existence as of the end of the reporting period:

Options series	Expiry date	Fair value at grant date	Exercise price	Number
		RM	RM	
The Group				
Granted on:				
November 8, 2016	November 7, 2021	0.1947	1.57	10,827,100
February 8, 2017	November 7, 2021	0.1593	1.67	266,700
March 8, 2017	November 7, 2021	0.1592	1.66	75,000
May 23, 2017	November 7, 2021	0.2692	1.57	300,000
September 8, 2017	November 7, 2021	0.3179	2.11	195,600
October 6, 2017	November 7, 2021	0.3556	2.47	103,000
November 8, 2017	November 7, 2021	0.3354	2.78	48,000
December 8, 2017	November 7, 2021	0.2571	3.19	35,000
January 8, 2018	November 7, 2021	0.2611	2.92	15,000
February 8, 2018	November 7, 2021	0.3354	2.43	232,000
April 6, 2018	November 7, 2021	0.3506	2.26	16,000
May 8, 2018	November 7, 2021	0.4169	2.52	90,000
May 25, 2018	November 7, 2021	0.2669	2.72	360,000
July 6, 2018	November 7, 2021	0.3256	2.55	156,000
August 8, 2018	November 7, 2021	0.3193	2.86	44,000
December 7, 2018	November 7, 2021	0.0010	2.89	92,000
				12,855,400

23. RESERVES (cont'd)

The weighted average fair value of the share options granted during the financial year is RM0.0392 (2017: RM0.0662).Options were priced using the binominal option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.Expected volatility is based on the historical share price volatility over the past 1¼ years.

	Inputs into the model					
Options series	**Grant date share price**	**Exercise price**	**Expected volatility**	**Option life**	**Dividend yield**	**Risk free interest rate**
	RM	**RM**				
The Group						
2018:						
Granted on:						
January 8, 2018	**3.04**	**2.92***	**35.27%**	**4 years**	**8%**	**3.50%**
February 8, 2018	**2.70**	**2.43***	**35.27%**	**4 years**	**9%**	**3.50%**
April 6, 2018	**2.57**	**2.26***	**35.27%**	**4 years**	**10%**	**3.50%**
May 8, 2018	**2.89**	**2.52***	**35.27%**	**4 years**	**9%**	**3.50%**
May 25, 2018	**2.88**	**2.72***	**35.27%**	**4 years**	**9%**	**3.50%**
July 6, 2018	**2.80**	**2.55***	**35.27%**	**4 years**	**9%**	**3.50%**
August 8, 2018	**3.07**	**2.86***	**35.27%**	**4 years**	**8%**	**3.50%**
December 7, 2018	**2.69**	**2.89**	**35.27%**	**3 years**	**9%**	**3.50%**
2017:						
Granted on:						
February 8, 2017	1.80	1.67*	18.32%	5 years	6%	3.50%
March 8, 2017	1.79	1.66*	18.32%	5 years	6%	3.50%
May 23, 2017	1.85	1.57*	18.32%	5 years	6%	3.50%
September 8, 2017	2.41	2.11*	18.32%	5 years	5%	3.50%
October 6, 2017	2.80	2.47*	18.32%	5 years	5%	3.50%
November 8, 2017	3.08	2.78*	18.32%	4 years	4%	3.50%
December 8, 2017	3.38	3.19*	18.32%	4 years	4%	3.50%

* The exercise price was adjusted for the capital repayment of the basis of RM0.20 for each ordinary share during the year.

The following reconciles the share options outstanding at the beginning and end of the year:

	The Group			
	2018		2017	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		RM		**RM**
Balance at beginning of the year	**14,451,200**	**1.73**	19,051,000	1.70
Granted during the year	**1,130,000**	**2.62**	1,486,000	2.04
Exercised during the year	**(1,569,400)**	**1.74**	(5,490,200)	1.71
Forfeited during the year	**(1,156,400)**	**1.81**	(595,600)	1.71
Balance at end of the year	**12,855,400**	**1.68**	14,451,200	1.73

23. RESERVES (cont'd)

The following share options were exercised during the financial year:

	Number exercised 2018	Exercise Date	Share price at exercise date RM
The Group			
November 8, 2016	1,123,200	August 17, 2018	1.70
November 8, 2016	179,800	December 26, 2018	1.57*
February 8, 2017	36,600	August 17, 2018	1.81
February 8, 2017	12,200	December 26, 2018	1.67*
March 8, 2017	23,200	August 17, 2018	1.80
May 23, 2017	100,000	July 24, 2018	1.70
September 8, 2017	12,400	November 23, 2018	2.11
February 8, 2018	40,000	August 17, 2018	2.64
May 8, 2018	30,000	July 24, 2018	2.73
July 6, 2018	12,000	July 24, 2018	2.77
	1,569,400		

* The exercise price was adjusted for the capital repayment of the basis of RM0.20 for each ordinary share during the year.

Out of the outstanding share options, share options to subscribe for 4,491,100 (2017: 2,201,750) ordinary shares under the ESOS scheme were exercisable at the end of the year.

The share options outstanding at year end had exercise prices ranging from RM1.57 to RM3.19 (2017: RM1.70 to RM3.46), and a weighted average remaining contractual life of 3 years to 4 years (2017: 4 to 5 years).

Share options to subscribe for 12,855,400 (2017: 14,451,200) ordinary shares under the ESOS scheme are exercisable within the option period up to November 7, 2021.

On January 8, 2019, share options to subscribe for 75,000 ordinary shares offered under ESOS scheme were granted to employees with an exercise price of RM2.45 per share.

On February 8, 2019, share options to subscribe for 91,500 ordinary shares offered under ESOS scheme were granted to employees with an exercise price of RM2.57 per share.

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (Ringgit Malaysia) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

The merger reserve represents the difference between the cost of investments in subsidiaries and the nominal value of shares issued as consideration.

24. RETAINED EARNINGS

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Distributable reserve:				
Retained earnings	**75,412,315**	73,635,039	**47,416,891**	43,021,706

The entire retained earnings of the Company as of the end of the reporting period are available for the distribution as single-tier dividends to the shareholders of the Company.

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Trade payables	**10,394,011**	7,962,002	**–**	–
Amount owing to directors	**160,000**	160,000	**160,000**	160,000
Other payables	**13,334,661**	10,631,877	**–**	–
Accrued expenses	**9,679,023**	9,172,941	**720,439**	850,469
	33,567,695	27,926,820	**880,439**	1,010,469

The currency exposure profile of trade and other payables is as follows:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
United States Dollar	**21,408,762**	16,342,904	**–**	–
Ringgit Malaysia	**10,713,195**	9,458,368	**880,439**	1,010,469
Chinese Renminbi	**1,397,086**	2,125,548	**–**	–
Other foreign currencies	**48,652**	–	**–**	–
	33,567,695	27,926,820	**880,439**	1,010,469

The average credit periods granted to the Group for trade purchases range from 30 to 60 days (2017: 30 to 60 days). No interest is charged on the trade payables outstanding balances. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The amount owing to directors represents directors' remuneration payable.

Other payables comprise mainly of amounts outstanding for ongoing costs.

26. OTHER FINANCIAL ASSETS/ (LIABILITIES)

	The Group	
	2018	**2017**
	RM	**RM**
Financial (liabilities)/ assets carried at fair value through profit or loss:		
Derivative financial instruments:		
Foreign currency forward contracts	**(804,415)**	1,692,929

The Group uses foreign currency forward contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure.

Foreign currency forward contracts are used to hedge the Group's sales denominated in United States Dollars for which firm commitments existed at the reporting date.

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from swap points matching maturities of the contracts.

27. PROVISION FOR REWORK AND WARRANTY

	The Group	
	2018	**2017**
	RM	**RM**
Balance at beginning of the year	**907,833**	2,013,823
Additional provision	**466,883**	1,127,989
Reversal of provision no longer required	**(223,694)**	(1,528,823)
Rework and warranty costs incurred	**(551,022)**	(705,156)
Balance at end of the year	**600,000**	907,833

The Group provides a warranty on its products and undertakes to replace defective products. A provision is recognised for expected warranty claims on products sold, based on past experience of the level of repairs and returns. Assumptions used to calculate the provision for rework and warranty were based on current sales levels and current information available about returns based on the warranty period for all products sold. These amounts have not been discounted for the purposes of measuring the provision for rework and warranty, because the effect is not material.

28. DIVIDENDS

	The Group and the Company	
	2018	**2017**
	RM	**RM**
Declared and paid:		
Final dividend of 8 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2017	**35,839,613**	–
Final dividend of 8 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2016	–	35,040,989
Interim dividends of 17 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2017	–	76,009,254
Declared and payable:		
Interim dividend of 7 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2018	**31,407,786**	–
	67,247,399	111,050,243

The directors also proposed a final dividend of 7 sen per ordinary share, tax exempt, in respect of the current financial year. The proposed dividend if payable in respect of all ordinary shares in issue as at the date of issue of the financial statements would amount to RM31,409,074 and has not been included as a liability in the financial statements. The dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and the date of entitlement to the dividend has yet to be determined.

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Short-term deposits	**97,542,548**	222,166,197	**47,623,335**	189,457,080
Cash and bank balances	**16,171,698**	20,921,843	**57,175**	129,715
	113,714,246	243,088,040	**47,680,510**	189,586,795

30. BANKING FACILITIES

As of December 31, 2018, the Group has unutilised banking facilities totalling RM115,600,000 (2017: RM115,600,000) covered by corporate guarantees from the Company for RM35,620,000 (2017: RM35,620,000).

31. FINANCIAL INSTRUMENTS

a. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or to achieve an optimal capital structure, the Group may adjust the amount of dividend payment and buy back issued shares. Management monitors capital based on the ability of the Group to generate sustainable profits and availability of retained earnings for dividend payments to shareholders. The Group's overall strategy remains unchanged from 2017.

b. Categories of financial instruments

The Group and the Company classified their financial assets/ (liabilities) as at amortised cost (2017: loans and receivables and other financial liabilities) unless otherwise stated below:

	2018	2017
The Group	**RM**	**RM**
Financial assets		
Cash and bank balances	**16,171,698**	20,921,843
Short-term deposits	**97,542,548**	222,166,197
Financial assets carried at fair value through profit or loss	**–**	1,692,929
Trade and other receivables	**19,631,327**	10,024,963
Financial liabilities		
Financial liabilities carried at fair value through profit or loss	**804,415**	–
Trade and other payables	**33,567,695**	27,926,820
Dividend payable	**31,407,786**	76,009,254

	2018	2017
The Company	**RM**	**RM**
Financial assets		
Cash and bank balances	**57,175**	129,715
Short-term deposits	**47,623,335**	189,457,080
Trade and other receivables	**54,440,517**	39,530,104
Financial liabilities		
Trade and other payables	**880,439**	1,010,469
Dividend payable	**31,407,786**	76,009,254

c. Financial risk management objectives and policies

The operations of the Group are subject to a variety of financial risks, including market risk, foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimise the Group's exposure to risks and/ or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

31. FINANCIAL INSTRUMENTS (cont'd)

c. Financial risk management objectives and policies (cont'd)

i. Market risk management

The Group has in place policies to manage the Group's exposures to fluctuation in the prices of the raw materials used in the operations.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

ii. Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Group's activities expose it primarily to the financial risk of change in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on foreign currency sales.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group	
	2018	**2017**
	RM	**RM**
Assets		
United States Dollar	**50,763,847**	36,677,059
Euro	**19,576**	35,182
Swiss Franc	**1,303**	1,826
Chinese Renminbi	**421**	–
Others	**483**	441
Liabilities		
United States Dollar	**21,408,762**	16,342,904
Chinese Renminbi	**93,066**	58,818
Others	**48,652**	–

	The Company	
	2018	**2017**
	RM	**RM**
Assets		
United States Dollar	**843**	831

The following table details the sensitivity analysis when the RM strengthens 9% (2017: 11%) against the relevant foreign currencies. 9% (2017: 11%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 9% (2017: 11%) change in foreign currency rates. A positive number below indicates an increase in profit and a negative number indicates a decrease in profit where the RM strengthens 9% (2017: 11%) against the relevant currency.

31. FINANCIAL INSTRUMENTS (cont'd)

c. Financial risk management objectives and policies (cont'd)

ii. Foreign currency risk management (cont'd)

	The Group	
	2018	**2017**
	RM	**RM**
Impact on profit or loss:		
United States Dollar	**(2,641,958)**	(2,236,757)
Euro	**(1,762)**	(3,870)
Swiss Franc	**(117)**	(201)
Chinese Renminbi	**8,338**	6,470
Others	**4,335**	(49)

	The Company	
	2018	**2017**
	RM	**RM**
Impact on profit or loss:		
United States Dollar	**(76)**	(91)

For a 9% (2017: 11%) weakening of the RM against the relevant currency, it would have had equal but opposite effect on the above currencies to the amounts shown above.

iii. Interest rate risk management

The Group's and the Company's exposure to changes in interest rates relates primarily to the Group's and the Company's short-term deposits. It has no significant interest-bearing financial assets or liabilities other than the short-term deposits. The short-term deposits are placed with reputable banks. The Group and the Company do not use derivative financial instruments to hedge its risk.

No sensitivity analysis is prepared as the Group and the Company do not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

iv. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The Group only grants credit to creditworthy counterparties. The trade receivables that are neither past due nor impaired relate to customers that the Group has assessed to be creditworthy, based on the credit evaluation process performed by management. The Group places its cash and cash equivalents with a number of major and high credit rating commercial banks.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position.

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	2018		**2017**	
	RM	**% of total**	**RM**	**% of total**
By country:				
Europe	**16,616,245**	**88**	7,121,835	88
United States of America	**2,058,762**	**11**	636,118	8
Asia Pacific	**139,701**	**1**	293,853	4
	18,814,708	**100**	8,051,806	100

For trade receivables, the Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime expected credit losses. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

31. FINANCIAL INSTRUMENTS (cont'd)

c. Financial risk management objectives and policies (cont'd)

v. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and financial liabilities. Note 30 sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The maturity profile of other financial assets and financial liabilities (non-interest bearing and non-derivative) are repayable on demand or within one year.

Further details of derivative financial instruments are disclosed in Note 26, including foreign currency forward contracts as detailed in item (d) below.

vi. Cash flow risk management

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

d. Foreign currency forward contracts

It is the policy of the Group to enter into foreign currency forward contracts to cover specific foreign currency payments and receipts. The Group also enters into foreign currency forward contracts to manage the risk associated with anticipated sales and purchase transactions.

The following table details the foreign currency forward contracts outstanding as at the end of the reporting date:

The Group

Outstanding contract	Average exchange rate	Foreign currency	Contract value	Fair value (loss)/ gain
		USD	RM	RM
2018:				
Sell USD				
Less than 3 months	**3.96**	**3,500,000**	**13,850,156**	**(633,942)**
3 to 6 months	**4.08**	**4,500,000**	**18,347,600**	**(294,168)**
6 to 9 months	**4.14**	**5,100,000**	**21,088,630**	**(51,107)**
9 to 12 months	**4.19**	**4,100,000**	**17,187,530**	**174,802**
2017:				
Sell USD				
Less than 3 months	4.30	2,500,000	10,752,550	617,963
3 to 6 months	4.25	3,000,000	12,754,650	533,717
6 to 9 months	4.23	3,300,000	13,966,040	483,536
9 to 12 months	4.13	1,500,000	6,189,500	57,713

31. FINANCIAL INSTRUMENTS (cont'd)

e. Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

i. Financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

	The Group	
	2018	**2017**
	RM	**RM**
Foreign currency forward contracts:		
Fair value:		
(Liability)/ asset	**(804,415)**	1,692,929
Fair value hierarchy	Level 2	
Valuation technique and key input	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	
Significant unobservable input	Not applicable	
Relationship of unobservable input to fair value	Not applicable	

There was no transfer between Levels 1 and 2 in the period.

ii. Financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

32. RELATED PARTY TRANSACTIONS

The details of transactions between the Group and the Company and its related parties are disclosed below.

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Dividend income received:				
Uchi Optoelectronic (M) Sdn. Bhd.	**–**	–	**70,000,000**	70,000,000
Management fee received:				
Uchi Optoelectronic (M) Sdn. Bhd.	**–**	–	**2,201,090**	2,031,508
Uchi Electronic (M) Sdn. Bhd.	**–**	–	**16,249**	11,888
Disposal of property, plant and equipment:				
Kao, Yen-Ping#	**9,510,000**	–	**–**	–

Son of a director of the Company.

33. SEGMENT INFORMATION

Products and services from which reportable segments derive their revenue

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under MFRS 8 Operating Segments are therefore as follows:

a. investment holding (includes management services);
b. manufacturing 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 equipment, touch screen advance display, high precision light measurement (optoelectronic) equipments, mixed signal control system for centrifuge/ laboratory equipments, mixed signal microprocessor based application, system integration products and electronic modules; and
c. trading of complete electric module and saturated paper for PCB lamination.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

The Group

	Investment holding	Manufacturing	Trading	Elimination	Consolidated
	RM	RM	RM	RM	RM
2018:					
Revenue					
External sales	–	139,967,107	–	–	139,967,107
Inter-segment sales	72,217,339	–	1,062,750	(73,280,089)	–
Total revenue	72,217,339	139,967,107	1,062,750	(73,280,089)	139,967,107
Results					
Segment profit	68,524,814	65,861,379	74,885	(69,834,492)	64,626,586
Investment income					5,229,775
Other gains and losses					2,686,334
Profit before tax					72,542,695
Tax expenses					(3,533,668)
Profit for the year					69,009,027

33. SEGMENT INFORMATION (cont'd)

Segment revenue and results (cont'd)

	Investment holding	Manufacturing	Trading	Elimination	Consolidated
	RM	RM	RM	RM	RM
2017:					
Revenue					
External sales	–	136,585,426	–	–	136,585,426
Inter-segment sales	72,043,396	–	841,675	(72,885,071)	–
Total revenue	72,043,396	136,585,426	841,675	(72,885,071)	136,585,426
Results					
Segment profit	68,656,017	64,263,300	27,172	(69,855,007)	63,091,482
Investment income					6,468,016
Other gains and losses					2,588,382
Profit before tax					72,147,880
Tax expenses					(1,646,834)
Profit for the year					70,501,046

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without investment revenue, other gains and losses, finance costs and tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The Group

	Investment holding	Manufacturing	Trading	Consolidated
	RM	RM	RM	RM
2018:				
Assets				
Segment assets	**362,748**	**120,539,107**	**343,241**	**121,245,096**
Unallocated corporate assets				**97,755,056**
Consolidated total assets				**219,000,152**
Liabilities				
Segment liabilities	**880,439**	**33,872,545**	**219,126**	**34,972,110**
Unallocated corporate liabilities				**33,202,730**
Consolidated total liabilities				**68,174,840**

33. SEGMENT INFORMATION (cont'd)

Segment assets and liabilities (cont'd)

	Investment holding	Manufacturing	Trading	Consolidated
	RM	**RM**	**RM**	**RM**
2017:				
Assets				
Segment assets	1,572,710	118,616,470	334,924	120,524,104
Unallocated corporate assets				222,396,926
Consolidated total assets				342,921,030
Liabilities				
Segment liabilities	1,010,469	27,623,481	200,703	28,834,653
Unallocated corporate liabilities				77,744,115
Consolidated total liabilities				106,578,768

For the purposes of monitoring segment performance and allocating resources between segments:

a. all assets are allocated to reportable segments except for short-term deposits, deferred tax assets and current tax assets; and
b. all liabilities are allocated to reportable segments except for dividend payable, current tax liabilities and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

The Group

	Investment holding	Manufacturing	Trading	Elimination	Consolidated
	RM	**RM**	**RM**	**RM**	**RM**
2018:					
Other information					
Capital expenditure	**–**	**9,228,124**	**–**	**–**	**9,228,124**
Depreciation and amortisation	**–**	**6,428,072**	**–**	**(15,216)**	**6,412,856**
Non-cash expenses other than depreciation and amortisation	**419,636**	**2,632,238**	**6,160**	**4,114**	**3,062,148**
2017:					
Other information					
Capital expenditure	–	1,109,538	–	–	1,109,538
Depreciation and amortisation	–	6,315,591	–	(36,617)	6,278,974
Non-cash expenses other than depreciation and amortisation	367,895	1,573,202	5,110	21,566	1,967,773

33. SEGMENT INFORMATION (cont'd)

Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	The Group	
	2018	**2017**
	RM	**RM**
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 equipment	**109,697,676**	–
Touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipment	**28,946,292**	136,437,146
Mixed signal microprocessor based application and system integration products	**–**	5,438
Others	**1,323,139**	142,842
	139,967,107	136,585,426

Geographical information

The Group operates in two principal geographical areas, Malaysia (country of domicile) and the People's Republic of China.

The Group's revenue from external customers attributed to countries from which the Company and its subsidiaries derive revenue are detailed below:

	The Group	
	2018	**2017**
	RM	**RM**
Europe	**132,496,011**	131,617,346
Asia Pacific	**6,692,053**	4,213,268
United States of America	**779,043**	754,812
	139,967,107	136,585,426

Information about the Group's non-current assets by geographical area are detailed below:

	The Group	
	2018	**2017**
	RM	**RM**
Malaysia	**49,746,893**	52,844,518
The People's Republic of China	**15,589,576**	17,332,805
	65,336,469	70,177,323

Non-current assets exclude deferred tax assets and financial instruments.

Information about major customers

Revenue from external customers contributing more than 10% of the total revenue from the manufacturing segment are as follows:

	The Group	
	2018	**2017**
	RM	**RM**
Customer A	**99,377,598**	106,658,666
Customer B	**10,541,316**	9,264,309
	109,918,914	115,922,975

STATEMENT BY DIRECTORS

The directors of **UCHI TECHNOLOGIES BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2018 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

CHIN YAU MENG

KAO, DE-TSAN also known as TED KAO

Penang,

March 22, 2019

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **OW CHOOI KHIM (MIA MEMBERSHIP NO. 12616)**, the director primarily responsible for the financial management of **UCHI TECHNOLOGIES BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by

the abovenamed **OW CHOOI KHIM**

at **GEORGETOWN** in the State of **PENANG**

on March 22, 2019

Before me,
LIM SENG HIN

Commisioner For Oaths

Share Buy-Back

During the financial year ended December 31, 2018, the Company has not repurchased or resold any treasury shares.

Total number of shares bought back and held as treasury shares as at December 31, 2018 is 2,072,500 shares.

Options, Warrants or Convertible Securities

A total of 1,569,400 options were exercised during the financial year in respect of the Company's Employee Share Option Scheme (ESOS).

The Company did not issue any convertible securities or warrants during the financial year.

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company does not have an ADR or GDR programme in place.

Imposition of sanctions / penalties

There were no material sanctions and / or penalties imposed on the Company and its subsidiary, directors or management by the relevant regulatory bodies.

Material Contracts or Loans

As of December 31, 2018, there was no existing material contract or loan outside the ordinary course of business of the Company and its subsidiaries involving directors and substantial shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous year.

Profit Estimate, Forecast or Projection

There were no profit estimate, forecast or projection or unaudited results released which differ by 10 percent or more from the audited results.

Profit Guarantee

There was no profit guarantee given in respect of the Company.

Utilisation of Proceeds

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended December 31, 2018.

Audit and Non-Audit Fee

The total amount of non-audit fee paid and payable to the external auditors by the Group for the year ended December 31, 2018 are as follows:

	The Company	The Group
	RM	RM
Audit Fee	55,000	113,355
Non-Audit Fee	30,200	98,928
Total	85,200	212,283

Recurrent Related Party Transactions Statement

The Company did not incur any significant recurrent related party transactions of revenue / trading nature during the financial year ended December 31, 2018.

Location	Description	Tenure / Date of Expiry of Lease	Age (Years)	Land Area / Built-up Area (Sq. Ft.)	Net Book Value at 31.12.2018 (RM)	Date of Acquisition / Last Revaluation
Registered Beneficial Owner: **Uchi Optoelectronic (M) Sdn. Bhd.**						
HS (D) 4360/PT No. 3054 (New Lot No. 4971) Mukim 1, Seberang Perai Tengah, Pulau Pinang	Industrial Land	60 years leasehold expiring on 1.1.2050	–	139,926	1,492,371	26.5.2004
(Plot 544, Tingkat Perusahaan 4A, Perai FTZ Phase II, Perai)	Investment Property -Phase I	60 years leasehold expiring on 1.1.2050	24	33,144	2,067,943	31.12.2018
	-Phase II		18	92,864	5,110,522	31.12.2018
HS (D) 4319/PT No. 3048 (New Lot No. 4972) Mukim 1, Seberang Perai Tengah, Pulau Pinang	Industrial Land	60 years leasehold expiring on 6.12.2049	–	139,944	1,360,363	26.5.2004
(3097 Tingkat Perusahaan 4A, Perai FTZ Phase II, Perai)	Factory Building	60 years leasehold expiring on 6.12.2049	7	148,145	18,467,051	01. 12. 2012
Registered Beneficial Owner: **Uchi Technologies (Dongguan) Co., Ltd.**						
Lot No. 1905010100037 Information Industrial Park, Xi Hu Area, ShiLong Town, Dongguan City, People's Republic of China	Industrial Land	48 years leasehold expiring on 26.2.2054	–	208,671	3,724,980	22.12.2006
No.22 Yuangang East Road, Information Industrial Zone, Xi Hu, ShiLong Town, Dongguan City, People's Republic of China	Factory Building	48 years leasehold expiring on 26.2.2054	10	161,124	10,769,801	26.5.2009

Share capital

Total number of issued shares	:	448,701,059 (*exclusive of 2,072,500 treasury shares*)
Class of Shares	:	Ordinary shares
Voting Rights	:	One voting right for one ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS[(a)]

Size of shareholdings			No of shareholders	%	No. of issued shares	%
Less	than	100 shares	207	2.99	8,822	0.00
100	–	1,000 shares	884	12.78	590,534	0.13
1,001	–	10,000 shares	3,726	53.87	15,981,511	3.56
10,001	–	100,000 shares	1,704	24.63	47,010,927	10.48
100,001	–	22,435,051 shares	394	5.70	266,489,258	59.39
22,435,052 shares	and	above	2	0.03	118,620,007	26.44
TOTAL			**6,917**	**100.00**	**448,701,059**	**100.00**

SUBSTANTIAL SHAREHOLDERS[(b)]

	Direct		Indirect	
Name of Shareholders	No. of issued shares	%	No. of issued shares	%
Eastbow International Limited	83,292,026	18.56	–	–
Kao, De-Tsan also known as Ted Kao	2,525,000	0.56	[(c)]83,292,026	18.56
Ironbridge Worldwide Limited	35,327,981	7.87	–	–
Kao, Te-Pei also known as Edward Kao	2,585,000	0.58	[(d)]35,327,981	7.87

a) Based on Record of Depositors as at March 20, 2019.
b) Based on the Register of Substantial Shareholders of the Company as of March 20, 2019, pursuant to Chapter 9, Appendix 9C (23) (a) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
c) Deemed interested by virtue of his substantial shareholding in Eastbow International Limited.
d) Deemed interested by virtue of his substantial shareholding in Ironbridge Worldwide Limited.

DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
Name of Directors	No. of issued shares	%	No. of issued shares	%
Kao, De-Tsan also known as Ted Kao	2,525,000	0.56	[1)]86,778,696	19.34
Kao, Te-Pei also known as Edward Kao	2,585,000	0.58	[2)]39,276,266	8.75
Chin Yau Meng	261,400	0.06	[3)]230,000	0.05
Charlie Ong Chye Lee	695,900	0.16	–	–
Tan Boon Hoe	170,000	0.04	–	–
Lim Tian How	–	–	–	–
Huang, Yen-Chang also known as Stanley Huang (Alternate Director to Kao, De-Tsan also known as Ted Kao)	251,870	0.06	–	–
Ow Chooi Khim (Alternate Director to Kao, Te-Pei also known as Edward Kao)	188,000	0.04	[3)]12,000	0.00

1) Deemed interested by virtue of his substantial shareholding in Eastbow International Limited and interest of spouse by virtue of Section 59(11)(c) of the Companies Act, 2016.
2) Deemed interested by virtue of his substantial shareholding in Ironbridge Worldwide Limited and interest of spouse by virtue of Section 59(11)(c) of the Companies Act, 2016.
3) Deemed interest of spouse by virtue of Section 59(11)(c) of the Companies Act, 2016.

TOP THIRTY SECURITIES ACCOUNT HOLDERS
(Without aggregating the securities from different securities accounts belonging to the same depositor)

No.	Name	No. of shares	%
1	Eastbow International Limited	83,292,026	18.56
2	Ironbridge Worldwide Limited	35,327,981	7.87
3	Amanahraya Trustees Berhad [Public Islamic Opportunities Fund]	16,053,370	3.58
4	DB (Malaysia) Nominee (Asing) Sdn Bhd [SSBT Fund J6S6 For Asia Oceania Dividend Yield Stock Mother Fund]	11,900,030	2.65
5	Bekal Sama Sdn Bhd	10,000,000	2.23
6	Amanahraya Trustees Berhad [Public Islamic Select Treasures Fund]	9,223,020	2.06
7	CITIGroup Nominees (Tempatan) Sdn Bhd [Employees Provident Fund Board (CIMB Prin)]	5,968,300	1.33
8	Maybank Nominees (Tempatan) Sdn Bhd [Mtrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali) (419455)]	5,674,700	1.27
9	CITIGroup Nominees (Tempatan) Sdn Bhd [Employees Provident Fund Board (Amundi)]	5,500,000	1.23
10	CITIGroup Nominees (Tempatan) Sdn Bhd [Exempt AN for AIA Bhd]	5,068,390	1.13
11	Zulkifli Bin Hussain	5,038,100	1.12
12	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad [Deutsche Trustees Malaysia Berhad For Eastspring Investmentssmall-Cap Fund]	4,052,500	0.90
13	HSBC Nominees (Tempatan) Sdn Bhd [HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund]	4,048,000	0.90
14	Maybank Nominees (Tempatan) Sdn Bhd [National Trust Fund (IFM Eastspring) (410140)]	3,728,700	0.83
15	Cartaban Nominees (Tempatan) Sdn Bhd [RHB Trustees Berhad for Manulife Investment Shariah Progressfund]	3,552,600	0.79
16	Kao Wang, Ying-Ying	3,486,670	0.78
17	Amanahraya Trustees Berhad [PMB Shariah Aggressive Fund]	3,474,100	0.77
18	Amanahraya Trustees Berhad [Public Strategic Smallcap Fund]	3,309,060	0.74
19	Maybank Nominees (Tempatan) Sdn Bhd [National Trust Fund (IFM Kenanga)]	3,229,400	0.72
20	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad [Deutsche Trustees Malaysia Berhad For Eastspring Investments Islamic Small-Cap Fund]	3,124,400	0.70
21	CITIGroup Nominees (Tempatan) Sdn Bhd [Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)]	2,898,200	0.65
22	Amanahraya Trustees Berhad [PB Smallcap Growth Fund]	2,796,700	0.62
23	Chang, Shin-Fang	2,573,285	0.57
24	Kao, De-Tsan @ Ted Kao	2,525,000	0.56
25	Kao, Te-Pei @ Edward Kao	2,525,000	0.56
26	Cartaban Nominees (Tempatan) Sdn Bhd [PAMB for Prulink Equity Income Fund]	2,500,000	0.56
27	CITIGroup Nominees (Asing) Sdn Bhd [CBLDN for Pohjola Bank Plc (Client Ac- Eur)]	2,500,000	0.56
28	CITIGroup Nominees (Asing) Sdn Bhd [CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc]	2,485,940	0.55
29	CITIGroup Nominees (Tempatan) Sdn Bhd [Kumpulan Wang Persaraan (Diperbadankan) (MIDF ABSR EQ)]	2,354,600	0.52
30	CITIGroup Nominees (Tempatan) Sdn Bhd [Kumpulan Wang Persaraan (Diperbadankan) (Affin ABSR EQ)]	1,999,800	0.45
	Total	**250,209,872**	**55.76**

UCHI TECHNOLOGIES BERHAD (Company No. 457890-A)
(Incorporated in Malaysia)

PROXY FORM

#CDS account no. of authorised nominee

I/We …………………………………………………………………………… (name of shareholder as per NRIC, in capital letters) NRIC No. ……………………… (new) …………………… (old)/ID No./Company No. ……………………………………… of ………(full address) being a member(s) of the abovenamed Company, hereby appoint ……………………………………………………………………………(name of proxy as per NRIC, in capital letters) NRIC No. ……………….. (new)……………….. (old) or failing him/her ……………………………………..(name of proxy as per NRIC, in capital letters) NRIC No. …………………………… (new) …………………… (old) or failing him/her the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Twenty-First Annual General Meeting of the Company to be held at the Laurel II, Level 1, Evergreen Laurel Hotel, 53 Persiaran Gurney, 10250 Georgetown, Penang on Tuesday, May 28, 2019 at 3.00 p.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

Resolutions			For	Against
Ordinary Resolution 1	-	Declaration of Final Tax Exempt Dividend		
Ordinary Resolution 2	-	Approval of Directors' Fees		
Ordinary Resolution 3	-	Re-election of Mr. Tan Boon Hoe		
Ordinary Resolution 4	-	Re-appointment of Messrs. Deloitte PLT as Auditors		
Ordinary Resolution 5	-	Continuing in office for Mr. Charlie Ong Chye Lee		
Ordinary Resolution 6	-	Renewal of share buy-back authority		
Special Resolution	-	Proposed Alteration of the existing Memorandum and Articles of Association by replacing with a new Constitution		

(Please indicate with "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Dated this ………… day of ………………… 2019

Number of shares held	

For appointment of two proxies, number of shares and percentage of shareholdings to be

represented by the proxies:

	No. of shares	Percentage
Proxy 1	____________	________ %
Proxy 2	____________	________ %

…………………………………………
Signature/Common Seal of Appointor

Contact No. of Shareholder/Proxy: …………………….

NOTES:

1. A member of the Company entitled to attend and vote is entitled to appoint at least 1 proxy to attend, participate, speak and vote in his place. If a member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositors) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy or proxies shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
5. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at Suite A, Level 9, Wawasan Open University, 54, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang at least 48 hours before the time for holding the Meeting or any adjournments thereof.
6. If the space provided in the proxy form is not sufficient, an appendix attached to the proxy form duly signed by the appointor is acceptable.
7. Even though the proxy form has clearly instructed that the votes are to be marked with "X", those proxy forms which are indicated with "√" by the shareholder in the spaces provided to show how the votes are to be cast will also be accepted.
8. Only members registered in the Record of Depositors as at May 17, 2019 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his behalf.

Applicable to shares held through a nominee account.

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The Secretaries
UCHI TECHNOLOGIES BERHAD (457890-A)

Suite A, Level 9
Wawasan Open University
54, Jalan Sultan Ahmad Shah
10050 Georgetown, Penang, Malaysia

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UCHI TECHNOLOGIES BERHAD
(Company No. 457890-A)
(Incorporated in Malaysia)

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Tel: 604-399 0035
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