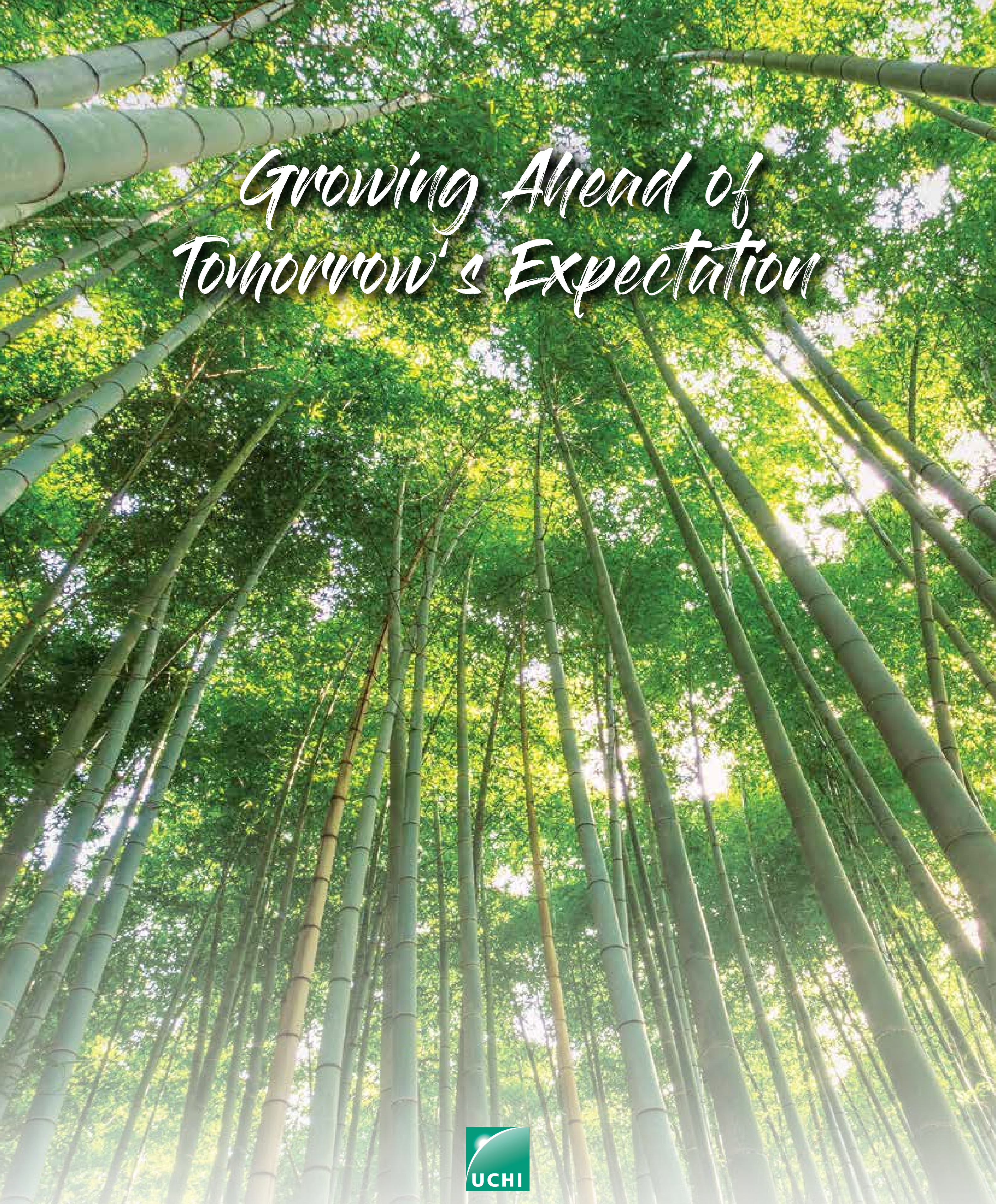


Growing Ahead of Tomorrow's Expectation

UCHI

UCHI TECHNOLOGIES BERHAD

(Company No. 457890-A)
(Incorporated in Malaysia)

ANNUAL REPORT
2017

CONTENTS

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

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 14001:2004

宇琦光电（东莞）有限公司
IS014001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 Optoelectronic (M) Sdn. Bhd.

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 Twentieth 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 Thursday, May 24, 2018 at 3.00 p.m. for the following purpose:

AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended December 31, 2017 together with the Reports of the Directors and Auditors thereon. **Please refer to Note 2**

As Ordinary Business

2. To declare a Final Tax Exempt Dividend of 8 sen per share for the year ended December 31, 2017. **Ordinary Resolution 1**

3. To approve the payment of Directors' Fees of RM480,000 for the year ending December 31, 2018. **Ordinary Resolution 2**

4. To re-elect Mr. Charlie Ong Chye Lee retiring under the provision of Article 131 of the Articles of Association of the Company. **Ordinary Resolution 3**

5. To re-elect Mr. Kao, De-Tsan also known as Ted Kao retiring under the provision of Article 131 of the Articles of Association of the Company. **Ordinary Resolution 4**

6. To re-elect Mr. Chin Yau Meng retiring under the provision of Article 136 of the Articles of Association of the Company. **Ordinary Resolution 5**

7. To re-elect Mr. Lim Tian How retiring under the provision of Article 136 of the Articles of Association of the Company. **Ordinary Resolution 6**

8. To re-appoint Messrs.Deloitte PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. **Ordinary Resolution 7**

AS SPECIAL BUSINESS

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

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

   "That subject to the passing of Ordinary Resolution 3, 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 8**

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

    "THAT subject to the provisions under the Companies Act 2016 ("the Act"), the Companies Regulations 1966, the Memorandum and Articles of Association of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements 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.

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

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.

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 9**

11. **Proposed Authority to Grant Options to Mr. Chin Yau Meng**

"THAT the Directors of the Company be and are hereby authorised, on behalf of the Company, at any time and from time to time to offer and to grant to Mr. Chin Yau Meng, an Executive Director of the Company, options to subscribe up to a maximum of 5,500,000 new Shares under the Uchi Technologies Berhad Employees' Share Option Scheme 2016 ("ESOS 2016") and to allot and issue from time to time new Shares upon exercise of such options, provided always that :

(i) he must not participate in the deliberation or discussion of his own allocation of the number of Options to be offered to him, as well as that of the persons connected with him, under the ESOS 2016; and

(ii) not more than ten percent (10%) (or such percentage as allowable by the relevant authorities) of the new Shares available under ESOS 2016 shall be allocated to him, if he, either singly or collectively through persons connected with him (as defined in the Listing Requirements), holds twenty percent (20%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares); and

subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws of the ESOS 2016 and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time." **Ordinary Resolution 10**

12. **Proposed Authority to Grant Options to Mr. Lim Tian How**

"THAT the Directors of the Company be and are hereby authorised, on behalf of the Company, at any time and from time to time to offer and to grant to Mr. Lim Tian How, an Independent Non-Executive Director of the Company, options to subscribe up to a maximum of 1,000,000 new Shares under the Uchi Technologies Berhad Employees' Share Option Scheme 2016 ("ESOS 2016") and to allot and issue from time to time new Shares upon exercise of such options, provided always that :

(i) he must not participate in the deliberation or discussion of his own allocation of the number of Options to be offered to him, as well as that of the persons connected with him, under the ESOS 2016; and

(ii) not more than ten percent (10%) (or such percentage as allowable by the relevant authorities) of the new Shares available under ESOS 2016 shall be allocated to him, if he, either singly or collectively through persons connected with him (as defined in the Listing Requirements), holds twenty percent (20%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares); and

subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws of the ESOS 2016 and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time." **Ordinary Resolution 11**

13. 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)
CHUA HOOI YEE (MAICSA 7064181)
Secretaries

April 24, 2018

Penang

Notes:

1. Proxy

1.1 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.

1.2 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.

1.3 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.

1.4 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.

Notes: (cont'd)

1. Proxy (cont'd)

1.5 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.

1.6 Only members registered in the Record of Depositors as at May 18, 2018 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his behalf.

2. Audited Financial Statements for the financial year ended December 31, 2017

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.

3. Ordinary Resolution 2 – To approve the payment of Directors' Fees of RM480,000 for the year ending December 31, 2018

The proposed Ordinary Resolution 2, if passed, will authorise the payment of Directors' Fees for the year ending December 31, 2018 amounting to RM480,000. 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.

4. Ordinary Resolution 8 – Continuing in Office as an Independent Non-Executive Director

The Nomination Committee had on February 26, 2018 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.

5. Continuing in Office as an Independent Non-Executive Director for Dr. Heinrich Komesker

The Board has not recommended for shareholders' approval to be sought for Dr. Heinrich Komesker's continuance in office as Independent Non-Executive Director as Dr. Heinrich Komesker has tendered his resignation as a Director of the Company to be effective from May 25, 2018. The announcement on his resignation has been made on February 26, 2018.

6. Ordinary Resolution 9 – Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 9 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. Ordinary Resolution 10 – Proposed Authority to Grant Options to Mr. Chin Yau Meng

The proposed Ordinary Resolution 10 if passed, will allow the Company to offer and grant options to Mr. Chin Yau Meng, an Executive Director of the Company, to subscribe up to a maximum of 5,500,000 new Shares under the ESOS 2016 and to allot and issue from time to time new Shares not more than ten percent (10%) (or such percentage as allowable by the relevant authorities) of the new Shares available under the ESOS 2016 shall be allocated to him, if he, either singly or collective through persons connected (as defined in the Listing Requirements) with him, holds twenty percent (20%) or more of the total number of issued shares (excluding treasury shares) of the Company. Please refer to the Circular to Shareholders dated April 24, 2018 for more information.

Notes: (cont'd)

8. Ordinary Resolution 11 – Proposed Authority to Grant Options to Mr. Lim Tian How

The proposed Ordinary Resolution 11 if passed, will allow the Company to offer and grant options to Mr. Lim Tian How, an Independent Non-Executive Director of the Company, to subscribe up to a maximum of 1,000,000 new Shares under the ESOS 2016 and to allot and issue from time to time new Shares not more than ten percent (10%) (or such percentage as allowable by the relevant authorities) of the new Shares available under the ESOS 2016 shall be allocated to him, if he, either singly or collective through persons connected (as defined in the Listing Requirements) with him, holds twenty percent (20%) or more of the total number of issued shares (excluding treasury shares) of the Company. Please refer to the Circular to Shareholders dated April 24, 2018 for more information.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that, subject to the approval of the shareholders at the forthcoming Twentieth Annual General Meeting, a Final Tax Exempt Dividend of 8 sen per share for the year ended December 31, 2017 will be paid on August 21, 2018 to Depositors registered in the Record of Depositors at the close of business on August 8, 2018.

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 August 8, 2018 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)
CHUA HOOI YEE (MAICSA 7064181)
Secretaries

April 24, 2018

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.

STATEMENT OF PROPOSED RENEWAL OF AUTHORITY

For Uchi Technologies Berhad to Purchase Its Own Shares ("Proposed Renewal of Share Buy-Back Authority")

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 23, 2017, 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 RM81,467,699 of the Company based on the audited financial statements for the financial year ended December 31, 2016.

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 Twentieth (20th) 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 Twentieth (20th) 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, 2018, the Company announced that UCHITEC is proposing to seek its shareholders' approval at the AGM of UCHITEC to be convened in 2018 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, 2017 is RM 43,021,706.

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, 2017, the Group has a cash and cash equivalent balance of RM 243,088,040.

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 April 4, 2018, the Record of Depositors of the Company showed that 314,466,089 Shares representing approximately 70.28% 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)] 70.28%	[(b)] 67.14%

Notes:

[(a)] As of April 4, 2018.

[(b)] As of April 4, 2018, the total number of issued shares of UCHITEC is 449,489,759 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 44,948,976 Shares (being approximately ten per centum (10%) of the total number of issued shares of the Company as of April 4, 2018, 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 April 4, 2018, the total number of issued shares of UCHITEC stands at 449,489,759 Shares including 2,072,500 Shares held as treasury shares. Assuming that the Company purchases up to 44,948,976 UCHITEC Shares representing approximately ten per centum (10%) of its total number of issued shares as of April 4, 2018 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 April 4, 2018 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	2,335,000	0.52	[a]86,778,696	19.40	2,335,000	0.58	[a]86,778,696	21.45
Kao, Te-Pei also known as Edward Kao	2,395,000	0.54	[b]39,276,266	8.78	2,395,000	0.59	[b]39,276,266	9.71
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	–	–
Dr. Heinrich Komesker	200,000	0.04	–	–	200,000	0.05	–	–
Ow Chooi Khim (Alternate Director to Kao, Te-Pei also known as Edward Kao)	188,000	0.04	–	–	188,000	0.05	–	–
Charlie Ong Chye Lee	595,900	0.13	–	–	595,900	0.15	–	–
Tan Boon Hoe	100,000	0.02	–	–	100,000	0.02	–	–
Chin Yau Meng	261,400	0.06	[e]230,000	0.05	261,400	0.06	[e]230,000	0.06
Lim Tian How	–	–	–	–	–	–	–	–
Substantial Shareholders								
Eastbow International Limited ("Eastbow")	83,292,026	18.62	–	–	83,292,026	20.59	–	–
Kao, De-Tsan also known as Ted Kao	2,335,000	0.52	[c]83,292,026	18.62	2,335,000	0.58	[c]83,292,026	20.59
Ironbridge Worldwide Limited ("Ironbridge")	35,327,981	7.90	–	–	35,327,981	8.73	-	-
Kao,Te-Pei also known as Edward Kao	2,395,000	0.54	[d]35,327,981	7.90	2,395,000	0.59	[d]35,327,981	8.73

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 by virtue of his spouse's interest under Section 59(11)(c) of the Companies Act, 2016.

[f] Percentage shareholding computed based on 447,417,259 UCHITEC Shares excluding 2,072,500 Shares held as treasury shares from the total number of issued shares of 449,489,759 Shares.

[g] Percentage shareholding computed based on 404,540,783 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 2017 to March 2018 are as follows:

	Highest (RM)	**Lowest (RM)**
Year 2017:		
April	1.89	1.78
May	1.89	1.84
June	1.93	1.81
July	1.89	1.81
August	2.28	1.89
September	2.76	2.24
October	2.98	2.58
November	3.57	2.89
December	3.57	3.30
Year 2018:		
January	3.33	2.74
February	3.18	2.50
March	3.07	2.54

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

Details of the Shares purchased and resold in the preceding 12 months are as follows:

Date of Purchase	No. of Shares Purchased	Highest Price	Lowest Price	Average Purchase Price	Total considerations*
		RM	RM	RM	RM
May 29, 2017	100	1.89	1.85	2.29	229
November 30, 2017	100	3.57	3.46	3.89	389
Total	**200**				**618**

6. Purchase, resale or cancellation of UCHITEC Shares in the preceding 12 months (cont'd)

Date of Resale	No. of Shares Resold	Highest Price	Lowest Price	Average Resale Price	Total considerations*
		RM	RM	RM	RM
September 21, 2017	331,500	2.76	2.69	2.74	906,719
October 09, 2017	398,800	2.87	2.82	2.83	1,130,212
October 19, 2017	258,700	2.95	2.89	2.90	750,087
October 25, 2017	358,500	2.95	2.85	2.93	1,051,366
November 01, 2017	130,000	2.96	2.89	2.93	381,368
November 03, 2017	365,300	3.03	2.89	3.00	1,096,126
November 10, 2017	500,000	3.14	3.05	3.10	1,549,727
December 13, 2017	252,900	3.51	3.38	3.48	880,492
December 14, 2017	1,367,300	3.56	3.50	3.54	4,846,063
December 15, 2017	40,600	3.57	3.44	3.55	143,985
December 18, 2017	55,300	3.55	3.46	3.51	194,314
December 19, 2017	200,000	3.53	3.48	3.51	702,885
December 21, 2017	739,700	3.56	3.52	3.54	2,615,330
Total	**4,998,600**				**16,248,674**

* Inclusive of transaction charges

The above purchases were made from the open market and were financed by internally generated funds and the Shares purchased are being held as treasury shares. In the preceding 12 months, there were no cancellation of treasury shares.

As at April 4, 2018, 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.

CORPORATE INFORMATION

Board of Directors

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

Managing Director
Kao, De-Tsan also known as Ted Kao

Executive Director
Kao, Te-Pei also known as Edward Kao
Chin Yau Meng (appointed on March 1, 2018)

Independent Non-Executive Directors
Dr. Heinrich Komesker
Tan Boon Hoe
Lim Tian How (appointed on April 2, 2018)

Non-Independent Executive Directors
Stanley Huang, Yen-Chang
(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
Dr. Heinrich Komesker
Lim Tian How

Nomination & Remuneration Committee

Chairman
Charlie Ong Chye Lee

Members
Dr. Heinrich Komesker
Tan Boon Hoe
Lim Tian How

Company Secretaries

Chew Siew Cheng
MAICSA 7019191

Chua Hooi Yee
MAICSA 7064181

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

KAO, DE-TSAN also known as TED KAO
Managing Director
Taiwanese, Aged 60, 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 Kao shall be re-designated as Executive Director on June 1, 2018 when Mr. Chin Yau Meng assumes 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 58, 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 the 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 Remuneration Committee and Employee Share Option Scheme Committee of UCHITEC.

He graduated from the Department of Textile Engineering, St. John's & St. Mary's Institute of Technology, Taiwan in 1980. Upon graduation, Mr. Edward Kao joined the army in Taiwan under Reserved Officer Training Course as a Platoon Leader of Logistics. In 1982, Mr. Edward Kao joined his elder brother, Mr. Ted Kao, in Uchi Electronic Co. Ltd., Taiwan (Uchi Taipei) as an Assistant of Administration. In 1984, he joined ITF Corporation, a well-established Japanese trading company. 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 for the Group's overall operation, business development and strategic planning.

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

CHIN YAU MENG
Executive Director
Malaysian, aged 57, Male

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

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 presently leads the whole Mechatronic Manufacturing Division in UOM and the overall operations of Uchi Dongguan.

He sits on the Board of UOM , UEM , Uchi Dongguan and does not hold directorship in any other company.

DR. HEINRICH KOMESKER
Independent Non-Executive Director
German, Aged 66, Male

Dr. Heinrich Komesker was appointed to the Board of Uchi Technologies Berhad on January 1, 2007 as Independent Non-Executive Director. He was appointed to be a member of the Audit Committee, Nomination Committee and Remuneration Committee on March 1, 2008, June 1, 2010 and November 23, 2017 respectively. Dr. Heinrich Komesker 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 Twentieth Annual General Meeting.

He graduated from Technical University Carolo-Wilhelmina of Braunschweig, Germany and he is a PhD holder. Since January 2016, he is the Technical Director of Apollo Produkt-GmbH in Dresden/Germany.

He started his professional career as an assistant at the institute of precision engineering, measurement and control engineering at the Technical University of Braunschweig, Germany. In 1982, he shifted to Vorwerk and worked for new technology in the vacuum cleaner division in the Research & Development ("R&D") Department. In 1985 he changed to Krups Company as a R&D Manager and in 1991 he was promoted as the Division Manager for Health and Care Products when Moulinex Group took over Krups. In 1992, he became the Director of the International Research Centre of Moulinex Group in Caen, France. In 1995, he became Manager of the R&D centers of microwave, cleaning and cooking appliances in Moulinex Group. From 1997, he managed the development of espresso- and fully- automatic coffee machines for Moulinex Group in Switzerland, Germany and France. In 1999 he moved to Bosch-Siemens Group (BSH) as Director for the cleaning division. In 2002, he was promoted as Technical Director of the BSH Division for Consumer Products with plants and competence-centers in Germany, Slovenia and Spain. In May 2003, he became Chief Technology Officer of JK Holding GmbH which is a German company and world market leader for professional tanning and wellness equipment with plants in Germany and USA. In January 2011, he was appointed as Chief Technical Officer of Medisana AG, a German specialist for Home Healthcare Products. In January 2014 he moved as Managing Director to Atlanta-Elektrosysteme GmbH, a German specialist in the automotive business for brush card systems. In September 2014 Atlanta was integrated into the automotive part of the Eckerle Group and he was continuing as Managing Director of Atlanta-Elektrosysteme GmbH. In January 2016 he moved as Technical Director to Apollo Produkt-GmbH.

He does not hold directorship in any other company.

CHARLIE ONG CHYE LEE
Independent Non-Executive Director
Malaysian, Aged 74, 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 62, 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 Committee and 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 56, 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, he was then promoted to Operations Director cum 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 holds directorship in a private limited company.

HUANG, YEN-CHANG also known as STANLEY HUANG
Alternate Director to Mr. Kao, De-Tsan also known as Ted Kao
Taiwanese, Aged 47, 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 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 49, 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 10 years other than traffic offences.

ENG CHIEW MING, *Malaysian, aged 53, 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 develop 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 52, Male*

Mr. Nyeo graduated from National Cheng Kung University in Taiwan with a Bachelors 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 46, 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 53, Female*

Ms. Yew graduated from University of Technology Malaysia in 1989 with a Bachelors 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 56, Female*

Ms. Oo graduated with a Bachelors 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 54, 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. She is also an Assistant Management Representative related to the Quality Management System.

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

TAN AI LIN, *Malaysian, aged 45, 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

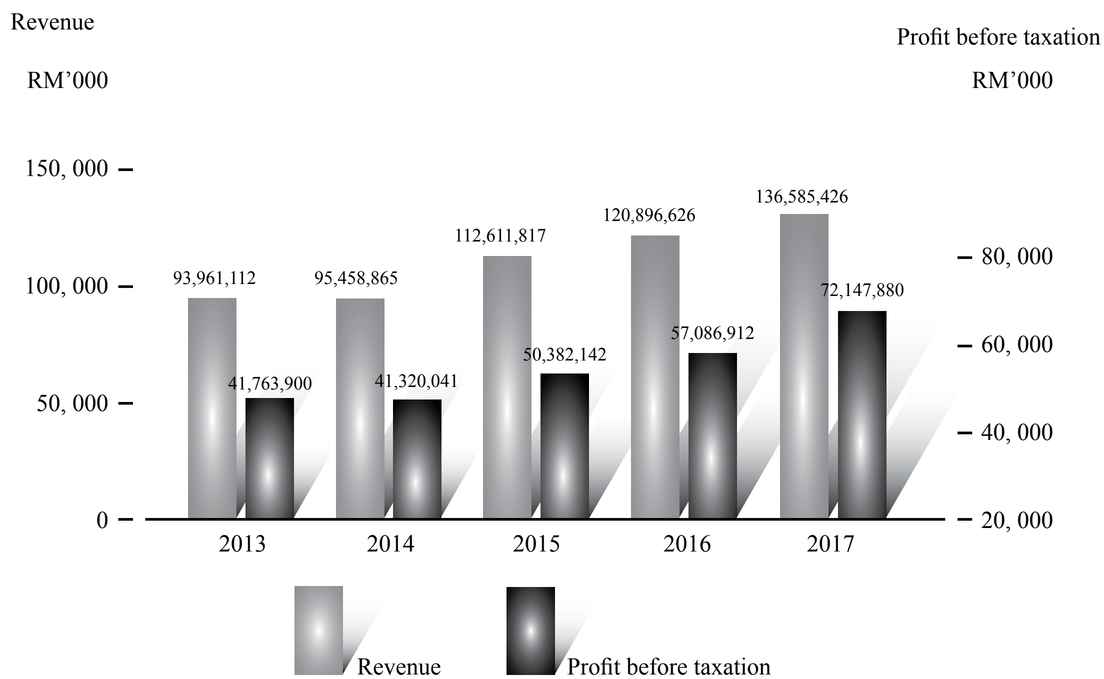
Year ended December 31	2013 RM	2014 RM	2015 RM	2016 RM	2017 RM
Revenue	93,961,112	95,458,865	112,611,817	120,896,626	136,585,426
Profit before taxation	41,763,900	41,320,041	50,382,142	57,086,912	72,147,880
Profit after taxation	39,073,487	40,109,239	49,297,964	55,507,737	70,501,046
Dividends declared and paid in respect of financial year ended:					
Dividend per share (Sen)	10	10	11	13	17
Amount Paid (net of tax)	35,737,609	37,802,670	45,491,449	56,872,222	76,009,254
Dividends proposed in respect of financial year ended:					
Dividend per share (Sen)	not applicable	not applicable	not applicable	not applicable	8
Amount Payable (net of tax)	not applicable	not applicable	not applicable	not applicable	35,792,981 [1)]
Total Amount Paid and Payable (net of tax)	35,737,609	37,802,670	45,491,449	56,872,222	111,802,235 [2)]
Total Assets Employed	218,626,207	242,238,614	279,690,474	303,385,953	342,921,030
Shareholders' equity	190,904,593	193,019,197	230,666,213	251,665,757	236,342,262
Net tangible assets	190,904,593	193,019,197	230,666,213	251,665,757	236,342,262
Number of ordinary shares issued and fully paid as of December 31	377,600,600	378,955,400	394,867,700	443,695,559	449,185,759 [3)]
Proforma weighted average number of shares	369,587,906	371,196,416	379,946,800	415,280,349	438,309,557
Net Earnings Per Share (Sen)	10.57	10.81	12.97	13.37	16.08
Return on Equity	20.5%	20.8%	21.4%	22.1%	29.8%

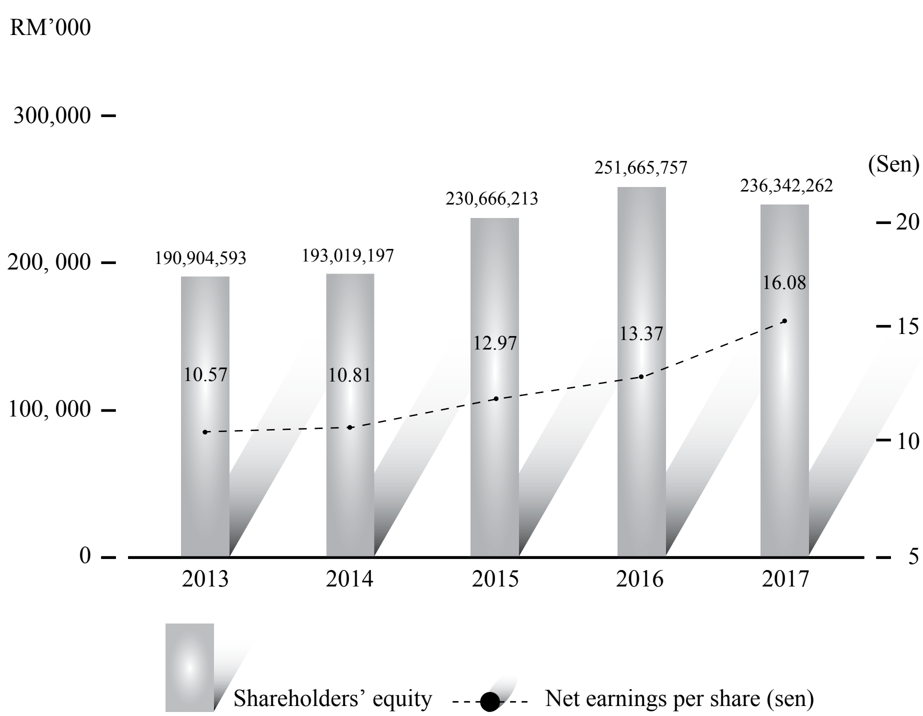
1) Represents approximation of dividend payable base on all ordinary shares in issue as of February 28, 2018. Actual amount of dividend payable shall be determined at the close of business on August 8, 2018 if the said dividends are approved by the shareholders at the forthcoming Annual General Meeting.

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

3) Of the total 449,185,759 issued and fully paid ordinary shares, 2,072,500 shares are held as treasury shares by the Company. As at December 31, 2017, the number of outstanding shares in issued and fully paid is 447,113,259 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 2017.

Robust Performance

During the year under review, a challenging global economic climate was further exacerbated with material price fluctuations and shortage issues. Nevertheless, at UCHITEC, a strengthening USD helped mitigate the adverse effects, and we were able to maintain steady progress. I am delighted to announce that the Group has turned in yet another solid financial performance in 2017, registering an increase of revenue in RM of 13% (8% in USD), in comparison to the corresponding period in the preceding year.

As our customers are the cornerstone of the Group, we continue to be focused on delivering a high level of customer service and innovative solutions in our bid to improve the overall efficiency of our operations and raise the Group's performance to the next level. Consequently, I am pleased to report that this is the fifth consecutive year that the Group has recorded a customer reject rate of below 0.20%.

While we managed to maintain a commendable level of quality control, we did not fare as well in terms of on-time shipment, mainly due to the global material shortage issues. However, with team effort, we succeeded in taking the necessary countermeasures to alleviate the impact of the late delivery. Subsequently, we will strive to improve on our delivery time.

Responsible Corporate Practices

At UCHITEC, we believe that it is our responsibility to strive for the betterment of our surroundings as we enhance value for and safeguard the interests of our stakeholders toward ensuring the long-term viability of the Group and benefit our future generations.

In cultivating a socially and environmentally conscious business, we endeavour to design, introduce and implement social, educational or health-related programmes and systems that adhere to OHSAS as well as various environmental and quality policies. These are aimed at minimising any adverse impacts to local communities and environments in which we operate. In addition to upholding the sustainability and development of the environment and our business operations, we are also committed to forging mutually beneficial relationships with our employees, suppliers, customers and communities by placing importance on building trust and addressing their concerns equally.

The Group was involved in numerous CSR activities throughout the year under review. These include the sponsorship of several charity fundraising events and relief efforts for employees affected by the flash floods in Penang. As part of our River Rehabilitation Campaign, which began in 2015 in collaboration with Majlis Perbandaran Seberang Perai (MPSP), we continued monitoring the water quality of the river. We will keep monitoring the water quality and organise a mudball tossing event when needed.

Additionally, in a bid to promote healthy lifestyles among our employees, we held numerous activities, such as ergonomic awareness education and gardening activities within our premises to cultivate a greener environment.

As a reflection of our commitment to conserving the environment, UCHITEC installed a Grid-Connected Photovoltaic Power System in December 2016. Subsequently, during the year under review, we not only reduced our carbon emission by an estimated 620.5 tons but also mitigated electricity costs by generating an income of RM463,042 from the solar panels.

In 2017, the Securities Commission Malaysia released a new Malaysia Code on Corporate Governance (MCCG 2017). In recognising the importance of ethical behaviour, accountability, transparency and sustainability, we at UCHITEC are committed to embracing the MCCG 2017 principles in order to ensure long-term value for all our stakeholders.

The environmental impact of any product is determined at the earliest stage of design and includes the use of raw materials and natural resources, manufacturing, packaging, transportation, disposal and recycling. With that in mind, the Group is proud to say that we have made a significant impact from our contribution in the design and manufacturing of energy-saving modules for household and office equipment. These modules comply with European eco-design requirements that incorporate standby and off-mode electrical power consumption of less than 0.5watt and an automatic shut-off feature after a period of inactivity.

Facilitating Employee Wellbeing

The long-term viability and success of an organisation depends on its capability to attract, retain and develop employees. At UCHITEC, we are invested in providing our people with opportunities that enable their personal and professional development. We believe that this will not only lead to their growth as individuals but also that of the Group as a whole.

In view of that, we place great emphasis on building and sustaining a dynamic work environment that encourages our employees to take pride in their contributions to the Group and inspires them to do their best at all times. We also advocate work-life balance as well as respect and trust across all levels of our employees, no matter who they are.

We are grateful to our employees for their immense dedication and contributions toward the growth and development of UCHITEC through the years. To show our appreciation, the Group launched a new Employee Share Option Scheme in November 2016 (ESOS 2016). During the year under review, an additional 1,486,000 options were allocated for our employees.

Progressing Confidently

During this climate of uncertainty, we are cautiously optimistic of once again delivering a consistent financial performance and solid balance sheet in the coming year. As a technologically driven company, research & development is a mainstay of UCHITEC. As such, we continue to train the spotlight on our research & development entity as we consistently strive to develop new products and improve on existing ones. As we stride steadily and purposefully toward achieving our corporate goals, we also prioritise human resource development and vendor relationship management to optimise our performance and, ultimately, maximise stakeholder value.

Declaration of Dividends

Since 2003, UCHITEC's Group Dividend Policy has been to allocate a minimum of 70% of our net profit annually as dividend. For the Financial Year 2017, the Board of Directors is pleased to declare a final dividend of 8 sen per share tax exempt, subject to shareholders' approval at the forthcoming Annual General Meeting.

This, together with the special interim dividend of 10 sen per share and interim dividend of 7 sen per share tax exempt, which was paid in January 2017, brings the total dividend declared for 2017 to 25 sen (2016: 13 sen). This represents a 92% increase compared to the year before, which is equivalent to a payout ratio of 159%. The upward trajectory becomes a symbol of our commitment to ensuring that the Group achieves a solid financial performance as we continue our efforts in enhancing our shareholders' value consistently.

Capital Repayment

On March 26, 2018, the Board of Directors proposed a capital repayment on the basis of 20 sen for each ordinary share held in the Company as a token of our gratitude to our shareholders for their continuous support.

This Proposed Capital Repayment will be funded internally in excess of the Group's operational needs. As such, it will not affect the Group's daily operations as well as ongoing endeavours in pursuing opportunities that could contribute towards a profitable growth and move us closer to our corporate goals.

In addition to rewarding shareholders through the distribution of 20 sen per Uchi Share, the Proposed Capital Repayment is expected to provide immediate enhancement to shareholders' value by returning equity in the form of cash to its shareholders and improve the return on equity of the Group in the longer term.

Acknowledgements

In closing out the 2017 financial year, I would, first of all, like to express my appreciation to my fellow Board members for their invaluable insights, support and advice in guiding the Group forward. Dr. Heinrich Komesker, who has been a part of UCHITEC's Board of Directors since 2007, will be resigning as Independent Non-Executive Director on May 25, 2018. On behalf of the Board of Directors, I would like to take this opportunity to thank him for his contributions to the Board through the years and wish him all the best in his future undertakings.

We would also like to welcome Mr. Chin Yau Meng and Mr. Lim Tian How to the Board in 2018. Mr. Chin assumed the position of Executive Director on March 1, 2018, and will be promoted to Managing Director on June 1, 2018. He will succeed our current Managing Director, Mr. Ted Kao, who will be stepping down and assuming the position of Executive Director then. With the vast experience and expertise in manufacturing and supply chain management that he has accumulated through the years, Mr. Chin will play an instrumental role in taking the Group to the next level of excellence.

Mr. Lim, on the other hand, was appointed as Independent Non-Executive Director on April 2, 2018. He will be invaluable in guiding the Group forward with his immense experience and expertise in engineering and manufacturing.

Last but definitely not least, the Board of Directors would like to thank all our stakeholders for the important roles that they have played. We are ever grateful to the management team and employees of UCHITEC for their diligence and hard work, as well as our valued business partners and associates, customers, vendors, bankers, lawyers, advisers, financiers and government authorities for their support and trust during the year. We look forward to working together with you this coming year as we endeavour to continue propelling the Group toward greater heights.

Thank you.

CHARLIE ONG CHYE LEE
Chairman

Overview

At Uchi Technologies Berhad (“UCHITEC” or “the Group”), our core business is Original Design Manufacturing (ODM). We focus on the design, research & development and manufacturing of electronic control systems, encompassing software development, hardware design and system construction. Offering a wide range of integrative services and solutions that include research & development, tool design and setup, engineering support and the production of finished electronic control systems, we take pride in being a one-stop provider of innovation solutions that meet our customers’ discerning needs.

UCHITEC is an investment holding company with three 100%-owned subsidiaries, i.e. Uchi Optoelectronic (M) Sdn. Bhd. (UOM), Uchi Electronic (M) Sdn. Bhd. (UEM) and Uchi Technologies (Dongguan) Co., Ltd. (Uchi Dongguan). Our operations are conducted at two 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	253 head count	133 head count
Capacity Utilisation	80%	80%

Delivering Excellence

As an ODM, UCHITEC forges technical partnerships with our clients. Our services encompass the design and development, manufacturing and delivery of electronic control systems to our customers for further assembly into their finished products.

The Group’s clientele base includes multinational companies which are global leaders in a wide range of product segments, such as high-end household and commercial appliances (e.g. fully automated coffee machines) and laboratory/industrial instruments (e.g. precision weighing scales, centrifuges, pipettes and deep freezers).

Our products for household and office equipment are not only ROHS compliant but also adhere to European eco-design requirements and stringent EU energy regulations, with features such as standby and off-mode electrical power consumption of less than 0.5watt and complete shutdown within 15 minutes of ceasing operations.

The majority of our products (>96%) are sold to the European market, with the balance being exported to the US, Japan, China and India.

Ever since our establishment in 1989, UCHITEC’s ultimate goal has been to exceed customer expectations at all times. In line with this, we have identified speed and innovation to be our unique competencies. In continuing with our efforts to raise the bar of excellence, we strive to provide innovative technical solutions to facilitate the realisation of our customers’ goals. We also challenge ourselves to improve on existing solutions and come up with better solutions that perform better and are more cost-efficient, and endeavour to achieve a more competent design cycle lead time.

Financial Review

At the start of Financial Year 2017, we anticipated that our revenue in USD would remain flat. Nevertheless, we were able to revise our revenue target to a high single digit growth in the second quarter. Subsequently, we recorded a USD31.7 million revenue for the year under review. Despite facing material shortage and price fluctuation issues, the strengthening of the USD helped to alleviate any negative effects and our performance exceeded our initial estimate.

Compared to the previous year, the Group’s revenue in USD and Ringgit grew by 8% and 13% respectively. This is mainly due to an increase in the demand for the Group’s products and services as well as the stronger performance of the USD in 2017 (2017: RM4.3106/USD1.00; 2016: RM4.1149/USD1.00). Consequently, the Group’s Operating Profit increased from RM52.0 million (43.0% margin) in 2016 to RM63.1 million (46.2% margin) in the year under review.

There was an increase of 17% in material cost (2017: RM43.5 million; 2016: RM37.1 million) during the financial year. This was due to an upward price adjustment of passive components due to a tight market supply as well as an increase in the price of base metals across the board led by energy commodity prices. The adverse effects of material cost increase were, however, alleviated by the increase in revenue and appreciation of USD. The impact of the latter was mitigated by the natural hedge of sales (100% denominated in USD) against purchases in USD.

The Group’s Profit Before Tax increased from RM57.1 million (with a 47.2% margin) in 2016 to RM72.1 million (with a 52.8% margin) for the year under review. This can mainly be attributed to the net fair value gain on derivative financial instruments that accounted for RM5.2 million in 2017 as opposed to the net fair value loss on derivative financial instruments amounting to RM1.7 million in 2016. Additionally, provision for rework and warranty of RM1.5 million was no longer required in 2017.

Our net cash generated from operations amounted to an excess of RM68.3 million, representing 108.2% of our operating profit. Meanwhile, the cash and cash equivalent increased to RM243.1 million in 2017 from RM200.8 million in the previous year.

The Group's cash conversion cycle in 2017 was 49 days (2016: 59 days), which is within the tolerable limit of 60 days.

UCHITEC is completely debt-free. With a solvency ratio of 0.72 times (2016: 1.19 times) and liquidity ratio of 2.59 times (2016: 4.50 times), we have a sufficient cash flow to meet both short-term and long-term liabilities. The Group is financially strong and has been funded on internally generated funds since our listing in 2000.

When it comes to revenue distribution via country of export, exports to Switzerland remain the highest.

Comparison of revenue distribution breakdown via country in 2017 & 2016:

Country	2017	2016
Switzerland	46%	42%
Germany	12%	15%
Portugal	37%	37%
China	2%	2%
USA	1%	1%
Others	2%	3%
Total	100%	100%

There were no significant changes to the revenue analysis by product group in 2017 compared to the prior year. However, the contribution rate from the art-of-living product group outstripped that of the biotech modules. This is mainly because of an increase in the prosperity of the global market as well as the successful launching of product lines for household and office & professional sectors. The art-of-living product group, comprising electronic control systems for household appliances such as the fully-automated coffee machine as well as professional appliances for the office and office services sector, continues to enjoy the lion's share at 84% (2016: 79%). Biotech products, meanwhile, contributed the balance 16% (2016: 21%). Products in this category include electronic control systems, such as high precision weighing scales, centrifuges, pipettes and deep freezers.

Operations Review

UCHITEC's expenditure can be categorised into six components, i.e. material consumption, employee benefit expense, depreciation & amortisation, research & development, provision for rework and other expenses.

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 24%, depreciation & amortisation at 9%, research & development at 3%, provision for rework at 2% and other expenses at 3%.

A main factor that affected the Group's activities during the year under review was the appreciation 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 Financial Year 2017, UCHITEC sold forward a total contracted sum of USD18.0 million (2016: USD18.8 million) at an average rate of RM4.2272/USD1.00 (2016: RM4.0196/USD1.00). The average transaction rate was RM4.3106/USD1.00 (2016: RM4.1149/USD1.00).

With research & development being a key pillar in the Group's operations, we continued to invest heavily in this area with an estimated budget of 7%. Expenses incurred during the year under review amounted to RM4.1 million (2016: RM4.3 million). We currently have numerous projects in various stages of the research & development cycle, encompassing basic research pre-development, concept evaluation, software programming, circuitry design, system construction, hardware design, tooling design, prototype development & evaluation, design confirmation, pilot run, troubleshooting and mass production. These projects consist mainly of electronic control systems for both the art-of-living and biotechnology product groups.

In 2017, the Group's capital expenditure totalled RM1.1 million. Most of this was used for equipment to support research & development activities and enhancement of systems.

At UCHITEC, we are committed to ensuring that we have effective contingency plans on hand in order to mitigate risks that might arise from the challenging global marketplace. In view of that, we have in place a resilient operating model that is highly adaptable to changes. The model utilises our Enterprise Risk Management (ERM) Framework as the core management competency that incorporates a well-structured systematic process to identify business risks and lessen their impact on the Group's operations. Our management is guided by ERM principles to govern the actions of our operating personnel to ensure that internal control systems are in place and effectively monitored.

ERM Framework 2017 was completed in the first quarter of the year, and consistently monitored and reviewed throughout the year to adapt to relevant changes in the business and market environment.

Moving Forward

Buoyed by our customers' positive outlook on market demand, UCHITEC anticipates a high single digit revenue growth in USD for the upcoming year. However, with fluctuations in USD and material prices as well as ever-increasing labour costs, we target a modest estimate of 40% operating profits for 2018, with the assumption that the USD currency rate will be RM3.90/USD1.00. We do not expect any significant changes in our principal geographical areas of distribution and product group contributions.

The Group will continue focusing on our principal business. Having identified research & development as a key determining factor in the success of the business, we will concentrate on the ongoing support and enhancement of existing products; the development of cutting-edge products to stay ahead in the continual evolution of technology, new processes, cost demands and new applications; the consistent improvement of production processes to effectively manage production costs and improve profit margins; the enhancement of operations to ensure that we uphold our commitments to environmental sustainability and human resource improvements; and harnessing our creative horsepower both inside and outside the organisation in order to generate more innovative ideas.

Our research & development team is presently working on several projects that are scheduled to be launched in 2018. Although we are bound by customer confidentiality clauses, the Board of Directors is aware of its responsibility in ensuring the detailed, timely and accurate disclosure of pertinent information concerning the Group to the public. In view of that, the Board of Directors shall make the necessary announcements when appropriate to protect the interests of our customers and shareholders, and ensure the sustainability of our business. As we continue building on our research & development capabilities, we also aim to increase our research & development headcount from 39 to 45.

During the year under review, UOM enjoyed tax-free income generated from the research & development and manufacture of pioneer products, which include touch screen advanced display, high precision light measurement (optoelectronic) equipment and mix signal control systems for centrifuge/laboratory equipment. This pioneer status expired on December 31, 2017.

Nevertheless, on October 2, 2017, UOM attained approval from the Malaysian Investment Development Authority (MIDA) for obtaining pioneer status for the design, development and manufacture of real-time centralised energy measurement and control systems, high precision hot fluid temperature control systems and ultra-low temperature and mass sensing control systems for biochem equipment. Under this incentive, upon the fulfilment of certain terms and conditions, 100% of the statutory income derived from the design, development and manufacture of these products will be exempted from income tax for a period of five (5) years from the date of production (to be determined by the authorities at a later date).

In line with our commitment to keep improving, this is the fifth consecutive year that UCHITEC has recorded a customer reject rate of below 0.20%. Moving forward, our target for the year 2018 is 0.15%.

To minimise sourcing issues, we aim to enhance supplier relationship management. This will allow us to use our suppliers' capabilities as leverage to reduce supply risk exposure, increase responsiveness to market changes and shorten order fulfilment lead times.

Besides that, in ensuring management effectiveness and efficiency, scale economies and utilisation efficiency play an important role in enhancing our productivity ratio. We, therefore, 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 2018 capital expenditure requirements, we will be budgeting an estimated RM10 million for the upgrade and enhancement of our facilities. Additionally, we continue to invest 7% of our revenue for research & development.

A New Leadership and A New Era of Sustainability

On June 1, 2018, I will be handing over the reins of leadership to Mr. Chin Yau Meng, and thereafter continue on as Executive Director to provide the necessary support to Mr. Chin.

Mr. Chin is one of UCHITEC's pioneer staff members and has been working under my guidance for over 20 years. Through the years, he has played an indispensable role in upholding the culture, vision and soul of the Group which have formed the foundation for our achievements.

We have come a long way since our establishment in 1989. Buoyed by continuous innovations and technological advancements, we are confident that with Mr. Chin at the helm, the Group will rise to even greater heights as we move into a new era of sustainability.

Appreciation

At UCHITEC, we are grateful to everybody who has contributed to our growth and achievements through the years. As such, we would like to express our sincere appreciation to all our valued stakeholders, including our customers, shareholders, business associates, vendors, bankers, lawyers, advisors, financiers, investors and relevant authorities, for their invaluable support during the year under review.

The Group also takes this opportunity to acknowledge the contributions of our management and staff members who have worked tirelessly to help us attain our goals as well as the Board of Directors for its invaluable counsel and guidance. We look forward to your continued support in the coming year.

Thank You.

KAO, DE-TSAN also known as TED KAO
Managing Director

Sustainability forms an integral part of our 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.

In embedding the culture of sustainability across the Group, we are led by our Board of Directors, which ensures that we have adequate resources, systems and processes in place. The Board, in turn, is supported directly by the Executive Directors, who monitor the overall implementation of sustainable strategies.

Subsequently, the actual implementation of sustainability initiatives and day-to-day management of sustainability matters in business operations, including the setting of implementation plans and targets for identifying sustainable matters, are overseen by the key senior management, chaired by the Managing Director. This team reports to the Executive Directors.

Sustainability matters refer to the risks and opportunities identified from the Economic, Environmental and Social (EES) as well as financial effects of UCHITEC's operations and activities that might affect the needs of present and future generations. These material sustainability matters have considerable impact on our business revenue, strategic operational risks and business opportunities as well as our stakeholders via our local employment and economic value distribution.

The breadth and depth of the various sustainability matters are wide-ranging. As such, a materiality assessment encompassing a global perspective of the Group's business was conducted to map out the relevant sustainability matters; this covered the entire group level and value chain, including all subsidiaries, suppliers and customers.

In identifying the Group's 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.

These sources include our Board/Board Committee reports and meeting minutes, business strategies (short and medium-term goals, objectives and policies), business model, relevant elements from our internal analysis report, risk and opportunities assessment master list, relevant regulations and laws as well as agreements or commitments which could potentially impact the business strategy or raise stakeholder concerns, Bursa Malaysia's Sustainability Reporting Guide, media reviews and sustainability issues or concerns brought up by stakeholders.

Sustainability matters identified therefrom were then categorised and prioritised based on the assessment of the significance of its EES impact and the influence of the sustainability matters on stakeholder assessments and decisions.

Pursuant to this, we have identified three material sustainability pillars:

- Technical & Tactical Proficiency
- Customer Satisfaction
- Economic Performance

Improving 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, technical and tactical proficiency is integral. As such, it is deeply ingrained in our corporate culture, as demonstrated in our Vision, Mission, 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.

Development Strategy

To be a strategic technical partner that cannot be omitted to 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.

In line with this, UCHITEC's 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. In 2017, the total headcount of the team was 39.

Merely keeping pace with technological innovations would not bring us far. We must be able to make use of the innovations to deliver compelling solutions and services to our customers. We don't only emphasise technical proficiency but also tactical proficiency. Technical knowledge gives us confidence to tackle technical issues which our customers are facing, but it is tactical proficiency that empowers us to repurpose and put our technical proficiency to work by applying the traits of judgment, initiative, decisiveness and enthusiasm in order to achieve results. It moves us from simply knowing what something is to knowing why it is important and how to employ it for success.

UCHITEC is operating in a niche market. We are selling solutions aimed at satisfying specific market needs and specific customers. In fact, we are the sole supplier to our customers for the products developed by UCHITEC. In order to earn trust from our customers, we have to be faster and better in providing solutions to our customers. Therefore, our customer's ratings of our research & development become a key measurement of their confidence in our technical strength.

Consequently, in terms of technical competency, we scored 9.10/10.00 (2016: 9.07/10.00) for 2017. 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.

For 2017, the research & development team recorded a 100% (2016: 100%) success rate on project launching for mass production.

In terms of on-time delivery, our ratings declined slightly from 96% (2016) to 94% (2017). We have taken immediate action to rectify this issue and it did not affect the launching of the products for mass production.

Thus far, the technical and tactical proficiency of the Group has been excellent but we will always strive to perform 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 changing fast, companies must continually revise their design and range of products.

We therefore aim to improve on our product design lead time and quality by primarily increasing our research & development headcount to 45 in 2018. This is essential as our research & development staff is a key resource that provides inspiration, creativity, vision and motivation to generate revenue for the Group.

Facilitating Customer Satisfaction

Our customers are world market leaders. As such, we are committed to adhering to stringent quality standards and providing on-time delivery to our customers to ensure that their production processes are not interrupted, as that could be costly, especially in Europe.

In accordance with our Group'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;
- improvement of products and services through employee training and development, and implementation of a Plan-Do-Check-Action (PDCA) cycle; and
- continuous commitment to implementation of ISO9001 Quality Management System and adherence to applicable requirements.

On average, UCHITEC scored 7.66/10.00 in 2017 (2016: 7.70/10.00) on the customer satisfaction index. The criteria for assessment encompass product lead time, product delivery, product quality, customer complaint handling and product packaging.

For 2017, UCHITEC's on-time delivery to customers was affected by the passive component shortages in the global market and material reliability issue. This resulted in the on-time delivery index slipping to 88.81% in 2017 (2016: 97.04%). Nevertheless, when shipment failed, the Management took prompt measures to remedy the situation and close the gap of delayed delivery. This mitigated any disruption to our customers' operations.

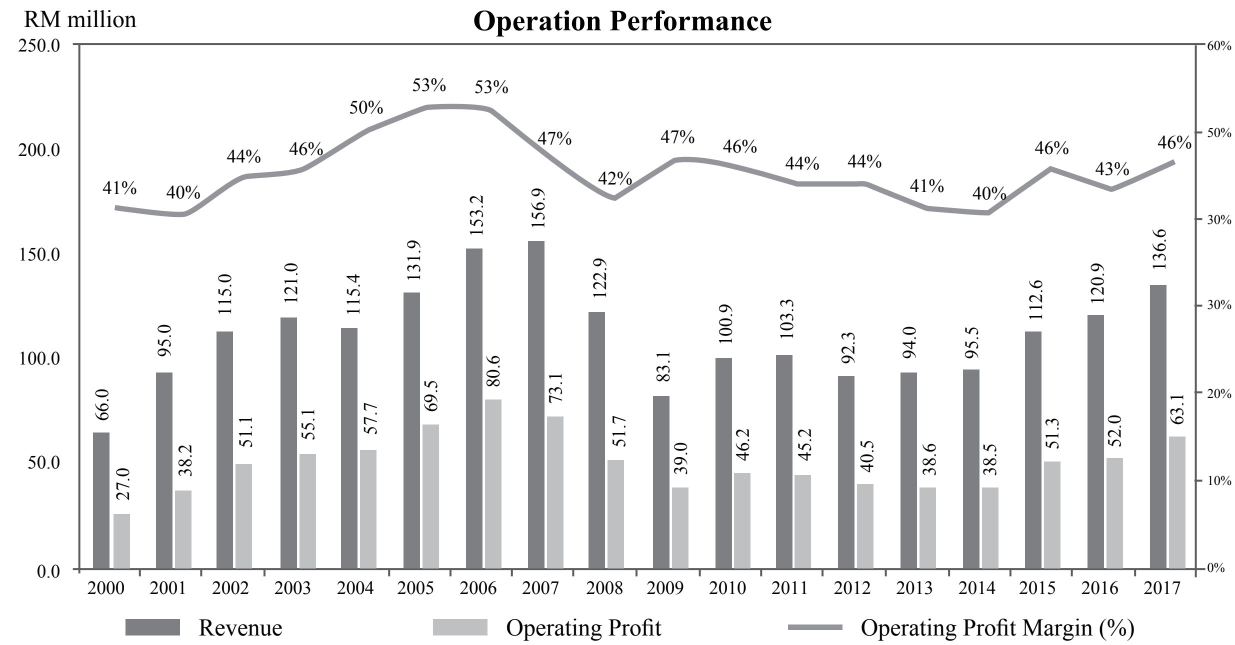
However, the global market shortage has yet to be resolved and will continue to be an issue in 2018. Therefore, we have taken several preventive measures. These include the implementation of a Safety Buffer Stocks System, where we will keep safety stocks for long lead time components in order to facilitate our operations, and Vendor Management Inventory System, where certain vendors agree to keep material at their premises, and in return, we assure them of long-term purchase. In addition, a review on the material procurement process was undertaken and improved upon, and the affected material with reliability issues was replaced with material from a new source.

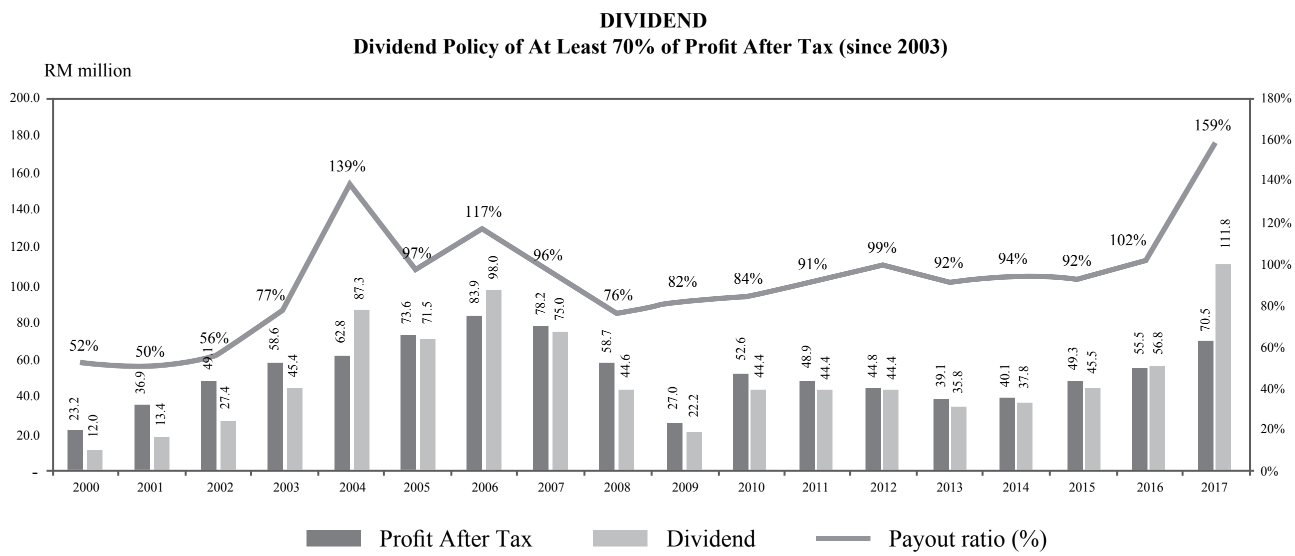
Enhancing Economic Performance

We recognise that our operations may significantly impact our stakeholders, particularly the local communities, via employment and, consequently, economic value distribution. As such, sustainability forms the linchpin of our business model.

For the year 2017, UCHITEC registered an 8% growth in revenue in USD and a 46% Operating Profit. A detailed analysis of our key operational risks and mitigating controls is disclosed in the Management Discussion and Analysis section of this Annual Report.

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.





Through the years, we have been steadfast in delivering a solid financial performance. This is a reflection of our efficacy and commitment in ensuring that our business is conducted optimally, embracing the right opportunities and alleviating risks via sound risk management and operating systems.

In 2017, we upgraded our ISO9001:2008 certification to the ISO9001:2015 which incorporates risk-based thinking in addition to the process approach and Plan-Do-Check-Action (PDCA) cycle. Under the new approach, in order to achieve the intended results in accordance with the quality policy and strategic direction of the Group, management of the whole processes and system is achieved using the PDCA cycle with an overall focus on risk-based thinking aimed at taking advantage of opportunities and preventing undesirable results. This allows us to improve the Group's overall performance and provides the foundation for sustainable development initiatives.

Corporate social responsibility ("CSR") vision of Uchi Technologies Berhad ("UCHITEC") is founded on a culture of a responsible and caring corporate citizen. We work to increase stakeholder value through our core businesses. We will not neglect our responsibility to strive for the betterment of the community and the environment.

Our CSR philosophy integrates our social and environmental responsibilities into our business strategies for the sustainable growth of the Company, which is in line with the CSR Framework for Public Listed Companies launched by Bursa Malaysia Securities Berhad ("Bursa Securities").

The Group emphasizes CSR on four focal areas as follows:

- 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.

Community

The Group plays its role as a socially responsible corporate citizen in the community through various activities held with the aim of caring for the wellbeing of the society at large.

For the year ended December 31, 2017, the Group organised social visits and donations to the Special Children's Centre Penang, participated in the Eden Charity Food Fair 2017 held by Eden Handicap Service Centre Berhad and provided a flood relief fund for employees who suffered hardships due to the flash floods that hit several parts of Penang in November.

Marketplace

At the marketplace, the Group maintains high integrity of corporate governance practices as well as enhancing the shareholders' value through strategic business planning and exceptional management accounting practices. In achieving its corporate goals, business ethical values will not be compromised.

Workplace

The Group is committed in its social responsibilities at the workplace via compliance and respect to Human Rights which includes employment of employees under fair and equitable terms as well as offering equal opportunity for career advancement based on performance. Continuous learning and development programmes were carried out throughout the year to equip the employees with relevant skills, knowledge and experience which would enhance the individual employee's competency and eventually add value to the Group. Employees' welfare is closely monitored to avoid any violation to Labour or Human Right.

Uchi Optoelectronic (M) Sdn. Bhd. ("UOM") and Uchi Technologies (Dongguan) Co., Ltd. (Uchi Dongguan) are both certified to OHSAS 18001:2007 management system in furtherance to the Group's commitment towards the employee in enhancing the overall occupational health and safe working environment. The Group adopts its Occupational Safety and Health Policy to ensure occupational safety and health of all employees is not compromised. The Group's safety programmes go beyond the minimum statutory requirements. Constant education, training and safety workshops ensure a high level of awareness of safety requirements at all levels.

Additionally, in order to provide a better and more inspiring working environment, various welfare activities were embraced to motivate our employees and increase our productivity level. Among others, the Group organised a badminton open, bowling competition, congkak tournament, annual trip and annual dinner, to facilitate the nurturing of a healthy, safe and positive working environment.

Environment

UOM and Uchi Dongguan are ISO 14001 certified companies in recognition of the Group's commitment in preserving the environment. The Group adopts its Environmental Policy to ensure the environment is preserved for future generation.

UOM's Phase III building, UCHItecture, featured a 20-degree rotation and multiple block design concepts and incorporated green feature design specifically to accommodate the local tropical climate, environmental and socio-cultural contexts. In line with the Group's commitment to upholding green practices, a Grid-Connected Photovoltaic Power System was installed in December 2016. This led to an estimated reduction of 620.5 tons of carbon emission in 2017.

Meanwhile, Uchi Dongguan was awarded 2012年度东莞市园林式单位 ("2012 Dongguan City Green Award") by the local authority, in recognition of its effort in nurturing and conserving the environment.

Environmental protection and sustainability are two key issues being addressed, both in Malaysia and globally. In our efforts to protect nature, among others, in 2015, UOM initiated a River Rehabilitation Campaign, which involved cleaning-up our nearby river with Effective-Microorganism ("EM") mud balls. As part of the Group's CSR programme, our people from UOM, encompassing our entire top management as well as employees, learned about and participated in mixing the ingredients to generate EM mud balls that were subsequently fermented. EM, also termed "bokashi" in Japanese, which means "shading off" or "gradation", comprises ingredients that are all natural (rice bran fermented with EM and molasses), without any chemical compositions, and mixed with clay.

The campaign was led by our Managing Director, Mr. Kao, De-Tsan, also known as Ted Kao, and Executive Director, Mr. Kao, Te-Pei, also known as Edward Kao, who, together with the management team and employees, tossed the fermented EM mud balls into the river at the back of the manufacturing site. The EM mud balls, which were enriched with EMs, would subsequently slowly break down, allowing EMs to escape into the water to inhibit the growth of algae and break down any sludge and silt, resulting in clear and healthy water. Most importantly, the campaign heightened environmental awareness within the vicinity as everyone got to witness the magnificent results of the activity first hand.

Until today, we continue to monitor the water quality of the river and, as of December 18, 2017, the Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) were sustained at a level well above the accepted standard levels (below 50 mg/L and 200 mg/L respectively). The river is now safeguarded from pollution and sustainable for breeding fish and other eco-organism.

Water Quality Indicator	Standard Requirement	Before EM mud ball tossing 20/1/2016	After EM mud ball tossing 5/12/2016	After EM mud ball tossing 18/12/2017
Biochemical Oxygen Demand (mg/L)	≤50	210.0	3.0	2.0
Chemical Oxygen Demand (mg/L)	≤200	721.0	13.6	9.3

It is the responsibility of everyone to embrace and reinforce the green living environment. Consequently, we initiated the Go Green Campaign with the aim of inspiring every employee to cultivate environmentally friendly habits by actively participating in planting vegetables, fruits, etc. at a specific area allocated within the premises of the Group. The objective of this activity is to instil in and educate the employees on environmental conservation together to build a greener society.

The Group adheres to all environmental laws and regulations. Production processes are constantly upgraded and products are improved to meet changing environmental laws and regulations. Consequently, during the year the Group was not penalised for any instance of non-compliance with environmental laws and regulations.

The Group initiates the CSR practices for its companies. It believes that the perquisites of its own employees should not be overlooked whilst undertaking CSR activities. By taking care of the wellbeing and welfare of its employees, the Group will contribute positively towards the harmony of society as a whole. Many get-togethers and social activities for employees were held, providing an avenue for them to increase interaction with each other outside the workplace, whether in formal or informal scenarios, with the objective of strengthening bonds and enhancing team spirit.

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, 2017 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 MCCG 2017 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 2017 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 to 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. Kao, De-Tsan also known as Ted Kao 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, where necessary, to be briefed properly before the meeting. In addition to the Group's 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, 2017 are as follows:

No.	Director	Year 2017 Period of Directorship	Total No. of Meetings	Attendance
1.	Kao, De-Tsan also known as Ted Kao	1/1/2017 to 31/12/2017	4	4
2.	Kao, Te-Pei also known as Edward Kao	1/1/2017 to 31/12/2017	4	4
3.	Dr. Heinrich Komesker	1/1/2017 to 31/12/2017	4	4
4.	Charlie Ong Chye Lee	1/1/2017 to 31/12/2017	4	4
5.	Tan Boon Hoe	1/1/2017 to 31/12/2017	4	4
6.	Huang, Yen-Chang also known as Stanley Huang (Alternate Director to Kao, De-Tsan also known as Ted Kao)	1/1/2017 to 31/12/2017	4	4
7.	Ow Chooi Khim (Alternate Director to Kao, Te-Pei also known as Edward Kao)	1/1/2017 to 31/12/2017	4	4

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.

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

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 2017, the Board comprised of five (5) Directors, of which three (2) are Executive Directors and three (3) are Independent Non-Executive Directors. The present composition of the Board exceeds the requirements as stipulated in Chapter 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad as more than 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 Committee is authorized to assess the independence of the Independent Directors in accordance to the Boards Independence Standards annually. Based on the assessment in 2017, 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, 2018
Dr. Heinrich Komesker	January 1, 2007	11 years 3 months
Charlie Ong Chye Lee	July 1, 2008	9 years 9 months
Tan Boon Hoe	August 1, 2016	1 year 8 months

Dr. Heinrich Komesker's and Mr. Charlie Ong Chye Lee's tenure on the Board reached a cumulative term of nine (9) years on December 31, 2015 and June 30, 2017 respectively. Dr. Heinrich Komesker has indicated his intention not to seek for re-appointment and will resign from the Board upon conclusion of the Twentieth Annual General Meeting. The Nomination Committee, 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.

- 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

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Tenure of Independent Director (cont'd)

- 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 Nomination Committee'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.

The Nomination Committee

The Nomination Committee was established by a resolution of the Board on November 27, 2001. The Nomination Committee 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: Dr. Heinrich Komesker
Independent Non-Executive Director

Tan Boon Hoe
Independent Non-Executive Director

Lim Tian How (appointed on April 2, 2018)
Independent Non-Executive Director

Summary of activities of the Nomination Committee in 2017 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 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 including the evaluation criteria of recruitment and assessment of Directors.

For the year under review, the Nomination Committee 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 Nomination Committee 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 Nomination Committee, 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.

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

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 15 to 17 of this annual report.

The Board has set its target to achieve at least 20% of women directors and key senior management for 2017 & 2018. During the year, there was 29% women representation on the board and key senior management.

The Board through the Nomination Committee 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 2018.

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.

The Nomination Committee 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 2017, 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:

- Sustainability Reporting – What it is & how to go about Reporting
- Companies Act 2016 – Getting Through It
- Sustainability Reporting Workshop for Practitioners
- Malaysian Code On Corporate Governance
- Technical Briefing for Company Secretaries of Listed Issues
- Latest Developments MFRS 15 & MFRS 16
- Deloitte Taxmax-One Bold Step in the Right Direction
- Corporate Governance and Listing Requirements Market Talk

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.

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. Remuneration

The Remuneration Committee

The Remuneration Committee was established by a resolution of the Board on November 27, 2001. In compliance to MCCG2017, Mr. Kao, Te-Pei also known as Edward Kao, the Executive Director resigned from the Remuneration Committee on November 23, 2017. Currently, the Committee comprised solely of Non-Executive Directors, namely:

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

Members : Tan Boon Hoe
Independent Non-Executive Director

Dr. Heinrich Komesker
(appointed on November 23, 2017)
Independent Non-Executive Director

Lim Tian How (appointed on April 2, 2018)
Independent Non-Executive Director

A primary purpose of the Committee is 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, 2017, the Remuneration Committee reviewed and recommended to the Board the 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.

The details of the remuneration of the Directors for the financial year ended December 31, 2017 are as follows:

The Company

Category	Fees	Salaries & Other Emoluments	Benefits- in-Kind	Share-Based Payment	Total
	RM '000	RM '000	RM '000	RM '000	RM'000
Kao, De-Tsan also known as Ted Kao	61	631	54	34	780
Kao, Te-Pei also known as Edward Kao	61	70	39	34	204
Charlie Ong Chye Lee	91	-	-	18	109
Tan Boon Hoe	97	-	-	39	136
Dr. Heinrich Komesker	79	-	-	18	97
Huang, Yen-Chang also known as Stanley Huang	5	-	-	-	5
Ow Chooi Khim	5	205	-	24	234
Total	399	906	93	167	1,565

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. Remuneration (cont'd)

The Group

Category	Fees	Salaries & Other Emoluments	Benefits- in-Kind	Share-Based Payment	Total
	RM '000	RM '000	RM '000	RM '000	RM'000
Kao, De-Tsan also known as Ted Kao	61	631	54	34	780
Kao, Te-Pei also known as Edward Kao	61	70	39	34	204
Charlie Ong Chye Lee	91	-	-	18	109
Tan Boon Hoe	97	-	-	39	136
Dr. Heinrich Komesker	79	-	-	18	97
Huang, Yen-Chang also known as Stanley Huang	5	185	-	23	213
Ow Chooi Khim	29	205	-	24	258
Chin Yau Meng	24	218	-	25	267
Total	447	1,309	93	215	2,064

The remuneration of key senior management of the Group for the financial year ended December 31, 2017 is as follows:

Range of Aggregate Remuneration	Key Senior Management
RM50,001 to RM100,000	1
RM100,001 to RM150,000	3
RM150,001 to RM200,000	3

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. 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, 2017, the Company granted total share options of 1,486,000 ordinary shares to eligible employees. As of December 31, 2017, balance number of share options available for allotment under ESOS 2016 was 14,451,200 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, 2017, the actual allocation of share options to Directors and key senior management was 38%.

The details of share options granted to and exercised by the Directors during the year under review are presented on page 51 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 Nomination Committee, 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 2017, Audit Committee members attended / participated in conferences / seminars on areas relating to corporate governance, latest development on MFRS and national budget 2017.

B. EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

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 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 42 to 46 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 Nineteenth Annual General Meeting (AGM) held on May 23, 2017 was dispatched to the shareholders on April 19, 2017, 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.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

II. Conduct of General Meeting (cont,d)

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 Nineteenth Annual General Meeting held on May 23, 2017. The Board also shared with the shareholders the Company responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group.

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, 2017, 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;
- 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.

The Directors approved the audited financial statements for the year ended December 31, 2017 on March 23, 2018.

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 MCCG2017. However, in pursue of continuing enhancement of corporate governance practices, the Board and Board Committee Charters were revamped to formalize the practices in the Company's corporate governance structure..

The collective approval by the Board on this Statement was tabled on April 3, 2018.

For and on behalf of the Board of Directors of

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

Charlie Ong Chye Lee
Chairman

AUDIT COMMITTEE REPORT

The Board of Directors of Uchi Technologies Berhad is pleased to present the report of the Audit Committee for the year ended December 31, 2017.

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*
	Dr. Heinrich Komesker *Independent Non-Executive Director*
	Lim Tian How (appointed on April 2, 2018) *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 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.

TERMS OF REFERENCE (cont'd)

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, 2017, the Committee met seven 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, 2017 is as follows:

- reviewed the adequacy of Audit Committee Charter;

- recommended the reappointment / appointment of the independent auditors and agreed on their remuneration;

- reviewed the independent auditors' audit plan and the adequacy of the scope, function, resources and competency of internal audit for the year;

- reviewed the audited financial statements for the year ended December 31, 2017 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 independent auditors' audit reports and considered the audit issues, recommendations and the management's written response;

- reviewed with the Company's management and the independent auditors' general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls;

- reviewed the adequacy of the Risk Assessment and Evaluation Framework and approved the adoption of such Framework; and

- reviewed the report on internal audit performed by the internal audit team and fix their remuneration;

- reviewed the implementation of the suggestion for improvement of internal control recommended by the independent auditors and internal audit team;

- 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.

INTERNAL AUDIT FUNCTION

In respect of the financial year ended December 31, 2017, 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:

- procurement;
- management information systems;
- quality assurance; and
- inventory management.

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, 2017 was approximately RM41,326.

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, 2017, 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, Senior Finance Manager 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, ISO14001:2004 / 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, 2017. All the personnel possess tertiary qualifications and the level of expertise and professionalism is as follows:

Expertise category	Percentage of total auditors
Bachelor degree	60%
Professional (CPA, CIA, etc)	20%
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.

In addition, the Board has also formed an internal audit task force to assist the Audit Committee in discharging its duties and responsibilities in relation to internal audit function of Uchi Technologies (Dongguan) Co., Ltd. (Uchi Dongguan). The audit task force consists of 4 management staffs and was led by Mr. Huang, Yen-Chang also known as Stanley Huang, the Administrative Division Head of Uchi Optoelectronic (M) Sdn Bhd. He holds a Master Degree in Computer Science. The audit task force is independent of activities related to business operations of Uchi Dongguan. The Audit Committee reviewed the adequacy of internal audit function and is satisfied that the scope, functions, resources and competency of the audit task force was adequate. The audit task force reported directly to the Audit Committee.

The audit task force provided an independent assessment on the efficiency and effectiveness of Uchi Dongguan's internal control systems. The internal audit focuses on regular and systematic reviews of the systems of financial and operational internal control in anticipating potential risk exposures over key business processes and controlling proper conduct of business of Uchi Dongguan.

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.

The internal audit team 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 2017 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, 2018.

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

DIRECTORS' REPORT

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, 2017.

PRINCIPAL ACTIVITIES

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

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	70,501,046	72,602,915

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 RM35,040,989 in respect of the financial year ended December 31, 2016 was declared and paid by the Company during the current financial year.

The directors declared an interim dividend of 7 sen per ordinary share and a special interim dividend of 10 sen per ordinary share, tax exempt, amounting to RM76,009,254, in respect of the current financial year. The interim dividend and special interim dividend had been paid in January 2018.

The directors also proposed a final dividend of 8 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 RM35,792,981 and has not been included as liabilities 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 the issue of the 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 443,695,559 ordinary shares to 449,185,759 ordinary shares by way of issuance of 5,490,200 new ordinary shares for cash pursuant to the Employees' Share Options Scheme ("ESOS") of the Company at exercise prices ranging from RM1.70 to RM2.68 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

During the financial year, the Company purchased 200 units of its own shares through Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM618 and it has been deducted from equity. The repurchase transactions were financed by internally generated funds and the average price paid for the shares was approximately RM3.09 per share. The repurchased shares are held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

The Company resale 4,998,600 treasury shares in the open market for a total cash consideration of RM16,248,674 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 1.1.2017**	**Granted**	**Exercised**	**Forfeited**	**Balance as of 31.12.2017**
		RM					
November 8, 2016	November 7, 2021	1.70	19,039,000	–	(5,280,900)	(561,000)	13,197,100
December 8, 2016	November 7, 2021	1.80	12,000	–	(2,400)	(9,600)	–
February 8, 2017	November 7, 2021	1.81	–	393,500	(46,600)	(25,000)	321,900
March 8, 2017	November 7, 2021	1.80	–	122,500	(24,300)	–	98,200
May 23, 2017	November 7, 2021	1.70	–	500,000	(100,000)	–	400,000
September 8, 2017	November 7, 2021	2.29	–	234,000	(26,000)	–	208,000
October 6, 2017	November 7, 2021	2.68	–	113,000	(10,000)	–	103,000
November 8, 2017	November 7, 2021	3.02	–	48,000	–	–	48,000
December 8, 2017	November 7, 2021	3.46	–	75,000	–	–	75,000
			19,051,000	1,486,000	(5,490,200)	(595,600)	14,451,200

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.

OTHER STATUTORY INFORMATION (cont'd)

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 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 liability 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
Dr. Heinrich Komesker
Charlie Ong Chye Lee
Tan Boon Hoe
Chin Yau Meng (appointed on March 1, 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
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
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 1.1.2017	**Bought**	**Sold**	**Balance as of 31.12.2017**
Direct interest:				
Kao, De-Tsan also known as Ted Kao	2,145,000	190,000	–	2,335,000
Kao, Te-Pei also known as Edward Kao	2,145,000	190,000	–	2,335,000
Dr. Heinrich Komesker	200,000	200,000	–	400,000
Huang, Yen-Chang also known as Stanley Huang	340,670	230,600	(350,000)	221,270
Ow Chooi Khim	594,000	278,000	(684,000)	188,000
Charlie Ong Chye Lee	395,900	200,000	–	595,900
Tan Boon Hoe	–	100,000	–	100,000
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	–	178,000	(55,000)	123,000

In addition to the above, the following directors are deemed to have 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 1.1.2017	**Granted**	**Exercised**	**Balance as of 31.12.2017**
Kao, De-Tsan also known as Ted Kao	950,000	–	(190,000)	760,000
Kao, Te-Pei also known as Edward Kao	950,000	–	(190,000)	760,000
Dr. Heinrich Komesker	500,000	–	(200,000)	300,000
Charlie Ong Chye Lee	500,000	–	(200,000)	300,000
Huang, Yen-Chang also known as Stanley Huang	653,000	–	(230,600)	422,400
Ow Chooi Khim	695,000	–	(278,000)	417,000
Tan Boon Hoe	–	500,000	(100,000)	400,000

By virtue of his interest in the shares of the Company, Mr. Kao, De-Tsan also known as Ted Kao is also deemed to have an interest in the shares of the subsidiaries of the Company to the extent that the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration 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.

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.

AUDITORS' REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended December 31, 2017 is as disclosed on Note 10 to the financial statements.

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,

KAO, DE-TSAN also known as TED KAO

KAO, TE-PEI also known as EDWARD KAO

Penang,

March 23, 2018

Report on the Audit 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, 2017, 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 56 to 108.

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, 2017, 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 January 1, 2013. 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 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 management based 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. Based on our procedures, we believe that the current and deferred tax computation of the Group is appropriate with reference to the status of fulfilment of the pioneer status granted to UO.

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.

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 (AF0080)

LEE CHENG HEOH
Partner – 2225/04/18(J)
Chartered Accountant

March 23, 2018

Penang,

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	Notes	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Revenue	5	**136,585,426**	120,896,626	**72,043,396**	52,030,581
Investment income	6	**6,468,016**	5,941,352	**5,126,243**	5,315,230
Other income		**66,511**	6,840	–	–
Other gains and losses	7	**2,588,382**	(805,961)	**(87)**	40
Raw materials consumed		**(42,991,126)**	(37,236,081)	–	–
Changes in inventories of finished goods and work-in-progress		**(515,282)**	156,423	–	–
Employee benefits expense	8	**(17,897,861)**	(17,443,953)	**(3,054,536)**	(2,906,277)
Depreciation and amortisation expenses		**(6,278,974)**	(5,974,428)	–	(409)
Other expenses		**(5,877,212)**	(8,453,906)	**(332,843)**	(491,555)
Profit before tax		**72,147,880**	57,086,912	**73,782,173**	53,947,610
Tax expenses	9	**(1,646,834)**	(1,579,175)	**(1,179,258)**	(1,272,250)
Profit for the year attributable to owners of the Company	10	**70,501,046**	55,507,737	**72,602,915**	52,675,360
Other comprehensive loss, net of income tax					
Items that will be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(1,143,938)**	(782,518)	–	–
Total comprehensive income for the year, net of tax attributable to owners of Company		**69,357,108**	54,725,219	**72,602,915**	52,675,360
Earnings per share	11				
Basic (sen per share)		**16.08**	13.37		
Diluted (sen per share)		**15.96**	13.37		

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

STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2017

	Notes	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Assets					
Non-current assets					
Property, plant and equipment	12	**55,837,501**	61,088,752	**–**	–
Investment property	13	**7,414,211**	7,649,957	**–**	–
Prepaid lease payments on leasehold land	14	**6,925,611**	7,266,892	**–**	–
Investments in subsidiaries	15	**–**	–	**53,173,442**	52,811,443
Deferred tax assets	16	**230,729**	212,318	**129,000**	110,000
Total non-current assets		**70,408,052**	76,217,919	**53,302,442**	52,921,443
Current assets					
Inventories	17	**15,739,819**	13,731,383	**–**	–
Trade and other receivables	18	**10,024,963**	10,920,822	**39,530,104**	37,739,488
Other financial assets	26	**1,692,929**	–	**–**	–
Current tax assets		**–**	116,802	**–**	–
Other assets	19	**1,967,227**	1,638,748	**2,000**	2,000
Short-term deposits	20	**222,166,197**	185,865,835	**189,457,080**	149,620,918
Cash and bank balances	21	**20,921,843**	14,894,444	**129,715**	23,654
Total current assets		**272,512,978**	227,168,034	**229,118,899**	187,386,060
Total assets		**342,921,030**	303,385,953	**282,421,341**	240,307,503
Equity and liabilities					
Capital and reserves					
Share capital	22	**157,036,362**	88,739,112	**157,036,362**	88,739,112
Treasury shares	22	**(3,295,223)**	(11,241,985)	**(3,295,223)**	(11,241,985)
Reserves	23	**8,966,084**	60,011,148	**8,414,523**	58,315,649
Retained earnings	24	**73,635,039**	114,157,482	**43,021,706**	81,467,699
Total equity attributable to owners of the Company		**236,342,262**	251,665,757	**205,177,368**	217,280,475
Non-current liabilities					
Deferred tax liabilities	16	**1,360,759**	1,286,461	**–**	–
Current liabilities					
Trade and other payables	25	**27,926,820**	21,621,211	**1,010,469**	867,877
Other financial liabilities	26	**–**	4,595,710	**–**	–
Dividend payable		**76,009,254**	21,831,233	**76,009,254**	21,831,233
Current tax liabilities		**374,102**	371,758	**224,250**	327,918
Provision for rework and warranty	27	**907,833**	2,013,823	**–**	–
Total current liabilities		**105,218,009**	50,433,735	**77,243,973**	23,027,028
Total liabilities		**106,578,768**	51,720,196	**77,243,973**	23,027,028
Total equity and liabilities		**342,921,030**	303,385,953	**282,421,341**	240,307,503

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

The Group

	Share capital RM	Treasury shares RM	Share premium RM	Equity-settled employee benefits reserve RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM
Balance at January 1, 2016	78,973,540	(11,241,549)	47,122,926	4,845,054	9,255,663	101,710,579	230,666,213
Profit for the year	–	–	–	–	–	55,507,737	55,507,737
Other comprehensive loss for the year, net of income tax	–	–	–	–	(782,518)	–	(782,518)
Total comprehensive income for the year	–	–	–	–	(782,518)	55,507,737	54,725,219
Issue of ordinary shares under employee share option plan	1,917,962	–	11,354,364	–	–	–	13,272,326
Issue of bonus share	7,847,610	–	(7,847,610)	–	–	–	–
Buy-back of ordinary shares	–	(436)	–	–	–	–	(436)
Recognition of share-based payments	–	–	–	935,267	–	–	935,267
Share-based payments forfeited	–	–	–	(1,814,207)	–	1,814,207	–
Transfer to retained earnings upon lapse of ESOS	–	–	–	(3,057,791)	–	3,057,791	–
Payments of dividends (Note 28)	–	–	–	–	–	(47,932,832)	(47,932,832)
Balance at December 31, 2016	88,739,112	(11,241,985)	50,629,680	908,323	8,473,145	114,157,482	251,665,757
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**

The Company

	Share capital RM	Treasury shares RM	Share premium RM	Merger reserve RM	Equity-settled employee benefits reserve RM	Retained earnings RM	Total RM
Balance at January 1, 2016	78,973,540	(11,241,549)	47,122,926	6,777,646	4,845,054	73,614,743	200,092,360
Profit for the year	–	–	–	–	–	52,675,360	52,675,360
Other comprehensive income for the year, net of income tax	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	52,675,360	52,675,360
Issue of ordinary shares under employee share option plan	1,917,962	–	11,354,364	–	–	–	13,272,326
Issue of bonus share	7,847,610	–	(7,847,610)	–	–	–	–
Buy-back of ordinary shares	–	(436)	–	–	–	–	(436)
Recognition of share-based payments:							
Recognised in profit or loss	–	–	–	–	429,175	–	429,175
Included in investments in subsidiaries	–	–	–	–	(1,255,478)	–	(1,255,478)
Share-based payments forfeited	–	–	–	–	(1,260,775)	1,260,775	–
Transfer to retained earnings upon lapse of ESOS	–	–	–	–	(1,849,653)	1,849,653	–
Payments of dividends (Note 28)	–	–	–	–	–	(47,932,832)	(47,932,832)
Balance at December 31, 2016	88,739,112	(11,241,985)	50,629,680	6,777,646	908,323	81,467,699	217,280,475
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**

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities				
Profit for the year	**70,501,046**	55,507,737	**72,602,915**	52,675,360
Adjustments for:				
Depreciation and amortisation of non-current assets	**6,278,974**	5,974,428	**–**	409
Tax expenses recognised in profit or loss	**1,646,834**	1,579,175	**1,179,258**	1,272,250
Provision for rework and warranty	**1,127,989**	1,799,933	**–**	–
Expense recognised in respect of equity-settled share-based payments	**755,308**	935,267	**367,890**	429,175
Unrealised loss/ (gain) on foreign exchange	**77,914**	148,679	**5**	(4)
Property, plant and equipment written off	**6,562**	31,909	**–**	–
Investment income recognised in profit or loss	**(6,468,016)**	(5,941,352)	**(5,126,243)**	(5,315,230)
Unrealised (gain)/ loss arising on financial assets/ liabilities designated as at fair value through profit or loss	**(1,692,929)**	4,595,710	**–**	–
Reversal for rework and warranty no longer required	**(1,528,823)**	–	**–**	–
Gain on disposal of property, plant and equipment	**(41,697)**	(48,083)	**–**	–
Reversal of impairment loss on trade receivables	**(14,230)**	–	**–**	–
Reversal of allowance for obsolete inventories	**(23,931)**	(90,082)	**–**	–
Impairment loss recognised on trade receivables	**–**	323	**–**	–
Gross dividend income from a subsidiary	**–**	–	**(70,000,000)**	(50,000,000)
	70,625,001	64,493,644	**(976,175)**	(938,040)
Movements in working capital:				
(Increase)/ decrease in inventories	**(2,107,767)**	161,903	**–**	–
Decrease/ (increase) in trade and other receivables	**294,925**	(263,515)	**(4,409)**	(5,924)
(Increase)/ decrease in other assets	**(339,061)**	(604,911)	**–**	400
Increase/ (decrease) in trade and other payables	**6,636,550**	(1,344,050)	**142,592**	(90,110)
Decrease in other financial liabilities	**(4,595,710)**	(4,955,334)	**–**	–
Cash generated from/ (used in) operations	**70,513,938**	57,487,737	**(837,992)**	(1,033,674)

	Notes	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Income taxes refunded		**125,221**	–	–	–
Income taxes paid		**(1,598,263)**	(1,408,153)	**(1,301,926)**	(1,147,750)
Rework and warranty costs paid		**(705,156)**	(236,110)	–	–
Net cash generated from/ (used in) operating activities		**68,335,740**	55,843,474	**(2,139,918)**	(2,181,424)
Cash flows from investing activities					
Interest received		**6,783,374**	5,601,465	**5,433,602**	5,046,572
Proceeds from disposal of property, plant and equipment		**41,698**	52,958	–	–
Payments for property, plant and equipment	12	**(1,109,538)**	(2,922,039)	–	–
Dividend received from a subsidiary		–	–	**70,000,000**	50,000,000
Advances to subsidiaries		–	–	**(2,093,566)**	(7,565,673)
Net cash generated from investing activities		**5,715,534**	2,732,384	**73,340,036**	47,480,899
Cash flows from financing activities					
Proceeds from sales of treasury shares		**16,248,674**	–	**16,248,674**	–
Proceeds from issue of equity shares		**9,366,276**	13,272,326	**9,366,276**	13,272,326
Dividends paid to owners of the Company		**(56,872,222)**	(45,491,449)	**(56,872,222)**	(45,491,449)
Payments for buy-back of shares		**(618)**	(436)	**(618)**	(436)
Net cash used in financing activities		**(31,257,890)**	(32,219,559)	**(31,257,890)**	(32,219,559)
Net increase in cash and cash equivalents		**42,793,384**	26,356,299	**39,942,228**	13,079,916
Cash and cash equivalents at the beginning of the year		**200,760,279**	174,472,670	**149,644,572**	136,564,652
Effects of exchange rates changes on the balances of cash held in foreign currencies		**(465,623)**	(68,690)	**(5)**	4
Cash and cash equivalents at the end of the year	29	**243,088,040**	200,760,279	**189,586,795**	149,644,572

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 principal activities of the subsidiaries are disclosed in Note 15 to the financial statements. The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 15 to the financial statements.

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 23, 2018

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 amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2017.

The adoption of the revised MFRSs has had no material impact on the disclosures or on the amounts recognised in the financial statements.

New and Revised Standards in Issue but Not Yet Effective

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

MFRS 9	Financial Instruments [a]
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) [a]
MFRS 16	Leases [b]
Amendments to MRFS 2	Classification and Measurement of Share-based Payment Transactions [a]
Amendments to MFRS 9	Prepayment Features with Negative Compensation [b]
Amendments to MFRS 140	Transfers of Investment Property [a]
IC Int. 22	Foreign Currency Transactions and Advance Consideration [a]
IC Int. 23	Uncertainty over Income Tax Treatments[b]
Amendments to MFRSs	Annual Improvements to MFRSs 2014 – 2016 Cycle [a]
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle [b]

[a] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
[b] Effective for annual periods beginning on or after January 1, 2019, with earlier application 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:

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

MFRS 9 Financial Instruments

MFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. MFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of MFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

(a) All recognised financial assets that are within the scope of MFRS 9 are required to be subsequently measured at amortised cost or fair value. 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 outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

(b) With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability to be presented in other comprehensive income, unless the recognition of such changes 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. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

(c) In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity 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. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

(d) The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

MFRS 9 Financial Instruments (cont'd)

Based on an analysis of the Group's and the Company's financial assets and financial liabilities as at December 31, 2017 on the basis of the facts and circumstances that exist at that date, the directors have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

Classification of financial assets

Based on the directors' assessment, the financial assets held by the Group and the Company as at December 31, 2017 will be reclassified to the following classifications:

Financial assets	2017 RM	Existing classification under MFRS 139	New classification under MFRS 9
The Group			
Cash and bank balances	20,921,843	Loans and receivables	Amortised cost
Short-term deposits	222,166,197	Loans and receivables	Amortised cost
Financial assets carried as at fair value through profit or loss	1,692,929	Fair value through profit or loss	Fair value through profit or loss
Loans and receivables:			
Trade and other receivables	10,024,963	Loans and receivables	Amortised cost
The Company			
Cash and bank balances	129,175	Loans and receivables	Amortised cost
Short-term deposits	189,457,080	Loans and receivables	Amortised cost
Loans and receivables:			
Trade and other receivables	39,530,104	Loans and receivables	Amortised cost

Consequently, for financial assets designated to be measured at FVTPL, all fair value gains and losses will be reported in profit or loss. For financial assets to be measured at FVTOCI, all fair value gains and losses will be reported in Other Comprehensive Income, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal for these financial assets.

Impairment

Financial assets measured at amortised cost will be subject to the impairment provisions of MFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by MFRS 9.

In general, the directors anticipate that the application of the expected credit loss model of MFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group's and the Company's assessment did not indicate any material impact regarding the classification of financial liabilities.

Hedge accounting

The directors do not anticipate that the application of the MFRS 9 on hedge accounting will have a material impact on the Group's and the Company's financial statements.

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

In April 2016, the International Accounting Standard Board issued Clarifications to MFRS 15 in relation to the identification of performance obligation, principal versus agent considerations, as well as licensing application guidance.

The Group recognised revenue from sales of manufactured goods.

The directors have preliminarily assessed that there is only a performance obligation, which is sales of manufacture goods and accordingly revenue, will be recognised when control over the corresponding goods is transferred to the customer. This is similar to the current identification of separate revenue components under MFRS 118. Furthermore, even though MFRS 15 requires the transaction price to be allocated to the different performance obligations on a relative stand-alone selling price basis, the directors do not expect that the allocation of revenue will be significantly different from that currently determined. The timing of revenue recognition of the performance obligations is also expected to be consistent with current practice.

The directors intend to use the full retrospective method of transition to MFRS 15.

Apart from providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of MFRS 15 will have a significant impact on the financial position and/ or financial performance of the Group.

MFRS 16 Leases

MFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessees. MFRS 16 will supersede the current lease guidance including MFRS 117 Leases and the related interpretations when it becomes effective.

MFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed of lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows; whereas under MFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

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

MFRS 16 Leases (cont'd)

In contrast to lessee accounting MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by MFRS 16.

In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangement, and in cases where the Group is a lessor (for both operating and finance leases), the directors of the Company do not anticipate that the application of MFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

IC Interpretation 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The directors anticipate that the application of the amendments in the future may have an impact on the amounts reported and disclosure made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of the amendments until the Group and the Company perform a detailed review.

IC Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation provides clarification on the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under MFRS 112.

It specifically considers whether tax treatments should be considered collectively, assumptions for taxation authorities' examination as well as the effects of changes in facts and circumstances.

The amendments apply to annual periods beginning on or after January 1, 2019 with earlier application permitted. It is to be applied retrospectively, only if it is possible without the use of hindsight, or using a modified retrospective approach without restatement of comparative information by recognising the cumulative effect of initially applying the Interpretation in opening equity at the date of initial application. The directors do not anticipate that the application of these amendments will have a material impact on 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 1222004 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 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 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 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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(a) Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

(i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
(ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(iii) the amount of revenue can be measured reliably;
(iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and
(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 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 the 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

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' 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 fair value through profit or loss.

(b) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

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 fair value through profit or loss (cont'd)

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss 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 fair value through profit or loss.

Financial assets at fair value through profit or loss 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 fair value through profit or loss, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

(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.

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' or 'other financial liabilities'.

(d) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

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 fair value through profit or loss 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 value through profit or loss.

Financial liabilities at fair value through profit or loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(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.

(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.

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.

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.

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:

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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.

5. REVENUE

	The Group		The Company	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Sale of goods	**136,585,426**	120,896,626	**–**	–
Dividend income from a subsidiary	**–**	–	**70,000,000**	50,000,000
Management fee	**–**	–	**2,043,396**	2,030,581
	136,585,426	120,896,626	**72,043,396**	52,030,581

6. INVESTMENT INCOME

	The Group		The Company	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Interest income on short-term deposits	**6,468,016**	5,941,352	**5,126,243**	5,315,230

The following is an analysis of investment income by category of asset:

	The Group		The Company	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Interest income for financial assets not designated as at fair value through profit or loss:				
Loans and receivables (including cash and bank balances)	**6,468,016**	5,941,352	**5,126,243**	5,315,230

7. OTHER GAINS AND LOSSES

	The Group		The Company	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Net gain/ (loss) arising on financial assets/ liabilities designated as at fair value through profit or loss	**5,180,392**	(1,717,882)	**–**	–
Gain on disposal of property, plant and equipment	**41,697**	48,083	**–**	–
Reversal of impairment loss on trade receivables	**14,230**	–	**–**	–
Reversal of allowance for obsolete inventories	**23,931**	90,082	**–**	–
Net foreign exchange (loss)/ gain	**(3,187,869)**	764,284	**(87)**	40
Property, plant and equipment written off	**(6,562)**	(31,909)	**–**	–
Impairment loss recognised on trade receivables	**–**	(323)	**–**	–
Others	**522,563**	41,704	**–**	–
	2,588,382	(805,961)	**(87)**	40

8. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Post employment benefits:				
Defined contribution plan	**1,085,262**	1,006,654	**250,375**	239,797
Equity-settled share-based payments	**755,308**	935,267	**367,890**	429,175
Other employee benefits	**16,057,291**	15,502,032	**2,436,271**	2,237,305
Total employee benefits expense	**17,897,861**	17,443,953	**3,054,536**	2,906,277

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.

Details of remuneration of the directors of the Group and of the Company are as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Executive directors of the Company:				
Fee	**156,400**	156,400	**132,400**	132,400
Contribution to employees provident fund	**148,035**	130,980	**124,702**	110,968
Benefits-in-kind	**45,000**	55,000	**45,000**	55,000
Other emoluments	**1,105,760**	1,016,427	**921,069**	886,647
Non-executive directors of the Company:				
Fee	**267,100**	236,400	**267,100**	236,400
Other emoluments	**75,184**	50,452	**75,184**	50,452
	1,797,479	1,645,659	**1,565,455**	1,471,867
Executive directors of a subsidiary:				
Fee	**24,000**	24,000	–	–
Contribution to employees provident fund	**29,982**	22,739	**29,982**	22,739
Other emoluments	**212,542**	166,400	**212,542**	166,400
	2,064,003	1,858,798	**1,807,979**	1,661,006

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	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Current tax expenses:				
Malaysian	**1,560,016**	1,455,717	**1,198,000**	1,250,000
Foreign	**34,100**	27,925	**–**	–
Deferred tax expenses/ (income):				
Relating to origination and reversal of temporary differences	**19,944**	60,775	**(22,000)**	26,000
Adjustments recognised in the current year in relation to prior year:				
Current tax	**(811)**	26,264	**258**	(750)
Deferred tax	**33,585**	8,494	**3,000**	(3,000)
Tax expenses	**1,646,834**	1,579,175	**1,179,258**	1,272,250

The tax expenses for the year can be reconciled to the accounting profit as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Profit before tax	**72,147,880**	57,086,912	**73,782,173**	53,947,610
Tax expense calculated using the Malaysian statutory income tax rate of 24% (2016: 24%)	**17,315,000**	13,701,000	**17,708,000**	12,947,000
Effect of expenses that are not deductible in determining taxable profit	**569,860**	1,837,417	**268,000**	329,000
Effect of revenue that is exempt from taxation	**(15,732,000)**	(14,423,000)	**–**	–
Effect of income that are not taxable in determining taxable profit	**(408,000)**	(1,000)	**(16,800,000)**	(12,000,000)
Deferred tax not recognised on pioneer activity	**(130,800)**	430,000	**–**	–
	1,614,060	1,544,417	**1,176,000**	1,276,000
Adjustments recognised in the current year in relation to prior year:				
Current tax	**(811)**	26,264	**258**	(750)
Deferred tax	**33,585**	8,494	**3,000**	(3,000)
Tax expenses recognised in profit or loss	**1,646,834**	1,579,175	**1,179,258**	1,272,250

The Group is operating in the jurisdictions of Malaysia and People's Republic of China. The applicable domestic statutory income tax rates are 24% (2016: 24%) for Malaysia and 25% (2016: 25%) for People's Republic of China. The applicable tax rate of 24% (2016: 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.

9. TAX EXPENSES (cont'd)

Tax income recognised in other comprehensive income

	The Group	
	2017	**2016**
	RM	**RM**
Deferred tax		
Translation of foreign operations	**(2,358)**	(1,764)

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 touch screen advance display, high precision light measurement (optoelectronic) equipments and mixed signal control system for centrifuge/ laboratory equipments. Under this incentive, upon certain terms and conditions fulfilled, 100% of the subsidiary's statutory income derived from the design, development and manufacture of the abovementioned products will be exempted from income tax for a period of five years commencing from January 1, 2013.

The 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.

During the financial year, UO was granted pioneer status by the Ministry of International Trade and Industry ("MITI") for the design, development and manufacture of real-time centralised energy measurement and control system, high precision hot fluid temperature control system and ultra-low temperature and mass sensing control system for bio-chem equipments. Under this incentive, upon certain terms and conditions 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, 2017, the commencement date of the tax free period has not been fixed yet by the MITI.

As of December 31, 2017, 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	
	2017	**2016**
	RM	**RM**
Unused reinvestment allowances	**1,236,000**	1,236,000
Unused tax capital allowances	**559,000**	766,000

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
After charging:				
Depreciation of property, plant and equipment	**5,846,603**	5,544,210	**–**	409
Loss on foreign exchange:				
Realised	**3,109,955**	–	**82**	–
Unrealised	**77,914**	148,679	**5**	–
Research and development expenses:				
Employee benefits expense	**1,701,152**	1,556,144	**–**	–
Others*	**2,364,733**	2,774,132	**–**	–
Provision for rework and warranty*	**1,127,989**	1,799,933	**–**	–
Depreciation of investment property	**235,746**	235,746	**–**	–
Amortisation of prepaid lease payments on leasehold land	**196,625**	194,472	**–**	–
Audit fee:				
Current year	**104,767**	95,762	**50,000**	45,150
Underprovision in prior year	**8,800**	–	**4,850**	–
Unrealised loss arising on financial liabilities designated as at fair value through profit or loss	**–**	4,595,710	**–**	–
And crediting:				
Gain arising on financial assets/ liabilities designated as at fair value through profit or loss:				
Realised	**3,487,463**	2,877,828	**–**	–
Unrealised	**1,692,929**	–	**–**	–
Reversal of provision for rework and warranty no longer required	**1,528,823**	–	**–**	–
Gain on foreign exchange:				
Realised	**–**	912,963	**–**	36
Unrealised	**–**	–	**–**	4

* 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	
	2017	**2016**
Profit for the year attributable to owners of the Company (RM)	**70,501,046**	55,507,737
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	**438,309,557**	415,280,349
Basic earnings per share (sen)	**16.08**	13.37

11. EARNINGS PER SHARE (cont'd)

Diluted earnings per share

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

	The Group	
	2017	**2016**
	RM	**RM**
Profit for the year attributable to owners of the Company	**70,501,046**	55,507,737

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	
	2017	**2016**
	Unit	**Unit**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**438,309,557**	415,280,349
Shares deemed to be issued for no consideration in respect of employee share options	**3,301,745**	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**441,611,302**	415,280,349

	The Group	
	2017	**2016**
Diluted earnings per share (sen)	**15.96**	13.37

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	
	2017	**2016**
	Unit	**Unit**
Weighted average number of unissued shares in respect of employee share options	**102,118**	2,809,820

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, 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**
Balance at January 1, 2016	5,167,266	44,084,425	27,662,914	1,755,820	3,821,217	1,129,733	3,175,727	5,020,875	2,504,494	94,322,471
Additions	–	58,727	2,645,575	2,100	–	–	29,073	21,333	165,231	2,922,039
Disposals/ write-off	–	–	(164,831)	–	–	(10,416)	(9,044)	–	(304,147)	(488,438)
Currency translation differences	–	(472,502)	(90,705)	(16,275)	(26,986)	(2,714)	(11,498)	(61,381)	(25,899)	(707,960)
Balance at December 31, 2016	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

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, 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**
Balance at January 1, 2016	–	7,796,154	12,833,479	1,017,321	2,055,186	505,159	2,016,600	2,301,156	1,615,559	30,140,614
Charge for the year	–	1,485,757	2,593,909	127,559	317,441	117,690	183,283	448,720	269,851	5,544,210
Disposals/ write-off	–	–	(166,666)	–	–	(5,347)	(5,908)	–	(273,733)	(451,654)
Currency translation differences	–	(103,950)	(71,655)	(14,647)	(24,133)	(2,020)	(10,443)	(25,943)	(21,019)	(273,810)
Balance at December 31, 2016	–	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
Net book value										
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**
Balance at December 31, 2016	5,167,266	34,492,689	14,863,886	611,412	1,445,737	501,121	1,000,726	2,256,894	749,021	61,088,752

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company

	Furniture and fittings	Office equipment	Total
	RM	RM	RM
Cost			
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**
Balance at January 1, 2016	7,045	138,305	145,350
Addition	–	–	–
Disposals/ write-off	–	–	–
Balance at December 31, 2016	7,045	138,305	145,350
Accumulated depreciation			
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**
Balance at January 1, 2016	7,045	137,896	144,941
Charge for the year	–	409	409
Disposals/ write-off	–	–	–
Balance at December 31, 2016	7,045	138,305	145,350
Net book value			
Balance at December 31, 2017	–	–	–
Balance at December 31, 2016	–	–	–

13. INVESTMENT PROPERTY

	The Group	
	2017	2016
	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	**(1,779,901)**	(1,544,155)
Charge for the year	**(235,746)**	(235,746)
Balance at end of the year	**(2,015,647)**	(1,779,901)
Net	**7,414,211**	7,649,957

The Group's investment property, comprising building, is held under leasehold interest.

13. INVESTMENT PROPERTY (cont'd)

Detail 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, 2017:				
Building	–	–	9,780,000	9,780,000
December 31, 2016:				
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 the date by an independent valuer which has appropriate qualifications and recent experience in the valuation of properties in relevant location. The fair value was determined based on open market value.

Building is valued by reference to the current estimates on constructional costs to erect equivalent buildings, taking into consideration of similar accommodation in terms of size, construction and profits. Appropriate adjustments are then made for the 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 (2016: RM835 per square meter). It is further depreciated by 8% (2016: 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 RM351,238 (2016: RM353,969).

14. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

	The Group	
	2017	**2016**
	RM	**RM**
Short leasehold land		
Balance at beginning of the year	**7,266,892**	7,568,761
Amortisation during the year	**(196,625)**	(194,472)
Currency translation differences	**(144,656)**	(107,397)
Balance at end of the year	**6,925,611**	7,266,892

As of December 31, 2017, the unexpired lease periods of the Group's short leasehold land are 33 and 37 years respectively.

15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2017	**2016**
	RM	**RM**
Unquoted equity shares, at cost	**57,594,242**	57,232,243
Less: Accumulated impairment losses	**(4,420,800)**	(4,420,800)
	53,173,442	52,811,443

Included in the cost of investments in subsidiaries during the year is a charge of RM361,999 (2016: RM1,255,478) 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 2017	2016
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 touch screen advance display, high precision light measurement (optoelectronic) equipments, mixed signal control system for centrifuge/ laboratory equipments, 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.

16. DEFERRED TAX ASSETS/ (LIABILITIES)

Deferred tax balances are presented in the statements of financial position as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Deferred tax assets	**230,729**	212,318	**129,000**	110,000
Deferred tax liabilities	**(1,360,759)**	(1,286,461)	**–**	–
	(1,130,030)	(1,074,143)	**129,000**	110,000

16. DEFERRED TAX ASSETS/ (LIABILITIES) (cont'd)

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**
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)**
2016:				
Deferred tax assets				
Accrued expenses	280,000	(9,000)	–	271,000
Provision for rework and warranty	25,000	18,000	–	43,000
Inventories	8,410	(2,971)	(155)	5,284
Others	99,643	(92,000)	(1,609)	6,034
	413,053	(85,971)	(1,764)	325,318
Deferred tax liabilities				
Property, plant and equipment	(820,793)	(9,000)	–	(829,793)
Gain on revaluation of properties	(595,370)	25,702	–	(569,668)
	(1,416,163)	16,702	–	(1,399,461)
Net	(1,003,110)	(69,269)	(1,764)	(1,074,143)

16. DEFERRED TAX ASSETS/ (LIABILITIES) (cont'd)

The Company

	Opening balance	Recognised in profit or loss (Note 9)	Closing balance
	RM	RM	RM
2017:			
Deferred tax asset			
Accrued expenses	**110,000**	**19,000**	**129,000**
2016:			
Deferred tax asset			
Accrued expenses	134,000	(24,000)	110,000
Deferred tax liability			
Property, plant and equipment	(1,000)	1,000	–
Net	133,000	(23,000)	110,000

As of December 31, 2017, deferred tax has not been recognised in respect of the temporary differences relating to pioneer activity:

	The Group	
	2017	2016
	RM	RM
Gross amount of temporary differences arising from:		
Property, plant and equipment	**11,329,000**	11,196,000
Accrued expenses	**(5,604,000)**	(4,948,000)
Provision for rework and warranty	**(799,000)**	(1,833,000)
Other payables	**(64,000)**	(79,000)
Inventories	**(26,000)**	(48,000)
Others	**(180,000)**	(177,000)
Net	**4,656,000**	4,111,000

17. INVENTORIES

	The Group	
	2017	2016
	RM	RM
Raw materials	**10,478,769**	7,791,403
Work-in-progress	**3,451,079**	2,421,053
Finished goods	**1,809,971**	3,518,927
	15,739,819	13,731,383

The cost of inventories recognised as an expense during the financial year is RM59,109,843 (2016: RM53,233,555).

The cost of inventories recognised as an expense has been reduced by RM23,931 (2016: RM90,082) in respect of the reversal of allowances for obsolete inventories. The reduction is due to utilisation of the obsolete inventories during the financial year.

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Trade receivables	**8,128,722**	8,731,354	**–**	–
Less: Allowance for doubtful debts	**(76,916)**	(91,146)	**–**	–
	8,051,806	8,640,208	**–**	–
Amount owing by subsidiaries	**–**	–	**38,089,109**	35,995,543
Interest receivable	**1,631,574**	1,946,932	**1,428,294**	1,735,653
Other receivables	**341,583**	333,682	**12,701**	8,292
	10,024,963	10,920,822	**39,530,104**	37,739,488

The currency exposure profile of trade and other receivables is as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
United States Dollar	**8,039,271**	8,534,687	**–**	–
Ringgit Malaysia	**1,984,758**	2,385,167	**39,530,104**	37,739,488
Chinese Renminbi	**934**	968	**–**	–
	10,024,963	10,920,822	**39,530,104**	37,739,488

The average credit periods granted to trade receivables on sale of goods range from 30 to 45 days (2016: 30 to 45 days). No interest is charged on trade receivables outstanding balance. Allowance for doubtful debts are recognised against trade receivables over credit period based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty, or dispute over quality issues on the products sold and an analysis of the counterparty's current financial position.

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	
	2017	**2016**
	RM	**RM**
1 to 30 days	**1,975,491**	2,196,430
31 to 60 days	**42,439**	4,540
More than 60 days	**110,365**	207,725
Total	**2,128,295**	2,408,695

18. TRADE AND OTHER RECEIVABLES (cont'd)

Movement in the allowance for doubtful debts:

	The Group	
	2017	**2016**
	RM	**RM**
Balance at beginning of the year	**91,146**	90,823
Impairment losses recognised	**–**	323
Impairment losses reversed	**(14,230)**	–
Balance at end of the year	**76,916**	91,146

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	
	2017	**2016**
	RM	**RM**
1 to 30 days	**13,973**	43,595
31 to 60 days	**47,673**	18,113
61 to 90 days	**15,270**	6,860
91 to 120 days	**–**	7,424
More than 120 days	**–**	15,154
Total	**76,916**	91,146

The amount owing by subsidiaries are as follows:

	The Company	
	2017	**2016**
	RM	**RM**
Uchi Optoelectronic (M) Sdn. Bhd.	**38,072,212**	35,990,534
Uchi Electronic (M) Sdn. Bhd.	**16,897**	5,009
	38,089,109	35,995,543

The amounts owing by subsidiaries arose mainly from advances which are unsecured, interest free and repayable on demand.

Other receivables comprise mainly goods and services tax refundable.

19. OTHER ASSETS

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Prepayments	**1,869,157**	1,540,678	–	–
Deposits	**98,070**	98,070	**2,000**	2,000
	1,967,227	1,638,748	**2,000**	2,000

20. SHORT-TERM DEPOSITS

The currency exposure profile of short-term deposits is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Ringgit Malaysia	**204,938,982**	172,869,520	**189,457,080**	149,620,918
United States Dollar	**10,187,315**	6,864,065	–	–
Chinese Renminbi	**7,039,900**	6,132,250	–	–
	222,166,197	185,865,835	**189,457,080**	149,620,918

The short-term deposits of the Group carry interests at rates ranging from 1.04% to 4.3% (2016: 0.01% to 4.3%) per annum and will mature between January 2018 to October 2018. The short-term deposits of the Company carry interests at rates ranging from 2.85% to 4.0% (2016: 2.85% to 4.3%) per annum and will mature between January 2018 to July 2018.

21. CASH AND BANK BALANCES

The currency exposure profile of cash and bank balances is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
United States Dollar	**18,450,473**	11,511,913	**831**	923
Chinese Renminbi	**1,611,046**	1,397,315	–	–
Ringgit Malaysia	**822,875**	1,970,281	**128,884**	22,731
Euro	**35,182**	12,042	–	–
Swiss Franc	**1,826**	2,460	–	–
Other foreign currencies	**441**	433	–	–
	20,921,843	14,894,444	**129,715**	23,654

22. SHARE CAPITAL

	The Company			
	2017		2016	
	No. of shares	RM	No. of shares	RM
Authorised:				
Ordinary shares of RM0.20 each:				
At beginning of the year	–	–	500,000,000	100,000,000
Increased during the year	–	–	300,000,000	60,000,000
At end of year	–	–	800,000,000	160,000,000

22. SHARE CAPITAL (cont'd)

	The Company			
	2017		2016	
	No. of shares	RM	No. of shares	RM
Issued and fully paid:				
Ordinary shares:				
At beginning of the year	**443,695,559**	88,739,112	**394,867,700**	78,973,540
Issue of shares pursuant to ESOS	**5,490,200**	9,366,276	**9,589,810**	1,917,962
Transfer from share premium	–	50,629,680	–	–
Sales of treasury shares	–	8,301,294	–	–
Bonus issue	–	–	**39,238,049**	7,847,610
At end of the year	**449,185,759**	157,036,362	**443,695,559**	88,739,112

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 has become part of the Company's share capital. The change do 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 23, 2017, 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 443,695,559 ordinary shares to 449,185,759 ordinary shares by way of issuance of 5,490,200 new ordinary shares for cash pursuant to the Employees' Share Options Scheme ("ESOS") of the Company at exercise prices ranging from RM1.70 to RM2.68 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 purchased 200 units of its own shares through Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM618 and it has been deducted from equity. The repurchase transactions were financed by internally generated funds and the average price paid for the shares was approximately RM3.09 per share. The repurchased shares are held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

The Company resale 4,998,600 treasury shares in the open market for a total cash consideration of RM16,248,674 during the financial year.

As of December 31, 2017, out of the total number of 449,185,759 (2016: 443,695,559) of ordinary shares issued and paid-up, 2,072,500 (2016: 7,070,900) are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid is 447,113,259 (2016: 436,624,659).

23. RESERVES

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Non-distributable reserves:				
Share premium	–	50,629,680	–	50,629,680
Equity-settled employee benefits reserve	**1,636,877**	908,323	**1,636,877**	908,323
Foreign currency translation reserve	**7,329,207**	8,473,145	–	–
Merger reserve	–	–	**6,777,646**	6,777,646
	8,966,084	60,011,148	**8,414,523**	58,315,649

The share premium arose from the issue of shares at a premium, net of share issue expenses and bonus issue.

The equity-settled employee benefits reserve relates to share options granted by the Company to employees under the employee share option plan.

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 or the Company have no legal or constructive obligation to repurchase or 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.

23. RESERVES (cont'd)

The following share based payments arrangements were in existence during the current and prior years:

Options series	Expiry date	Fair value at grant date	Exercise price	Number
		RM	RM	
The Group				
Granted on:				
November 8, 2016	November 7, 2021	0.0923	1.70	13,197,100
February 8, 2017	November 7, 2021	0.0220	1.81	321,900
March 8, 2017	November 7, 2021	0.0106	1.80	98,200
May 23, 2017	November 7, 2021	0.1496	1.70	400,000
September 8, 2017	November 7, 2021	0.1196	2.29	208,000
October 6, 2017	November 7, 2021	0.1197	2.68	103,000
November 8, 2017	November 7, 2021	0.0769	3.02	48,000
December 8, 2017	November 7, 2021	0.0035	3.46	75,000
				14,451,200

The weighted average fair value of the share options granted during the financial year is RM0.0662 (2016: RM0.0475). 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.

Options series	Inputs into the model					
	Grant date share price	Exercise price	Expected volatility	Option life	Dividend yield	Risk free interest rate
	RM	RM				
The Group						
2017:						
Granted on:						
February 8, 2017	**1.80**	**1.81**	**18.32%**	**5 years**	**6%**	**3.50%**
March 8, 2017	**1.79**	**1.80**	**18.32%**	**5 years**	**6%**	**3.50%**
May 23, 2017	**1.85**	**1.70**	**18.32%**	**5 years**	**6%**	**3.50%**
September 8, 2017	**2.41**	**2.29**	**18.32%**	**5 years**	**5%**	**3.50%**
October 6, 2017	**2.80**	**2.68**	**18.32%**	**5 years**	**5%**	**3.50%**
November 8, 2017	**3.08**	**3.02**	**18.32%**	**4 years**	**4%**	**3.50%**
December 8, 2017	**3.38**	**3.46**	**18.32%**	**4 years**	**4%**	**3.50%**
2016:						
Granted on:						
February 5, 2016	1.61	1.46*	18.24%	1 year	7%	3%
May 6, 2016	1.69	1.46*	18.24%	1 year	6%	3%
November 8, 2016	1.76	1.70	18.24%	5 years	6%	3%
December 8, 2016	1.76	1.80	18.24%	5 years	6%	3%

* The exercise price was adjusted for the bonus issue of 39,238,049 new ordinary shares.

23. RESERVES (cont'd)

The following reconciles the share options outstanding at the beginning and end of the year:

	The Group			
	2017		2016	
	Number of options	Weighted average exercise price RM	Number of options	Weighted average exercise price RM
Balance at beginning of the year	**19,051,000**	**1.70**	24,133,000	2.49
Granted during the year	**1,486,000**	**2.04**	19,211,500	1.70
Bonus share issued	–	–	1,918,710	2.51
Exercised during the year	**(5,490,200)**	**1.71**	(9,589,810)	1.39
Forfeited during the year	**(595,600)**	**1.71**	(522,700)	1.56
Lapsed during the year	–	–	(16,099,700)	2.87
Balance at end of the year	**14,451,200**	**1.73**	19,051,000	1.70

The following share options were exercised during the financial year:

	Number exercised 2017	Exercise date	Share price at exercise date RM
The Group			
November 8, 2016	5,280,900	December 22, 2017	1.70
December 8, 2016	2,400	October 25, 2017	1.80
February 8, 2017	46,600	December 22, 2017	1.81
March 8, 2017	24,300	December 22, 2017	1.80
May 23, 2017	100,000	December 22, 2017	1.70
September 8, 2017	26,000	December 22, 2017	2.29
October 6, 2017	10,000	December 22, 2017	2.68
	5,490,200		

Out of the outstanding share options, share options to subscribe for 2,201,750 (2016: 3,795,200) 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 RM1.70 to RM3.46 (2016: RM1.70 to RM1.80), and a weighted average remaining contractual life of 4 years to 5 years (2016: 5 years).

Share options to subscribe for 14,451,200 (2016: 19,051,000) ordinary shares under the ESOS scheme are exercisable within the option period up to November 7, 2021.

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.

On January 8, 2018, share options to subscribe for 15,000 ordinary shares offered under ESOS scheme were granted to employees with an exercise price of RM3.17 per share.

On February 8, 2018, share options to subscribe for 286,000 ordinary shares offered under ESOS scheme were granted to employees with an exercise price of RM2.64 per share.

24. RETAINED EARNINGS

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Distributable reserve:				
Retained earnings	**73,635,039**	114,157,482	**43,021,706**	81,467,699

The entire retained earnings of the Company as of the end of the reporting period is available for the distribution as single-tier dividends to the shareholders of the Company.

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Trade payables	**7,962,002**	6,418,828	**–**	–
Amount owing to directors	**160,000**	160,000	**160,000**	160,000
Other payables	**10,631,877**	6,141,765	**–**	–
Accrued expenses	**9,172,941**	8,900,618	**850,469**	707,877
	27,926,820	21,621,211	**1,010,469**	867,877

The currency exposure profile of trade and other payables is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
United States Dollar	**16,342,904**	11,278,150	**–**	–
Ringgit Malaysia	**9,458,368**	8,718,085	**1,010,469**	867,877
Chinese Renminbi	**2,125,548**	1,624,356	**–**	–
Other foreign currencies	**–**	620	**–**	–
	27,926,820	21,621,211	**1,010,469**	867,877

The average credit periods granted to the Group for trade purchases range from 30 to 60 days (2016: 30 to 60 days). No interest is charged on trade payables outstanding balance. 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 represent directors' remuneration payable.

Other payables comprise mainly amounts outstanding for ongoing costs.

26. OTHER FINANCIAL ASSETS/ (LIABILITIES)

	The Group	
	2017	2016
	RM	RM
Financial assets/ (liabilities) carried at fair value through profit or loss:		
Derivative financial instruments:		
Foreign currency forward contracts	**1,692,929**	(4,595,710)

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.

26. OTHER FINANCIAL ASSETS/ (LIABILITIES) (cont'd)

Foreign currency forward contracts are used to hedge the Group's sales denominated in United States Dollar 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	
	2017	**2016**
	RM	**RM**
Balance at beginning of the year	**2,013,823**	450,000
Additional provision	**1,127,989**	1,799,933
Reversal of provision no longer required	**(1,528,823)**	–
Rework and warranty costs incurred	**(705,156)**	(236,110)
Balance at end of the year	**907,833**	2,013,823

The Group gives 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	
	2017	**2016**
	RM	**RM**
Declared and paid:		
Final dividend of 8 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2016	**35,040,989**	–
Final dividend of 6 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2015	**–**	26,101,599
Declared and payable:		
Interim dividends of 17 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2017	**76,009,254**	–
Interim dividend of 5 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2016	**–**	21,831,233
	111,050,243	47,932,832

The directors also proposed a final dividend of 8 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 RM35,792,981 and has not been included as liabilities 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 the issue of the financial statements.

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	The Group		The Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Short-term deposits	**222,166,197**	185,865,835	**189,457,080**	149,620,918
Cash and bank balances	**20,921,843**	14,894,444	**129,715**	23,654
	243,088,040	200,760,279	**189,586,795**	149,644,572

30. BANKING FACILITIES

As of December 31, 2017, the Group has unutilised banking facilities totalling RM115,600,000 (2016: RM115,600,000) covered by corporate guarantees from the Company for RM35,620,000 (2016: 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 achieve an optimal capital structure, the Group may adjust the amount of dividend payment and buy back issued shares. Management monitors capital based on 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 2016.

b. Categories of financial instruments

	The Group	
	2017	2016
	RM	RM
Financial assets		
Cash and bank balances	**20,921,843**	14,894,444
Short-term deposits	**222,166,197**	185,865,835
Financial assets carried at fair value through profit or loss	**1,692,929**	–
Loans and receivables	**10,024,963**	10,920,822

31. FINANCIAL INSTRUMENTS (cont'd)

b. Categories of financial instruments (cont'd)

	The Group	
	2017	2016
	RM	RM
Financial liabilities		
Financial liabilities carried at fair value through profit or loss	–	4,595,710
Trade and other payables	**27,926,820**	21,621,211
Dividend payable	**76,009,254**	21,831,233

	The Company	
	2017	2016
	RM	RM
Financial assets		
Cash and bank balances	**129,715**	23,654
Short-term deposits	**189,457,080**	149,620,918
Loans and receivables	**39,530,104**	37,739,488
Financial liabilities		
Trade and other payables	**1,010,469**	867,877
Dividend payable	**76,009,254**	21,831,233

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.

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.

31. FINANCIAL INSTRUMENTS (cont'd)

c. Financial risk management objectives and policies (cont'd)

ii. Foreign currency risk management (cont'd)

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	
	2017	**2016**
	RM	**RM**
Assets		
United States Dollar	**36,677,059**	26,910,665
Euro	**35,182**	12,042
Swiss Franc	**1,826**	2,460
Chinese Renminbi	**–**	–
Others	**441**	433
Liabilities		
United States Dollar	**16,342,904**	11,278,150
Chinese Renminbi	**58,818**	20,190
Others	**–**	620

	The Company	
	2017	**2016**
	RM	**RM**
Assets		
United States Dollar	**831**	923

The following table details the sensitivity analysis when the RM strengthens 11% (2016: 16%) against the relevant foreign currencies. 11% (2016: 16%) 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 11% (2016: 16%) 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 11% (2016: 16%) against the relevant currency.

	The Group	
	2017	**2016**
	RM	**RM**
Impact on profit or loss:		
United States Dollar	**(2,236,757)**	(2,501,202)
Euro	**(3,870)**	(1,927)
Swiss Franc	**(201)**	(394)
Chinese Renminbi	**6,470**	3,230
Others	**(49)**	30

31. FINANCIAL INSTRUMENTS (cont'd)

c. Financial risk management objectives and policies (cont'd)

ii. Foreign currency risk management (cont'd)

	The Company	
	2017	2016
	RM	RM
Impact on profit or loss:		
United States Dollar	**(91)**	(148)

For a 11% (2016: 16%) 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 reporting period.

iv. Credit risk management

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:

	2017		2016	
	RM	% of total	RM	% of total
By country:				
Europe	**7,121,835**	**88**	7,554,632	87
United States of America	**636,118**	**8**	473,935	6
Asia Pacific	**293,853**	**4**	611,641	7
	8,051,806	**100**	8,640,208	100

Further details of credit risks on trade and other receivables are disclosed in Note 18.

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 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.

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 gain/ (loss)
		USD	RM	RM
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**
2016:				
Sell USD				
Less than 3 months	4.11	3,700,000	15,209,540	(1,417,205)
3 to 6 months	4.12	4,200,000	17,314,960	(1,600,873)
6 to 9 months	4.18	3,800,000	15,884,500	(1,259,118)
9 to 12 months	4.39	2,300,000	10,085,800	(318,514)

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 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	
	2017	**2016**
	RM	**RM**
Foreign currency forward contracts:		
Fair value:		
Asset/ (liability)	**1,692,929**	(4,595,710)

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 Company and subsidiaries are disclosed below.

	The Company	
	2017	**2016**
	RM	**RM**
Dividend income received:		
Uchi Optoelectronic (M) Sdn. Bhd.	**70,000,000**	50,000,000
Management fee received:		
Uchi Optoelectronic (M) Sdn. Bhd.	**2,031,508**	2,019,771
Uchi Electronic (M) Sdn. Bhd.	**11,888**	10,810

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 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
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

33. SEGMENT INFORMATION (cont'd)

Segment revenue and results (cont'd)

	Investment holding	Manufacturing	Trading	Elimination	Consolidated
	RM	**RM**	**RM**	**RM**	**RM**
2016:					
Revenue					
External sales	–	120,896,626	–	–	120,896,626
Inter-segment sales	52,030,581	–	676,581	(52,707,162)	–
Total revenue	52,030,581	120,896,626	676,581	(52,707,162)	120,896,626
Results					
Segment profit	48,632,340	53,302,210	5,361	(49,988,390)	51,951,521
Investment income					5,941,352
Other gains and losses					(805,961)
Profit before tax					57,086,912
Tax expenses					(1,579,175)
Profit for the year					55,507,737

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**
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**

33. SEGMENT INFORMATION (cont'd)

Segment assets and liabilities (cont'd)

	Investment holding	Manufacturing	Trading	Consolidated
	RM	RM	RM	RM
2016:				
Assets				
Segment assets	1,769,599	112,389,360	3,032,039	117,190,998
Unallocated corporate assets				186,194,955
Consolidated total assets				303,385,953
Liabilities				
Segment liabilities	867,877	29,892,543	(2,529,676)	28,230,744
Unallocated corporate liabilities				23,489,452
Consolidated total liabilities				51,720,196

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
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**
2016:					
Other information					
Capital expenditure	–	2,922,039	–	–	2,922,039
Depreciation and amortisation	409	6,010,636	–	(36,617)	5,974,428
Non-cash expenses other than depreciation and amortisation	429,171	7,014,360	7,532	60,758	7,511,821

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	
	2017	**2016**
	RM	**RM**
Touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipments	**136,437,146**	119,957,635
Mixed signal microprocessor based application and system integration products	**5,438**	444,492
Others	**142,842**	494,499
	136,585,426	120,896,626

Geographical information

The Group operates in two principal geographical areas, Malaysia (country of domicile) and 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	
	2017	**2016**
	RM	**RM**
Europe	**131,617,346**	114,152,299
Asia Pacific	**4,213,268**	5,878,945
United States of America	**754,812**	865,382
	136,585,426	120,896,626

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

	The Group	
	2017	**2016**
	RM	**RM**
Malaysia	**52,844,518**	56,958,133
People's Republic of China	**17,332,805**	19,047,468
	70,177,323	76,005,601

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	
	2017	**2016**
	RM	**RM**
Customer A	**106,658,666**	88,456,003
Customer B	**9,264,309**	10,883,989
	115,922,975	99,339,992

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, 2017 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,

KAO, DE-TSAN also known as TED KAO

KAO, TE-PEI also known as EDWARD KAO

Penang,

March 23, 2018

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **OW CHOOI KHIM**, 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 23, 2018

Before me,
HAJI MOHAMED YUSOFF BIN MOHD. IBRAHIM

Commisioner For Oaths

ADDITIONAL DISCLOSURE

Share Buy-Back

During the financial year ended December 31, 2017, the Company:

(a) purchased 200 of its issued share capital for a total consideration of RM618 from the open market using internally generated funds and held as treasury shares.

(b) resold 4,998,600 treasury shares in the open market for a total cash consideration of RM16,248,674.

Details of the purchases or resale of treasury share is set out on page 12 & 13 of this annual report.

Total number of shares bought back and held as treasury shares as at December 31, 2017 is 2,072,500 shares.

Options, Warrants or Convertible Securities

A total of 5,490,200 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, 2017, 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, 2017.

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, 2017 are as follows:

	The Company	The Group
Audit Fee	50,000	104,767
Non-Audit Fee	3,400	23,240
Total	**53,400**	**128,007**

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, 2017.

Location	Description	Tenure / Date of Expiry of Lease	Age (Years)	Land Area / Built-up Area (Sq. Ft.)	Net Book Value at 31.12.2017 (RM)	Date of Acqusition / 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	1,540,489	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	23	33,144	2,135,679	31.12.2017
	-Phase II		17	92,864	5,278,532	31.12.2017
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	1,426,451	26.5.2004
(3097 Tingkat Perusahaan 4A, Perai FTZ Phase II, Perai)	Factory Building	60 years leasehold expiring on 6.12.2049	6	148,145	19,004,962	01. 12. 2012
Geran (First Grade) 4262, (No.22 Lebuhraya Rose, 10350 Penang) Lot 207 Seksyen 1, Bandar Georgetown, Daerah Timur Laut, Pulau Pinang.	Land	Freehold	–	18,242	5,167,266	1.12.2011
(No. 22 Lebuhraya Rose, 10350 Penang)	2 Storey R&D Building		7		1,756,667	1.12.2011
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	3,958,671	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	9	161,124	11,809,040	26.5.2009

ANALYSIS OF SHAREHOLDINGS
As at April 4, 2018

Share capital

Total number of issued shares	:	447,417,259 (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	194	2.83	8,606	0.00
100	–	1,000 shares	745	10.86	494,907	0.11
1,001	–	10,000 shares	3,714	54.15	15,981,966	3.57
10,001	–	100,000 shares	1,793	26.14	49,250,912	11.01
100,001	–	22,370,863	411	5.99	263,060,861	58.80
22,370,863	and	above	2	0.03	118,620,007	26.51
TOTAL			**6,859**	**100.00**	**447,417,259**	**100.00**

SUBSTANTIAL SHAREHOLDERS[(b)]

	Direct		Indirect	
Name of Shareholders	No. of issued shares	%	No. of issued shares	%
Eastbow International Limited	83,292,026	18.62	–	–
Kao, De-Tsan also known as Ted Kao	2,335,000	0.52	[(c)] 83,292,026	18.62
Ironbridge Worldwide Limited	35,327,981	7.90	–	–
Kao, Te-Pei also known as Edward Kao	2,395,000	0.54	[(d)] 35,327,981	7.90

a) Based on Record of Depositors as at April 4, 2018.
b) Based on the Register of Substantial Shareholders of the Company as of April 4, 2018, 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.

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	18.62
2	Ironbridge Worldwide Limited	35,327,981	7.90
3	Amanahraya Trustees Berhad [Public Islamic Opportunities Fund]	16,053,370	3.59
4	DB (Malaysia) Nominee (Asing) Sdn Bhd [SSBT Fund J6S6 For Asia Oceania Dividend Yield Stock Mother Fund]	12,250,030	2.74
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 [Exempt AN for AIA Bhd]	6,545,890	1.46
8	CITIGroup Nominees (Tempatan) Sdn Bhd [Employees Provident Fund Board (Amundi)]	6,419,100	1.43
9	Maybank Nominees (Tempatan) Sdn Bhd [National Trust Fund (IFM Eastspring) (410140)]	5,413,000	1.21
10	CITIGroup Nominees (Tempatan) Sdn Bhd [Kumpulan Wang Persaraan (Diperbadankan) (I-VCAP)]	5,168,400	1.15
11	Zulkifli Bin Hussain	5,038,100	1.13
12	CITIGroup Nominees (Tempatan) Sdn Bhd [Kumpulan Wang Persaraan (Diperbadankan) (ESPG IV SC E)]	4,556,600	1.02
13	CITIGroup Nominees (Tempatan) Sdn Bhd [Employees Provident Fund Board (CIMB Prin)]	4,547,000	1.02
14	HSBC Nominees (Tempatan) Sdn Bhd [HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)]	4,359,390	0.97
15	Kao Wang, Ying-Ying	3,486,670	0.78
16	HSBC Nominees (Tempatan) Sdn Bhd [HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund]	3,332,700	0.74
17	Amanahraya Trustees Berhad [Public Strategic Smallcap Fund]	3,309,060	0.74
18	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad [Deutsche Trustees Malaysia Berhad For Eastspring Investmentssmall-Cap Fund]	3,268,400	0.73
19	HSBC Nominees (Tempatan) Sdn Bhd [HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)]	3,144,710	0.70
20	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad [Deutsche Trustees Malaysia Berhad For Eastspring Investments Islamic Small-Cap Fund]	3,124,400	0.70
21	Amanahraya Trustees Berhad [PB Smallcap Growth Fund]	2,796,700	0.62
22	Chang, Shin-Fang	2,573,285	0.58
23	Cartaban Nominees (Tempatan) Sdn Bhd [PAMB For Prulink Equity Income Fund]	2,500,000	0.56
24	CITIGroup Nominees (Asing) Sdn Bhd [CBLDN For Pohjola Bank Plc (Client Ac-Eur)]	2,500,000	0.56
25	Kao, De-Tsan @ Ted Kao	2,335,000	0.52
26	Kao, Te-Pei @ Edward Kao	2,335,000	0.52
27	CITIGroup Nominees (Asing) Sdn Bhd [CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc]	2,260,040	0.51
28	AMSEC Nominees (Temapatan) Sdn Bhd [MTrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali)]	2,143,600	0.48
29	HSBC Nominees (Asing) Sdn Bhd [HSBC-FS I for Asean Growth Fund (Manufacturers L)]	2,086,220	0.47
30	Valuecap Sdn Bhd	2,000,000	0.45
	Total	**251,389,692**	**56.19**

DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
Name of Directors	**No. of issued shares**	**%**	**No. of issued shares**	**%**
Kao, De-Tsan also known as Ted Kao	2,335,000	0.52	[1] 86,778,696	19.40
Kao, Te-Pei also known as Edward Kao	2,395,000	0.54	[2] 39,276,266	8.78
Chin Yau Meng	261,400	0.06	[3] 230,000	0.05
Dr. Heinrich Komesker	200,000	0.04	–	–
Charlie Ong Chye Lee	595,900	0.13	–	–
Tan Boon Hoe	100,000	0.02	–	–
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	–	–

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

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 failing him/her the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Twentieth 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 Thursday, May 24, 2018 at 3.00 p.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

			For	Against
Ordinary Resolution 1	-	Declaration of Final Tax Exempt Dividend		
Ordinary Resolution 2	-	Approval of Directors' Fee		
Ordinary Resolution 3	-	Re-election of Mr. Charlie Ong Chye Lee		
Ordinary Resolution 4	-	Re-election of Mr. Kao, De-Tsan also known as Ted Kao		
Ordinary Resolution 5	-	Re-election of Mr. Chin Yau Meng		
Ordinary Resolution 6	-	Re-election of Mr. Lim Tian How		
Ordinary Resolution 7	-	Re-appointment of Messrs.Deloitte PLT as Auditors		
Ordinary Resolution 8	-	Continuing in office for Mr. Charlie Ong Chye Lee		
Ordinary Resolution 9	-	Renewal of share buy-back authority		
Ordinary Resolution 10	-	Authority to grant options to Mr. Chin Yau Meng		
Ordinary Resolution 11	-	Authority to grant options to Mr. Lim Tian How		

(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 ………………… 2018

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 18, 2018 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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HERE

The Secretaries
UCHI TECHNOLOGIES BERHAD (457890-A)

Suite A, Level 9
Wawasan Open University
54, Jalan Sultan Ahmad Shah
10050 Georgetown, Penang, Malaysia

fold here

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

3097, Tingkat Perusahaan 4A,
Free Trade Zone,
13600 Prai, Malaysia
Tel : 604-399 0035
Fax : 604-399 0034
E-mail : info@uo.uchi.net