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

A humble foundation that inspires an impactful presence

Annual Report **2016**

ISO 14001 ENVIRONMENTAL POLICY

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

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

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

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

Incessantly educating employee on environmental awareness and responsibility

CONTENTS

宇琦光电（东莞）有限公司
ISO14001环境方针

遵守法规
防污降耗
持续改进
宣导环保

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

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

OHSAS 18001 OHSAS POLICY

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 IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at the Laurel II, Level 1, Evergreen Laurel Hotel, 53 Persiaran Gurney, 10250 Georgetown, Penang on Tuesday, May 23, 2017 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, 2016 together with the Reports of the Directors and Auditors thereon.	**Please refer to Note A**

As Ordinary Business

2.	To declare a Final Tax Exempt Dividend of 8 sen per share for the year ended December 31, 2016.	**Ordinary Resolution 1**
3.	To approve the payment of Directors' Fees of RM480,000 for the year ending December 31, 2017.	**Ordinary Resolution 2**
4.	To re-appoint Mr. Charlie Ong Chye Lee as a Director of the Company.	**Ordinary Resolution 3**
5.	To re-elect Dr. Heinrich Komesker retiring under the provision of Article 131 of the Articles of Association of the Company.	**Ordinary Resolution 4**
6.	To re-elect Mr. Tan Boon Hoe retiring under the provision of Article 136 of the Articles of Association of the Company.	**Ordinary Resolution 5**
7.	To re-appoint Messrs. Deloitte PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.	**Ordinary Resolution 6**

AS SPECIAL BUSINESS

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

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

"THAT subject to the passing of Ordinary Resolution 4, authority be and is hereby given to Dr. Heinrich Komesker who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine 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 7**

"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 since July 1, 2008 and will reach the nine years term limit on June 30, 2017, 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**

9. **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.

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.

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

   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**

10. **Proposed Authority to Grant Options to Mr. Tan Boon Hoe**

    "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. Tan Boon Hoe, 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's 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**

11. 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)
GUNN CHIT GEOK (MAICSA 0673097)
Secretaries

April 19, 2017

Penang

Note A :

This Agenda item is meant for discussion only as the provision of Section 244(2)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders and hence is not put forward for voting.

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.

Notes: (cont'd)

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. Only members registered in the Record of Depositors as at May 15, 2017 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his behalf.

Explanatory Notes on Special Business

Ordinary Resolution 2 – To approve the payment of Directors' Fees of RM480,000 for the year ending December 31, 2017

The proposed Ordinary Resolution 2, if passed, will authorise the payment of Directors' Fees for the year ending December 31, 2017 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.

Ordinary Resolution 3 – To re-appoint Mr. Charlie Ong Chye Lee as a Director of the Company

Mr. Charlie Ong Chye Lee, who is above the age of 70, was re-appointed at the Eighteenth Annual General Meeting held on May 18, 2016 pursuant to Section 129(6) of the Companies Act, 1965 and shall hold office until the conclusion of the Nineteenth Annual General Meeting. His term of office will end at the conclusion of the Nineteenth Annual General Meeting and Mr. Charlie Ong Chye Lee has offered himself for re-appointment.

However, under the Companies Act 2016, there is no age limit for directors. The proposed Ordinary Resolution 3, if passed, will enable Mr. Charlie Ong Chye Lee to continue to act as a Director of the Company and he shall be subject to retirement by rotation in accordance with Article 131 of the Articles of Association of the Company.

Ordinary Resolution 7 – Continuing in Office as an Independent Non-Executive Director

The Nomination Committee, had assessed the independence of Dr. Heinrich Komesker, 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 Dr. Heinrich Komesker 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.

Explanatory Notes on Special Business (cont'd)

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

The Nomination Committee, had assessed the independence of Mr. Charlie Ong Chye Lee, who has served on the Board as an Independent Non-Executive Director of the Company since July 1, 2008 and will reach the nine years term limit on June 30, 2017. 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.

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.

Ordinary Resolution 10 – Proposed Authority to Grant Options to Mr. Tan Boon Hoe

The proposed Ordinary Resolution 10 if passed, will allow the Company to offer and grant options to Mr. Tan Boon Hoe, 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 19, 2017 for more information.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that, subject to the approval of the shareholders at the forthcoming Nineteenth Annual General Meeting, a Final Tax Exempt Dividend of 8 sen per share for the year ended December 31, 2016 will be paid on July 26, 2017 to Depositors registered in the Record of Depositors at the close of business on June 30, 2017.

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

a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on June 30, 2017 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)
GUNN CHIT GEOK (MAICSA 0673097)
Secretaries

April 19, 2017

Penang

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

1. Introduction

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

At the Company's Annual General Meeting ("AGM") held on May 18, 2016, 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 issued and paid-up share capital of the Company as at the point of purchase and an amount not exceeding the total retained profits of RM73,614,743 and / or share premium account of RM47,122,926 of the Company based on the audited financial statements for the financial year ended December 31, 2015.

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 Nineteenth (19th) 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 Nineteenth (19th) 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, 2017, the Company announced that UCHITEC is proposing to seek its shareholders' approval at the AGM of UCHITEC to be convened in 2017 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, 2016 is RM 81,467,699.

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, 2016, the Group has a cash and cash equivalent balance of RM 200,760,279.

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

As of March 16, 2017, the Record of Depositors of the Company showed that 304,506,527 Shares representing approximately 69.74% 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] 69.74%	[b] 66.91%

Notes:

[a] As of March 16, 2017.

[b] As of March 16, 2017, the total number of issued shares of UCHITEC is 443,695,559 Shares including 7,070,900 Shares held as treasury shares. Based on the assumption that the Proposed Renewal of Share Buy-Back Authority involves the aggregate purchase of 44,369,556 Shares (being approximately ten per centum (10%) of the total number of issued shares of the Company as of March 16, 2017, assuming no additional exercise of ESOS options prior to the implementation of the Proposed Renewal of Share Buy-Back Authority) and the number of Shares held by the Directors of the Group, the major shareholders of the Company and persons connected with them remain unchanged.

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

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

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

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

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

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

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

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

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

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

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

As of March 16, 2017, the total number of issued shares of UCHITEC stands at 443,695,559 Shares including 7,070,900 Shares held as treasury shares. Assuming that the Company purchases up to 44,369,556 UCHITEC Shares representing approximately ten per centum (10%) of its total number of issued shares as of March 16, 2017 and such Shares purchased are cancelled or alternatively be retained as treasury shares or both, the effects of the Proposed Renewal of Share Buy-Back Authority on the share capital, earnings, directors and major shareholders' interests and net assets as well as the implication relating to the Code are as set out below:

4.1 Share Capital

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

4.2 Earnings

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

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

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

4.3 Directors' and Substantial Shareholders' Interests

The effects of the Proposed Renewal of Share Buy-Back Authority on the substantial shareholders' and Directors' shareholdings based on the Register of Substantial Shareholders and the Register of Directors' shareholdings respectively as of March 16, 2017 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	%[e]	No.of Issued Shares	%[e]	No.of Issued Shares	%[f]	No.of Issued Shares	%[f]
Directors								
Kao, De-Tsan also known as Ted Kao	2,145,000	0.49	[a]86,778,696	19.88	2,145,000	0.54	[a]86,778,696	21.73
Kao, Te-Pei also known as Edward Kao	2,145,000	0.49	[b]39,276,266	8.99	2,145,000	0.54	[b]39,276,266	9.84
Huang, Yen-Chang also known as Stanley Huang (Alternate Director to Kao, De-Tsan also known as Ted Kao)	340,670	0.08	–	–	340,670	0.09	–	–
Dr. Heinrich Komesker	200,000	0.05	–	–	200,000	0.05	–	–
Ow Chooi Khim (Alternate Director to Kao, Te-Pei also known as Edward Kao)	594,000	0.14	–	–	594,000	0.15	–	–
Charlie Ong Chye Lee	395,900	0.09	–	–	395,900	0.10	–	–
Tan Boon Hoe	–	–	–	–	–	–	–	–
Substantial Shareholders								
Eastbow International Limited ("Eastbow")	83,292,026	19.08	–	–	83,292,026	20.86	–	–
Kao, De-Tsan also known as Ted Kao	2,145,000	0.49	[c]83,292,026	19.08	2,145,000	0.54	[c]83,292,026	20.86
Ironbridge Worldwide Limited ("Ironbridge")	35,327,981	8.09	–	–	35,327,981	8.85	–	–
Kao,Te-Pei also known as Edward Kao	2,145,000	0.49	[d]35,327,981	8.09	2,145,000	0.54	[d]35,327,981	8.85
Lembaga Tabung Haji	25,253,604	5.78	–	–	25,253,604	6.32	–	–

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 interest by virtue of his substantial interest in Eastbow.

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

[e] Percentage shareholding computed based on 436,624,659 UCHITEC Shares excluding 7,070,900 Shares held as treasury shares from the total number of issued shares of 443,695,559 Shares.

[f] Percentage shareholding computed based on 399,326,003 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 2016 to March 2017 are as follows:

	Highest (RM)	**Lowest (RM)**
Year 2016:		
April	1.77	1.61
May	1.80	1.68
June	1.77	1.52
July	1.62	1.49
August	1.67	1.60
September	1.68	1.63
October	1.80	1.65
November	1.83	1.73
December	1.85	1.75
	Highest (RM)	**Lowest (RM)**
Year 2017:		
January	1.85	1.75
February	1.83	1.77
March	1.83	1.78

6. Purchases Made by the Company of its Own Shares in the Financial Year Ended December 31, 2016

The information on the purchases made by the Company of its own shares during the financial year ended December 31, 2016 is set out on page 104 of this annual report.

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

Independent Non-Executive Directors
Dr. Heinrich Komesker
Tan Boon Hoe

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

Nomination Committee

Chairman
Charlie Ong Chye Lee

Members
Dr. Heinrich Komesker
Tan Boon Hoe

Remuneration Committee

Chairman
Charlie Ong Chye Lee

Members
Kao, Te-Pei also known as Edward Kao
Tan Boon Hoe

Company Secretaries

Chew Siew Cheng
MAICSA 7019191

Gunn Chit Geok
MAICSA 0673097

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,
Taiwanese, Aged 59, Male

Mr. Ted Kao was appointed to the Board of Directors of Uchi Technologies Berhad (UCHITEC) on March 10, 2000 as Managing Director. He was appointed as the Chairman of the Company on November 26, 2001 and was redesignated as Managing Director on September 1, 2012. He is also a member of the Employee Share Option Scheme Committee of UCHITEC.

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. and Uchi Optoelectronic (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,
Taiwanese, Aged 57, 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 on March 29, 2000 and resigned as a member of the Audit Committee on March 1, 2008. 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.

DR. HEINRICH KOMESKER, *German, Aged 65, 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 and Nomination Committee on March 1, 2008 and June 1, 2010 respectively.

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, *Malaysian, Aged 73, 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. Mustapha bin Hussain, later Messrs. Mustapha, Jayaraman & Co., then Messrs. Mustapha, 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 Manecksha under the name and style of Messrs. Ong & Manecksha. 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 & Manecksha.

He also sits on the Board of IQ Group Holdings Berhad

TAN BOON HOE, *Malaysian, Aged 61, 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 currently does not hold any directorship in other public companies and listed issuers.

HUANG, YEN-CHANG also known as STANLEY HUANG, *Taiwanese, Aged 46, 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, *Malaysian, Aged 48, Female*

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

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

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

Note:

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

Saved as disclosed, none of the other Directors have:

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

CHIN YAU MENG, *Malaysian, aged 56, Male*

Mr. Chin 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 overall operations of Uchi Dongguan.

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

NYEO TIAM JOO, *Malaysian, aged 51, Male*

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

His interest in research & development was sparked when he was appointed as R&D Engineer in Tung Kuang Ent. Ltd., Taiwan, in 1989. He headed back to his hometown in Johor, Malaysia, to join Sharp Manufacturing Corp. (Sharp) as Assistant Engineer in 1992. He then resigned from Sharp and moved to Penang in 1993 to join Uchi Electronic (M) Sdn. Bhd. (UEM) as an Engineer. He was promoted to Senior Engineer in 1994 and later transferred to Uchi Optoelectronic (M) Sdn. Bhd. (UOM) in 1996. In 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 products. Today, he is also the Assistant Management Representative related to the Environmental Management System and Occupational Safety & Health Management System.

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

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

Mr. Eng obtained a Diploma in Electronic Engineering from Tunku Abdul Rahman College in 1989.

He started his career as Technical Specialist in National Semiconductor in 1989 and moved to Interquartz (M) Sdn. Bhd. in 1990 as R&D Engineer. In 1991, he was attached to Uchi Electronic (M) Sdn. Bhd. (UEM) as the pioneer R&D Electronic Engineer. He was subsequently promoted to R&D Senior Engineer upon achieving excellent project management performance in 1994. He became one of the key staff in R&D for developing new projects with customers. He was transferred to Uchi Optoelectronic (M) Sdn. Bhd (UOM) two years later and appointed to lead the whole 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. He is currently leading a strong technical project team in UCHI Group of Companies on project management for research, development and 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.

LIM CHIN KOK, *Malaysian, aged 45, Male*

Mr. Lim holds a Diploma in Material Engineering, Engineering Council I (UK) and is completing 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 Certified Auditors (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 52, 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.

KEOH LAY BIN, *Malaysian, aged 53, 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.

OO SIEW PHAIK, *Malaysian, aged 55, 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.

TAN AI LIN, *Malaysian, aged 44, 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 in 2014 to manage the Sales Department as a Department Head cum Assistant to Administration Division Head. She 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

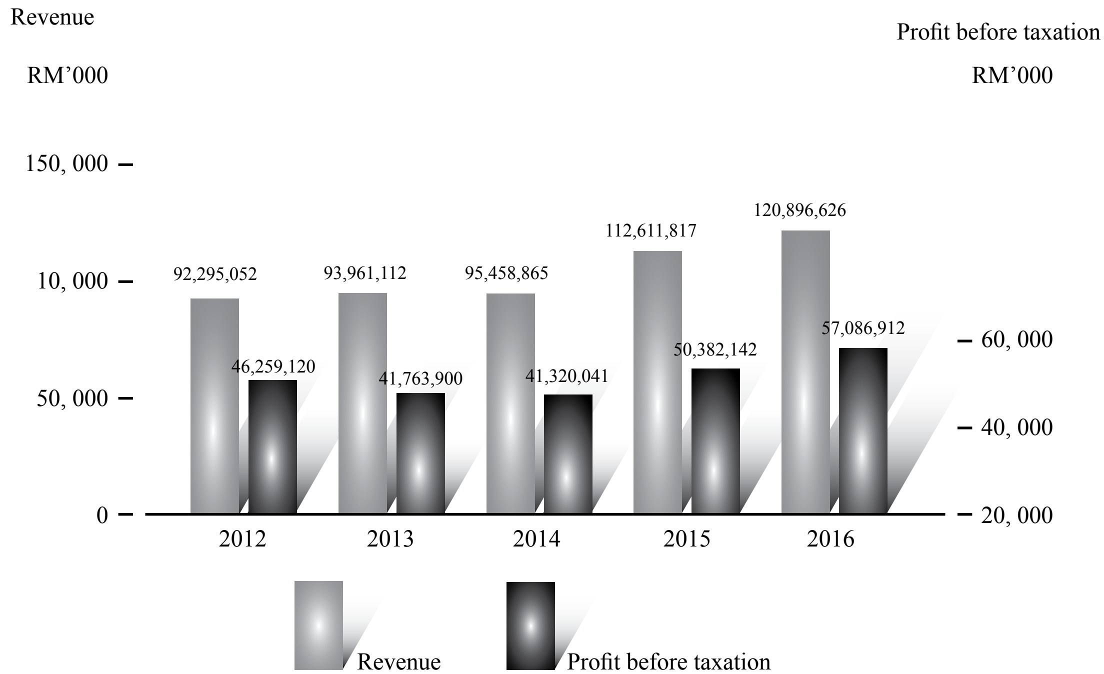
Year ended December 31	2012 RM	2013 RM	2014 RM	2015 RM	2016 RM
Revenue	92,295,052	93,961,112	95,458,865	112,611,817	120,896,626
Profit before taxation	46,259,120	41,763,900	41,320,041	50,382,142	57,086,912
Profit after taxation	44,831,224	39,073,487	40,109,239	49,297,964	55,507,737
Dividends declared and paid in respect of financial year ended:					
Dividend per share (Sen)	12	10	10	11	5
Amount Paid (net of tax)	44,333,595	35,737,609	37,802,670	45,491,449	21,831,233
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	34,929,973 [1)]
Total Amount Paid and Payable (net of tax)	44,333,595	35,737,609	37,802,670	45,491,449	56,761,206 [2)]
Total Assets Employed	234,541,742	218,626,207	242,238,614	279,690,474	303,385,953
Shareholders' equity	187,106,623	190,904,593	193,019,197	230,666,213	251,665,757
Net tangible assets	187,106,623	190,904,593	193,019,197	230,666,213	251,665,757
Number of ordinary shares issued and fully paid as of December 31	376,509,200 of RM0.20 each	377,600,600 of RM0.20 each	378,955,400 of RM0.20 each	394,867,700 of RM0.20 each	443,695,559 of RM0.20 each [3)]
Proforma weighted average number of shares	369,436,395	369,587,906	371,196,416	379,946,800	415,280,349
Net Earnings Per Share (Sen)	12.13	10.57	10.81	12.97	13.37
Return on Equity	24.0%	20.5%	20.8%	21.4%	22.1%

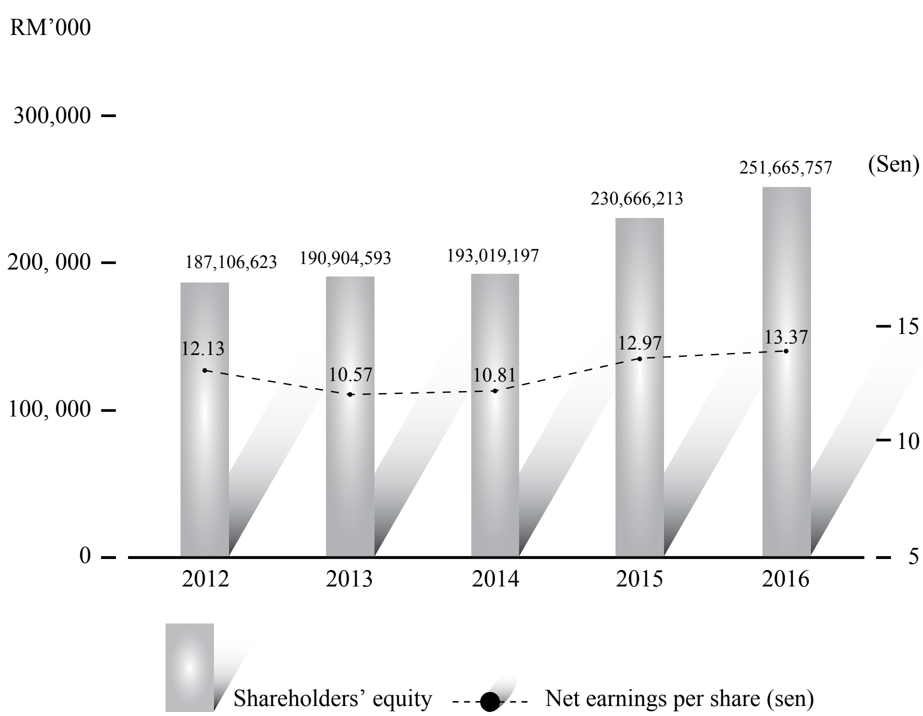
1) Represents approximation of dividend payable base on total number of issued shares as of February 28, 2017. Actual amount of dividend payable shall be determined at the close of business on June 30, 2017 if the said dividends are approved by the shareholders at the forthcoming Annual General Meeting.

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

3) Of the total 443,695,559 issued and fully paid ordinary shares, 7,070,900 shares are held as treasury shares by the Company. As at December 31, 2016, the number of outstanding shares issued and fully paid is 436,624,659 ordinary shares.

FINANCIAL HIGHLIGHTS





Dear 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 2016.

A Steady Progress

Global economies continued to face challenges. Nevertheless, within UCHITEC, the adverse impacts, which also include increasing operating costs, were somewhat mitigated by a strengthening USD against a weakened Ringgit.

Consequently, despite the uncertainties faced in the global landscape, I am happy to announce that once again, the Group has managed to achieve a commendable financial performance in 2016, during which we were able to meet our target of delivering an operating profit margin of 43%. Furthermore, on June 10, 2016, with shareholders' approval at an Extraordinary General Meeting (EGM), we also completed a 1 for 10 bonus issue for a total of 39,238,049 bonus shares to shareholders.

Our customers have always been our priority. Ever since our establishment, we have endeavoured to go the extra mile in ensuring that we are able to help them realise their ideas and goals. Financial Year 2016 was no different, and we continued to challenge ourselves to keep innovating and coming up with better solutions that are able to improve efficiency in all aspects and increase overall performance. Consequently, I am pleased to report that the Group recorded a customer reject rate of 0.12% in 2016 (2015: 0.15%), making it the fourth consecutive year that the Group recorded a customer reject rate of below 0.20%. Additionally, our on-time shipment improved from 95% in 2015 to 97% in 2016.

Toward a Sustainable Future

Understanding our role as a global corporate citizen, UCHITEC is committed to upholding our responsibility in nurturing a better future for all. In doing so, we are able to move a step closer toward our ultimate goal of enhancing our shareholders' value and creating a socially and environmentally conscious business that leaves a positive impact, which safeguards and enhances the communities and environment around us.

To minimise damage to the local communities and environment in which we operate, the Group endeavours to incorporate social, educational and/or health-related programmes and systems that adhere to OHSAS as well as various other environmental and quality policies. This not only facilitates the sustainability and development of the environment and our business, but also builds trust with and addresses the concerns of all our stakeholders, including employees, suppliers, customers and communities.

Among the highlights of the Group's CSR activities during the year under review were sponsorships of charitable events and numerous activities to encourage healthy living among employees. Additionally, we once again collaborated with Majlis Perbandaran Seberang Perai (MPSP) to continue with the River Rehabilitation Campaign which was started in 2015, and are pleased to report that the quality of water has improved after our previous Effective Microorganisms (EM) mudballs tossing efforts (refer page 27 of this annual report).

2016 also witnessed the Group investing in a Grid-Connected Photovoltaic Power System that further underlines our endeavours in safeguarding the environment by utilising renewable energy.

The Group believes that a product's true environmental impact needs to be determined right from the design stage and encompass its entire lifecycle, including resources used, as well as the manufacturing, packaging, transportation, disposal and recycling processes. In view of that, our most significant contribution stems from our energy-saving modules for household and office equipment. These comply with European eco-design requirements that incorporate standby and off-mode electrical power consumption of less than 0.5watt.

We are also proud to announce that we were ranked No. 4 for the "Excellence Award for Top Corporate Governance & Performance (Special Category)- Market Cap between RM300 million and RM1 billion" for the Malaysia-Asean Corporate Governance Transparency Index, Findings and Recognition 2016, which was organised by the Minority Shareholder Watchdog Group. As with previous years, UCHITEC also continues to diligently comply with the Malaysian Code on Corporate Governance 2012 (MCCG) at all times.

Upholding Employee Wellbeing

At UCHITEC, our people are what fuel the success of the Group. As such, it is imperative that we provide a conducive environment that can attract new talent, retain existing ones and ensure their personal and professional development to ultimately facilitate the sustainable growth of both the Group and our employees.

Among others, the Group has cultivated a work culture whereby our employees are able to take pride in their contributions to the workplace and be committed to deliver their best at all times. We also encourage them to enjoy work-life balance and emphasise mutual respect and trust among all levels of employees, without exceptions.

As a token of our appreciation to our employees for their hard work and contribution to the Group, UCHITEC had launched an Employee Share Option Scheme (ESOS) in 2006, which subsequently expired in 2016 after 10 years. Nevertheless, upon the termination of ESOS 2006 in August 2016 and obtaining shareholders' approval in an EGM during the year, we launched the Uchi Technologies Berhad ESOS 2016 in November 2016. In view of this, during the year under review, a total of 19,211,500 options (19,096,000 from ESOS 2016 and 115,500 from ESOS 2006) were allocated for our employees.

Pioneering the Industry

In a technology-centric industry, it is only apt that we at UCHITEC are able to keep our fingers firmly on the pulse of current and upcoming innovations. We do this by heavily investing in our research & development entity to enhance existing products, develop new ones and improve on our overall operations to ensure that we meet all our corporate goals seamlessly as we progress on our journey. These also include our human resource development as well as vendor relationship management to encourage high performance outcomes that will maximise value for all our stakeholders.

Consequently, as we soldier on in this volatile economic climate, we are cautiously optimistic of attaining yet another year of solid financial performance and a solid balance sheet.

Acknowledgements

On behalf of the Board of Directors, I would like to express our appreciation to all our stakeholders who have played an instrumental role in the growth of the Group throughout the year under review.

Firstly, a big thank you goes to the management team and employees of UCHITEC who have all worked so hard in driving the Group closer to our goals. We are also grateful to our valued business partners and associates, customers, vendors, bankers, financiers and government authorities for their unwavering confidence in our ability to deliver.

Last but definitely not least, my appreciation goes to my fellow Board members for their stalwart guidance in moving the Group forward steadily and confidently. Subsequently, it is with a heavy heart that I announce that Mr. Chia Tong Saik has stepped down from the Board of Directors. I would like to take this opportunity to thank him for his contribution and service to the Group through the years and wish him well in his future endeavours. On a brighter note, we would like to welcome Mr. Tan Boon Hoe on board with us. We look forward to working closely together for the benefit of our shareholders.

Thank you.

CHARLIE ONG CHYE LEE
Chairman

Overview

Uchi Technologies Berhad ("UCHITEC" or "the Group") is primarily an Original Design Manufacturer (ODM) specialising in the design, research & development, and manufacture of electronic control systems. These include software development, hardware design and system construction. We take pride in being a one-stop solutions provider with an entire spectrum of services, ranging from research & development, tool design and setup, and engineering support to the production of finished electronic control systems.

The Group has 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). Consequently, we have two operating sites:

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

As the main subsidiary, UOM is principally involved in the design, and research & development of electronic control modules, while UEM and Uchi Dongguan are the assembly arms. 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	200 head count	100 head count
Capacity Utilisation	80%	80%

Exceeding Expectations

At UCHITEC, we believe that speed and innovation are our unique competencies. Ever since our business was established in 1989, our goal has been to exceed our customers' expectations. In our commitment to consistently reach higher, we always ensure that we are able to provide them with innovative technical solutions and successfully realise their goals. We are also constantly improving ourselves by enhancing existing solutions (even challenging our own solutions) to yield higher cost efficiency and better performance, and striving to attain a more competent design cycle lead time.

Our customers include global multinational leaders in products such as high-end household and commercial appliances (e.g. fully automated coffee machines) and laboratory/industrial instruments (e.g. precision weighing scales, centrifuges and pipettes). In forging technical partnerships with our customers as an ODM, our role encompasses the in-house design & development of electronic control systems as well as the manufacturing and delivery of the systems to customers for further assembly and completion.

Over 94% of our products are sold to the European market, while the balance is exported to other countries, including the USA, Japan, China and India.

Presently, our household and office equipment are ROHS compliant. They also adhere to European eco-design requirements and stringent EU energy regulations, including standby and off-mode electrical power consumption of less than 0.5 watt and the capability of being shut off completely within 15 minutes after ceasing operations.

Financial Review

At the beginning of Financial Year 2016, UCHITEC had anticipated that our revenue in USD would remain flat and consequently targeted a 43% operating profit margin. As expected, the Group's revenue in USD stayed flat during the year under review (2016: USD29.4 million; 2015: USD29.2 million), while operating expenses increased by 12%. Nevertheless, a stronger USD during the year (2016: RM4.1149/USD1.00; 2015: RM3.8558/USD1.00) allowed us to mitigate increasing costs to achieve our target.

The strengthening USD saw the Group's Operating Profit increasing from RM51.3 million in 2015 to RM52.0 million in 2016. However, the Operating Profit margin had reduced from 45.6% in 2015 to 43.0% for the year under review. This is due to several factors, including:

- An increase of 16% in material cost (2016: RM37.1 million; 2015: RM31.9 million) due to global LCD panel supply shortage and Ringgit depreciation against the USD. Nevertheless, it is significant to note that the Ringgit depreciation only affected the Group's performance at Operating Profit level. At the Profit Before Tax level, the impact was offset by the natural hedges of sales (100% denominated in USD) against purchases in USD
- An increase of 4% in labour cost, with the employee benefit expenses over revenue in 2016 amounting to RM17.4 million compared to RM16.8 million in the previous year
- Provision for expected rework claims on quality disputes for products sold of RM1.8 million (2015: RM0.4 million)
- An increase in research & development expenses of 30% (2016: RM4.3 million; 2015: RM3.3 million), which is mainly the result of an increase in the number of research & development projects

The Group's Profit Before Tax increased from RM50.4 million (with a 44.7% margin) in 2015 to RM57.1 million (with a 47.2% margin) for the year under review. This can mainly be attributed to the realised fair value gain on derivative financial instruments totalling RM2.9 million which was accounted for in the year under review, as opposed to the realised fair value loss on derivative financial instruments of RM4.6 million in 2015.

The net cash generated from UCHITEC's operations is in excess of RM57.5 million, representing 110.6% of our operating profit. Meanwhile, the cash and cash equivalent increased to RM200.8 million in 2016 compared to RM174.5 million during the previous year.

The Group's cash conversion cycle in 2016 was 59 days (2015: 48 days), which is within the tolerable limit of 60 days. The increase in the number of days was mainly because in 2016 we cleared off payables to vendors, which were previously on hold due to quality issues.

UCHITEC is completely debt-free. With a solvency ratio of 1.19 times (2015: 1.14 times) and liquidity ratio of 4.50 times (2015: 4.18 times), we have a sufficient cash flow to meet both short-term and long-term liabilities.

Our largest export market continues to be the European region, from where around 94% of our revenue is derived.

There were no significant changes to the revenue analysis by product group in 2016 compared to the prior year. 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 79%. Biotech products, meanwhile, contributed the balance 21%. Products in this category include electronic control systems, such as high precision weighing scales, centrifuges, pipette and deep freezer, which was newly introduced in 2016.

Operations Review

UCHITEC's expenditure can be categorised into six components, i.e. material consumption, employee benefit expense, depreciation and 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 54%. This was followed by employee benefit expense at 25%, depreciation and amortisation at 9%, research & development at 6%, provision for rework at 3% and other expenses at 3%.

There are several primary factors that affected the Group's activities during the year under review. The appreciation of the USD during the year had a direct impact on our operations as 100% of our revenue is denominated in USD. Consequently, an estimated 30% of the Group's revenue shall be allocated to pay off 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. During the 2016 Financial Year, UCHITEC sold forward a total contracted sum of USD18.8 million (2015: USD20.2 million) at an average rate of RM4.0196/USD1.00 (2015: RM3.4778/USD1.00). The average transaction rate was RM4.1149/USD1.00 (2015: RM3.8558/USD1.00).

At this juncture, we would like to report that the Foreign Exchange Administration rules, which were enforced by Bank Negara Malaysia with effect from December 5, 2016, will have no significant impact on the Group's financial performance. While the Group will be enhancing our administration, monitoring and reporting of trade foreign currency accounts to align with the Foreign Exchange Administration procedures, there will be no revisions necessary for our existing Forward Contract Management Policy.

Research & development is another integral entity in the Group's operations. As is our practice, approximately 7% of or revenue was budgeted for research & development activities, bringing the total expenses to RM4.3 million in 2016 (2015: RM3.3 million). This increase in amount can mainly be attributed to an increase in the number of research & development projects from 7 product families in 2015 to 10 product families in 2016. We also have numerous projects that are in various stages of the research & development cycle.

2016 saw the Group spending RM2.9 million in capital expenditure, most of which was used to invest in a Grid-Connected Photovoltaic Power System, which was completed in December 2016. This is in line with our commitment to green practices by adopting renewable energy approaches and also to mitigate utility costs.

In recognising the volatile nature of the global climate, UCHITEC has effective contingency plans on hand in order to mitigate unnecessary risks. We adopt a resilient and highly versatile operating model that incorporates our Enterprise Risk Management (ERM) Framework. Utilising a structured systematic process to identify business risks and lessen their impact on the Group's operations, the ERM framework acts as the core management competency. Consequently, we are guided by ERM principles to ensure that internal control systems are in place and effectively monitored.

ERM Framework 2016 was completed in the first quarter of the year, and consistently monitored and reviewed throughout the year to adapt to business and market changes as necessary.

A Cautiously Optimistic Future

As the global marketplace remains volatile, our customers continue to remain cautious in placing their orders. Nevertheless, based on our current knowledge, we anticipate that our 2017 revenue in USD will be as good as or better than what we have achieved in 2016. As such, we target a modest estimate of 40% operating profits for 2017, assuming that the USD stays at or above RM4.40/USD1.00.

We do not expect any significant changes in our principal geographical areas of distribution and product group contributions. However, factors that will play a hand in determining our performance next year include fluctuations in USD, material shortages or fluctuations in material prices and increasing labour costs due to manpower shortage.

In order to address the aforementioned issues, we aim to enhance supplier relationship management so as to tap into our suppliers' capabilities. This way, we will be able to minimise supply risk exposure, increase our responsiveness to market changes and shorten our order fulfilment lead times.

Additionally, in ensuring management efficiency, the Group recognises that scale economies play an important role in improving our productivity ratio. With that in mind, we will endeavour to encourage positive performances and improved business processes. Consequently, we aspire to eliminate unnecessary work that consumes time without adding value, simplify tasks that contribute to product quality service, and implement new systems that are able to improve our overall processes and ensure quality outcomes.

Because of its pioneer status, UOM is currently not being taxed for income generated from the research & development and manufacture of pioneer products. However, this pioneer status will be expiring on December 31, 2017. With the Group being at the forefront of new and innovative technology, UOM will endeavour to obtain approval from the relevant authorities to extend its pioneer status and consequently further facilitate our efforts in applying new technologies in our designs, processes and products. Nevertheless, this extension is subject to the approval of the relevant authorities.

For 2017, the Group is budgeting an estimated RM5 million for capital expenditure requirements, including normal wear and tear and replacements of facilities. Additionally, as we believe that research & development is a key success determinant in UCHITEC's business, we will continue to allocate 7% of our budget for research & development.

At this juncture, our research & development team is working on numerous projects that are scheduled to be launched in 2017. However, we have limited details to share due to our confidentiality clauses with our customers. Nevertheless, the Board of Directors is aware of its responsibility in ensuring the detailed, timely and accurate disclosure of material information concerning the Group to the public and shall make the necessary announcement when necessary.

Declaration of Dividends

Since 2003, UCHITEC's Group Dividend Policy has been to allocate a minimum of 70% of our net profit as dividend. Financial Year 2016 has been no different. Consequently, 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 interim dividend of 5 sen per share tax exempt, which was paid in January 2017, brings the total dividend declared for 2016 to be at 13 sen (2015: 11 sen). This represents a 18% increase compared to the year before, which is equivalent to a payout ratio of 97%. 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.

Appreciation

At UCHITEC, we would like to extend our heartfelt gratitude to all our stakeholders who have supported us through the years. These include our valued customers, business associates, vendors, relevant authorities, bankers and financiers and investors.

The Group also takes this opportunity to acknowledge the contributions of our amazing 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

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, 2016, the Group had organized social visits and donations to Pusat Jagaan Kasih Abadi, Pusat Jagaan Kamakshi Child Home and Eden Handicap Service Centre Berhad.

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. and Uchi Technologies (Dongguan) Co., Ltd. are OHSAS 18001:2007 certified company 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.

Participation in Eden Charity Food Fair 2016

Environment

Uchi Optoelectronic (M) Sdn. Bhd. and Uchi Technologies (Dongguan) Co., Ltd. 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.

Uchi Optoelectronic (M) Sdn. Bhd.'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.

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

Environmental impacts and pollution are some of the key topics being discussed, both in Malaysia and globally. In its efforts to address this issue, among others, in 2015, Uchi Optoelectronic (M) Sdn. Bhd. (UOM) initiated a River Rehabilitation Campaign involving clean-up activities with Effective-Microorganism ("EM") mudballs. As part of the Group's CSR programme, it involved the efforts of the entire top management and employees of UOM, who all learned about and participated in mixing the ingredients to form "balls" that were subsequently fermented. Termed "bokashi" in Japanese, which means "shading off, gradation", the ingredients are all natural (rice bran fermented with EM and molasses), without any chemical compositions, and mixed with clay.

The campaign was led by 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 mudballs into the drain at the back of the manufacturing site. The EM mudballs, 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.

Making mudballs in process

Tossing mudball for clean water environs

Chemical spillage drill

As of December 5, 2016, the Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) have improved from polluted levels to well above the acceptance standard levels (below 50 mg/L and 200 mg/L) respectively. The river is now safe for breeding fish and other eco-organism.

Water Quality Indicator	Standard Requirement	Before EM mudball tossing on 20/1/2016	After EM mudball tossing on 5/12/2016
Biochemical Oxygen Demand (mg/L)	≤50	210.0	3.0
Chemical Oxygen Demand (mg/L)	≤200	721.0	13.6

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 Board is pleased to present to the shareholders that the Company has adopted the eight (8) principles and twenty-six (26) recommendations of the Malaysian Corporate Governance Code 2012 ("MCCG 2012") as the Company governance structure and processes.

A. 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 members 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.

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 *(Recommendation 1.7 of the MCCG 2012)*.

B. DIRECTORS

The Responsibilities of the Board and Management

The Board explicitly assumes the following principal duties and responsibilities *(Recommendation 1.2 of the MCCG 2012)* 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 *(Recommendation 1.1 of the MCCG 2012)*.

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 Ethics is also available on the Company's website. The principles on which this Code rely are those that concern transparency, integrity, accountability and civic social responsibility.

B. DIRECTORS (cont'd)

Code of Ethics (cont'd)

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.

Board Balance

The Board must ensure that at least 2 Directors or 1/3 of the Board of Directors, whichever is the higher, are Independent Directors.

The Board currently comprises of five (5) Directors, of which two (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 *(Recommendation 3.5 of the MCCG 2012)*.

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

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

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 *(Recommendation 3.4 of the MCCG 2012)*. The Chairman, Mr. Charlie Ong Chye Lee, an Independent Non-Executive Director is responsible for effective functioning of the Board, and together with the Managing Director and the other 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.

Mr. Charlie Ong Chye Lee who 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.

The Board's standards for determining the independence of a Director is set forth in the Board Charter (*Recommendation 3.1 of the MCCG 2012*). 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 2016, 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.

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.

B. DIRECTORS (cont'd)

Board Balance (cont'd)

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, 2017
Dr. Heinrich Komesker	January 1, 2007	10 years 3 months
Charlie Ong Chye Lee	July 1, 2008	8 years 9 months
Tan Boon Hoe	August 1, 2016	8 months

Dr. Heinrich Komesker's tenure on the Board reached a cumulative term of nine (9) years on December 31, 2015 while Mr. Charlie Ong Chye Lee's service is approaching nine (9) years tenure on June 30, 2017. The Nomination Committee, with Dr. Komesker and Mr. Charlie Ong abstaining from the deliberation of their own assessment respectively, has assessed their 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.

- They have met the criteria under the definition of Independent Director pursuant to Chapter 1 of the Listing Requirements of Bursa Malaysia Securities Berhad; and
- They have 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
- They consistently challenge the management in an effective and constructive manner; and
- They actively express their views and participate in Board deliberations and decision making in an objective manner; and
- Their length of service on the Board does not in any way interfere with their 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 Dr. Komesker and Mr. Charlie Ong as Independent Non-Executive Director of the Company (*Recommendation 3.2 & 3.3 of the MCCG 2012*).

Board Meetings

The Chairman is responsible for ensuring Board effectiveness and the Board meets at least four times a year, with additional meetings convened as necessary. It has a formal time schedule that is pre-determined in advance. The Agenda and Board papers for each meeting are circulated at least one week in advance before each meeting to the Board members. It has a formal schedule of matters reserve to it, which includes strategy and policy issues, major investments, financial decisions and the annual plan. The Board and its committees are 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. The Board met four times in this financial year. 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, 2016 are as follows:

No.	Director	Year 2016 Period of Directorship	Total No. of Meetings	Attendance
1.	Kao, De-Tsan also known as Ted Kao	1/1/2016 to 31/12/2016	4	4
2.	Kao, Te-Pei also known as Edward Kao	1/1/2016 to 31/12/2016	4	4
3.	Dr. Heinrich Komesker	1/1/2016 to 31/12/2016	4	4
4.	Charlie Ong Chye Lee	1/1/2016 to 31/12/2016	4	4
5.	Chia Tong Saik	1/1/2016 to 31/8/2016	3	3
6.	Tan Boon Hoe	1/8/2016 to 31/12/2016	2	2
7.	Huang, Yen-Chang also known as Stanley Huang (Alternate Director to Kao, De-Tsan also known as Ted Kao)	1/1/2016 to 31/12/2016	4	4
8.	Ow Chooi Khim (Alternate Director to Kao, Te-Pei also known as Edward Kao)	1/1/2016 to 31/12/2016	4	4

B. DIRECTORS (cont'd)

Supply of Information

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

The Directors review the Board reports prior to the Board meeting. Board reports are issued at least one week in advance before the scheduled meeting to enable the Directors to review the papers in preparation for the meeting and to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

In addition to the Group performance discussed at the meeting, the Board would also discuss, review and decide the approval of acquisitions and disposals of assets that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

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 (*Recommendation 1.5 of the MCCG 2012*).

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 (*Recommendation 1.6 of the MCCG 2012*).

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.

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 2016, 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 (*Recommendation 4.2 of the MCCG 2012*):

- Important Industrial & Higher Court Decisions of 2015
- Managing Boardroom Dynamics In Turbulent Times
- Handling Dismissal Cases at the Industrial Court
- Corporate Governance Statement Reporting Workshop
- Impact of Trans Pacific Partnership Agreement on Malaysia Labour Legislation & Industrial Relations
- Incoterms 2010 Import & Export Negotiations
- Practical Challenges & Impact of the Companies Bill 2015
- National Tax Seminar
- Deloitte Taxmax, Brave Decision, Brave Action
- Bottomline On Return On Investment
- The New You Talk
- Management Discussion And Analysis Statement – What & How to Disclose
- Transition Training for ISO 9001: 2015
- Integrated ISO 9001: 2015 & 14001 : 2015 Transition & Awareness Training

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.

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.

B. DIRECTORS (cont'd)

Appointments of the Board (cont'd)

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

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

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

Directors are required to advise the Chairman in writing in advance of accepting an invitation to serve on the Board of another public company and to declare their directorship semi-annually (*Recommendation 4.1 of the MCCG 2012*).

For the year ended December 31, 2016, the Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at the Board meeting summarises on page 30 of this annual report.

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 has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years are required to submit themselves for re-appointment annually in accordance with the recommendations of the MCCG 2012 accordingly.

The Board Committees

The following committees are established to assist the Board in the discharge of its duties:

i. The Audit Committee

The composition and terms of reference of this Committee together with its report are presented on pages 36 to 38 of this annual report.

ii. The Remuneration Committee

The Remuneration Committee was established by a resolution of the Board on November 27, 2001. Currently, the Committee comprised mainly of Non-Executive Directors, namely:

Chairman	:	Charlie Ong Chye Lee Senior Independent Non-Executive Director
Members	:	Tan Boon Hoe Independent Non-Executive Director
		Kao, Te-Pei also known as Edward Kao 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 (*Recommendation 2.3 of the MCCG 2012*).

For the year ended December 31, 2016, 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:

- **Salary and Benefits-in-Kind**
  The Executive Directors are entitled to a fixed component of remuneration package which includes a monthly salary, employer contributions to the Employee Provident Fund, benefits-in-kind such as the provision of accommodation allowance and medical coverage; and performance-based bonus.

- **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.

- **Other Emoluments**
  Other Emoluments consist of equity-settled share-based payment 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.

B. DIRECTORS (cont'd)

The Board Committees (cont'd)

ii. The Remuneration Committee (cont'd)

The details of the remuneration of the Directors for the financial year ended December 31, 2016 are as follows:

Category	Fees	Salaries & Other Emoluments	Benefits in Kind	Total
The Company				
	RM	RM	RM	RM
Executive Directors	132,400	1,186,754	55,000	1,374,154
Non-Executive Directors	236,400	50,452	–	286,852
Total	368,800	1,237,206	55,000	1,661,006
The Group				
Executive Directors	180,400	1,336,546	55,000	1,571,946
Non-Executive Directors	236,400	50,452	–	286,852
Total	416,800	1,386,998	55,000	1,858,798

Range of Aggregate Remuneration	Executive	Non-Executive
RM1 to RM50,000	–	2
RM50,001 to RM100,000	–	–
RM100,001 to RM150,000	–	2
RM150,001 to RM200,000	2	–
RM200,001 to RM250,000	2	–
RM600,001 to RM650,000	1	–

iii. The Nomination Committee

The Nomination Committee was established by a resolution of the Board on November 27, 2001. Currently, the Committee comprised exclusively of Independent Non-Executive Directors (*Recommendation 2.1 of the MCCG 2012*), 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

Summary of activities of the Nomination Committee in 2016 are as follows:

- identified and made recommendation to the Board of Directors, the nominees qualified to become Board members and Board Committee members after taken into consideration the qualifications and desirable characteristic of directors and director's independence standards set forth in the Board Charter and such other factors as it deems appropriate;
- 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(s) who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (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;

B. DIRECTORS (cont'd)

The Board Committees (cont'd)

iii. The Nomination Committee (cont'd)

- reviewed and reassessed the adequacy of the Board Charter which is available on the Company's website, including the evaluation criteria of recruitment and assessment of Directors (*Recommendation 2.2 of the MCCG 2012*).

iv. The Employee Share Option Scheme ("ESOS") Committee (of which, also comprise of 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 total number of issued shares of the Company. During the financial year ended December 31, 2016, the Company granted total share options of 19,211,500 ordinary shares to eligible employees. As of December 31, 2016, balance number of share options available for allotment under ESOS 2016 was 19,051,000 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, 2016, the actual allocation of share options to Directors and key senior management was 39%.

The details of share options granted to and exercised by the Directors during the year under review are presented on page 46 of this annual report.

C. SHAREHOLDERS

Relations With Shareholders and Investors

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 (*Recommendation 8.3 of the MCCG 2012*).

The Annual General Meeting (AGM) & Extraordinary General Meeting (EGM)

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 meeting. The Board also shared with the shareholders the Company responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group (*Recommendation 8.1 of the MCCG 2012*).

Corporate Website

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 (*Recommendation 7.2 of the MCCG 2012*).

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 (*Recommendation 7.1 of the MCCG 2012*).

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.

D. ACCOUNTABILITY AND AUDIT (cont'd)

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, 2016, 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, 1965 and the Listing Requirements of the Bursa Securities (*Recommendation 5.1 of the MCCG 2012*);
- 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, 2016 on March 28, 2017.

Internal Control

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 (*Recommendation 6.1 of the MCCG 2012*). Statement on Internal Control incorporating report on risk management and internal audit function is set out on pages 39 & 40 of this annual report.

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. (*Recommendation 5.2 of the MCCG 2012*)

The re-appointment of Deloitte PLT as auditors of the Company is subject to shareholders' approval at the forthcoming annual general meeting.

COMPLIANCE STATEMENT

The Board is satisfied that the Company fully complied with the principles and recommendations of the MCCG 2012.

The collective approval by the Board on this Statement was tabled on March 28, 2017.

For and on behalf of the Board of Directors of

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

Charlie Ong Chye Lee
Chairman

The Board of Directors of Uchi Technologies Berhad is pleased to present the report of the Audit Committee for the year ended December 31, 2016.

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

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.

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 under Employee Share Option Scheme to ensure that this was in compliance with the allocation criteria determined by the ESOS committee and in accordance with the By-Laws approved by shareholders;
- 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, 2016, 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, 2016 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 of work for the year;
- Reviewed the audited financial statements for the year ended December 31, 2016 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;
- 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; and
- Reviewed the allocation of options during the year under the Employee Share Option Scheme 2006 (ESOS 2006) & 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 By-Laws of the ESOS 2006 & ESOS 2016.

INTERNAL AUDIT FUNCTION

In respect of the financial year ended December 31, 2016, 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:

- control environment review on risk management;
- human resource management;
- review of GST input and output claims.

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, 2016 was approximately RM41,010.

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, 2016, 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 Group's 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 ISO9001:2008, ISO14001:2004 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, Head of Divisions 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

KEY RISK MANAGEMENT & INTERNAL CONTROL PROCESSES (cont'd)

- 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 Board appointed a professional services firm to assist the Audit Committee in discharging its duties and responsibilities in relation to internal audit function. The internal audit team reported directly to the Audit Committee (*Recommendation 6.2 of MCCG 2012*).

The internal audit team provides an independent assessment on the efficiency and effectiveness of the Group'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 the Group.

The internal audit function 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 2016 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 March 28, 2017.

FINANCIAL STATEMENTS

ISO 9001 QUALITY POLICY

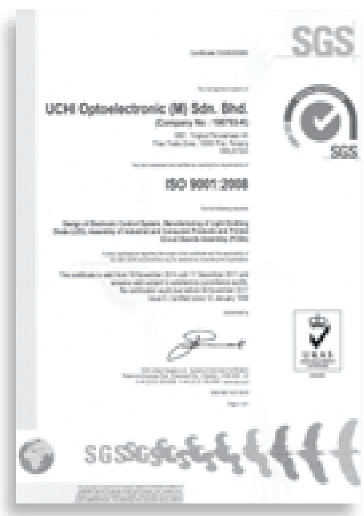
Uchi Optoelectronic (M) Sdn Bhd believes that "Exceed Customers' Expectations Through Continuous Improvement" is the key to sustain success in business

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

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

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

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



宇琦光电（东莞）有限公司
ISO9001

质量方针：
满足顾客需求，持续不断改善

质量目标：
全部顾客满意是我们的首要目标

The directors of **UCHI TECHNOLOGIES BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2016.

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	55,507,737	52,675,360

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 6 sen per ordinary share, tax exempt, amounting to RM26,101,599 in respect of the financial year ended December 31, 2015 was declared and paid by the Company during the current financial year.

The directors declared an interim dividend of 5 sen per ordinary share of RM0.20 each, tax exempt, amounting to RM21,831,233, in respect of the current financial year. The interim dividend had been paid in January 2017.

The directors also proposed a final dividend of 8 sen per ordinary share of RM0.20 each, 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 RM34,929,973 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 RM78,973,540 divided into 394,867,700 ordinary shares of RM0.20 each to RM88,739,112 divided into 433,695,559 ordinary shares of RM0.20 each by way of:

(a) a bonus issue of 39,238,049 new ordinary shares of RM0.20 each through capitalisation of RM7,847,610 from the share premium account on the basis of one new ordinary share of RM0.20 each for every ten existing ordinary shares of RM0.20 each held; and

(b) issuance of 9,589,810 new ordinary shares of RM0.20 each for cash pursuant to the Employees' Share Options Scheme ("ESOS") of the Company at exercise prices ranging from RM0.89 to RM1.46 per ordinary shares.

The resultant premium arising from the shares issued pursuant to the ESOS of RM11,354,364 was credited to the share premium account.

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 RM436 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 RM2.18 per share. The repurchased shares are held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

EMPLOYEES' SHARE OPTION SCHEME

On August 8, 2006, 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 26, 2006. The Company had extended the ESOS for another period of 5 years commencing August 8, 2011 on the same terms and conditions as mentioned in the By-Laws. The extended share options are exercisable at any time within the option period up to August 7, 2016. The existing ESOS expired during the financial year.

On November 8, 2016, the Company implemented a new ESOS for a period of 5 years. The new 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 or at par value of the ordinary shares of the Company, whichever is higher. Upon the effective date of the Companies Act, 2016 of January 31, 2017, the ordinary shares do not have any par value.

(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 1.1.2016**	**Granted**	**Exercised**	**Lapsed/ forfeited**	**Balance as of 31.12.2016**
		RM					
August 8, 2006	August 7, 2016	2.99*	11,625,500	1,162,550**	–	(12,788,050)	–
November 8, 2006	August 7, 2016	2.89*	35,000	3,500**	–	(38,500)	–
February 8, 2007	August 7, 2016	2.92*	443,000	44,300**	–	(487,300)	–
May 8, 2007	August 7, 2016	3.01*	471,000	47,100**	–	(518,100)	–
May 28, 2007	August 7, 2016	3.00*	800,000	80,000**	–	(880,000)	–
August 8, 2007	August 7, 2016	2.72*	79,500	7,950**	–	(87,450)	–
November 8, 2007	August 7, 2016	2.61*	63,000	6,300**	–	(69,300)	–
February 6, 2008	August 7, 2016	1.92*	55,000	5,500**	–	(60,500)	–
May 8, 2008	August 7, 2016	2.09*	120,000	12,000**	–	(132,000)	–
August 8, 2008	August 7, 2016	1.75*	425,500	42,550**	–	(468,050)	–
November 7, 2008	August 7, 2016	0.89*	4,000	400**	(4,400)	–	–
May 15, 2009	August 7, 2016	1.21*	797,000	35,100**	(832,000)	(100)	–
August 7, 2009	August 7, 2016	1.21*	1,249,200	40,820**	(1,276,250)	(13,770)	–
February 8, 2010	August 7, 2016	1.20*	469,700	40,720**	(375,650)	(134,770)	–
August 6, 2010	August 7, 2016	1.22*	54,000	2,400**	(56,400)	–	–
November 8, 2010	August 7, 2016	1.22*	15,000	1,500**	(16,500)	–	–
February 8, 2011	August 7, 2016	1.19*	40,000	4,000**	–	(44,000)	–
May 6, 2011	August 7, 2016	1.28*	10,000	1,000**	–	(11,000)	–
August 8, 2011	August 7, 2016	1.21*	20,000	1,000**	(21,000)	–	–
November 8, 2011	August 7, 2016	1.11*	2,000	200**	(2,200)	–	–
February 8, 2012	August 7, 2016	1.10*	61,400	–	(61,400)	–	–

EMPLOYEES' SHARE OPTION SCHEME (cont'd)

Granted on	Expiry date	Exercise price per ordinary share	Balance as of 1.1.2016	No. of options over ordinary shares Granted	Exercised	Lapsed/ forfeited	Balance as of 31.12.2016
May 8, 2012	August 7, 2016	1.12*	2,000	200**	–	(2,200)	–
November 8, 2012	August 7, 2016	1.09*	5,000	–	(5,000)	–	–
February 8, 2013	August 7, 2016	1.05*	149,000	–	(149,000)	–	–
May 8, 2013	August 7, 2016	1.13*	45,000	1,500**	(46,500)	–	–
May 28, 2013	August 7, 2016	1.23*	500,000	25,000**	(525,000)	–	–
November 8, 2013	August 7, 2016	1.35*	108,000	5,000**	(113,000)	–	–
February 7, 2014	August 7, 2016	1.23*	281,200	–	(281,200)	–	–
May 8, 2014	August 7, 2016	1.31*	196,800	16,680**	(66,740)	(146,740)	–
August 8, 2014	August 7, 2016	1.28*	230,000	17,000**	(236,000)	(11,000)	–
November 7, 2014	August 7, 2016	1.29*	30,000	–	(30,000)	–	–
February 6, 2015	August 7, 2016	1.36*	700,000	8,500**	(708,500)	–	–
May 8, 2015	August 7, 2016	1.42*	30,000	–	(30,000)	–	–
June 8, 2015	August 7, 2016	1.41*	4,904,300	288,740**	(4,556,560)	(636,480)	–
August 7, 2015	August 7, 2016	1.40*	111,900	5,650**	(111,010)	(6,540)	–
February 5, 2016	August 7, 2016	1.46*	–	121,000**	(85,500)	(35,500)	–
May 6, 2016	August 7, 2016	1.46*	–	6,050**	–	(6,050)	–
November 8, 2016	November 7, 2021	1.70	–	19,084,000	–	(45,000)	19,039,000
December 8, 2016	November 7, 2021	1.80	–	12,000	–	–	12,000
			24,133,000	21,130,210	(9,589,810)	(16,622,400)	19,051,000

* The exercise price was adjusted for the bonus issue of 39,238,049 new ordinary shares of RM0.20 each during the year.

** Inclusive of adjustment made on share options granted due to alteration in capital structure of the Company by way of bonus issue.

According to Fifth Schedule Part I(5) of the Companies Act, 2016, the Company is required to disclose the names of persons to whom any option has been granted during the financial year. The Company has applied and has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options below 445,000. The names of option holders who have been granted options for 445,000 or more to subscribe for ordinary shares of RM0.20 each during the financial year are as follows:

Name of grantee	Exercisable from	Exercise price per ordinary share RM	No. of options over ordinary shares Granted	Exercised	Balance as of 31.12.2016
Chin Yau Meng	November 8, 2016	1.70	695,000	–	695,000
Jin Lu Zeng	November 8, 2016	1.70	505,000	–	505,000
Eng Chiew Ming	November 8, 2016	1.70	445,000	–	445,000
Lim Chin Kok	November 8, 2016	1.70	445,000	–	445,000

The options granted may be exercised in a staggered basis within the option period up to November 7, 2021. The option prices for the ordinary shares under the ESOS ranges between RM1.70 to RM1.80 per ordinary share.

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

OTHER STATUTORY INFORMATION (cont'd)

(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 to realise.

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

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

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

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

(d) not otherwise dealt with in this report or financial statements 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 following directors served on the Board of the Company since the end of the previous financial year:

Kao, De-Tsan also known as Ted Kao
Kao, Te-Pei also known as Edward Kao
Dr. Heinrich Komesker
Charlie Ong Chye Lee
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)
Tan Boon Hoe (appointed on August 1, 2016)
Chia Tong Saik (resigned on September 1, 2016)

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 of RM0.20* each			
	Balance as of 1.1.2016	**Bought**	**Sold**	**Balance as of 31.12.2016**
Direct interest:				
Kao, De-Tsan also known as Ted Kao	1,950,000	195,000	–	2,145,000
Kao, Te-Pei also known as Edward Kao	1,950,000	195,000	–	2,145,000
Dr. Heinrich Komesker	200,000	530,000	(530,000)	200,000
Huang, Yen-Chang also known as Stanley Huang	309,700	30,970	–	340,670
Ow Chooi Khim	633,810	60,190	(100,000)	594,000
Charlie Ong Chye Lee	203,000	832,900	(640,000)	395,900
Indirect interest:				
Kao, De-Tsan also known as Ted Kao	94,433,360	9,443,336	(17,098,000)	86,778,696
Kao, Te-Pei also known as Edward Kao	20,162,060	19,114,206	–	39,276,266
Ow Chooi Khim	–	231,000	(231,000)	–

* Upon the effective date of the Companies Act, 2016 of January 31, 2017, the ordinary shares do not have any par value.

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 1.1.2016	**Granted**	**Bonus issue**	**Exercised/ lapsed**	**Balance as of 31.12.2016**
Kao, De-Tsan also known as Ted Kao	1,560,000	950,000	156,000	(1,716,000)	950,000
Kao, Te-Pei also known as Edward Kao	1,560,000	950,000	156,000	(1,716,000)	950,000
Dr. Heinrich Komesker	1,300,000	500,000	90,000	(1,390,000)	500,000
Charlie Ong Chye Lee	797,000	500,000	35,100	(832,100)	500,000
Huang, Yen-Chang also known as Stanley Huang	300,000	653,000	30,000	(330,000)	653,000
Ow Chooi Khim	1,150,000	695,000	115,000	(1,265,000)	695,000

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, 2016 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
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 28,2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UCHI TECHNOLOGIES BERHAD
(Incorporated in Malaysia)

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, 2016, 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 51 to 101.

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, 2016, 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, 1965 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, 1965 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 Reporting Responsibilities

The supplementary information set out in Note 34 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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 towards 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 28, 2017

Penang,

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

	Notes	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Revenue	5	**120,896,626**	112,611,817	**52,030,581**	52,011,721
Investment income	6	**5,941,352**	4,720,579	**5,315,230**	4,144,868
Other income		**6,840**	26,211	**–**	–
Other gains and losses	7	**(805,961)**	(5,639,087)	**40**	166
Raw materials consumed		**(37,236,081)**	(32,314,334)	**–**	–
Changes in inventories of finished goods and work-in-progress		**156,423**	375,865	**–**	–
Employee benefits expense	8	**(17,443,953)**	(16,812,416)	**(2,906,277)**	(3,091,916)
Depreciation and amortisation expenses		**(5,974,428)**	(6,790,626)	**(409)**	(1,872)
Other expenses		**(8,453,906)**	(5,795,867)	**(491,555)**	(324,483)
Profit before tax		**57,086,912**	50,382,142	**53,947,610**	52,738,484
Tax expenses	9	**(1,579,175)**	(1,084,178)	**(1,272,250)**	(972,470)
Profit for the year attributable to owners of the Company	10	**55,507,737**	49,297,964	**52,675,360**	51,766,014
Other comprehensive (loss)/ income, net of income tax					
Items that will be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(782,518)**	4,922,381	**–**	–
Total comprehensive income for the year, net of tax attributable to owners of Company		**54,725,219**	54,220,345	**52,675,360**	51,766,014
Earnings per share	11				
Basic (sen per share)		**13.37**	12.97		
Diluted (sen per share)		**13.37**	12.95		

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

STATEMENTS OF FINANCIAL POSITION
At DECEMBER 31, 2016

	Notes	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Assets					
Non-current assets					
Property, plant and equipment	12	**61,088,752**	64,181,857	**–**	409
Investment property	13	**7,649,957**	7,885,703	**–**	–
Prepaid lease payments on leasehold land	14	**7,266,892**	7,568,761	**–**	–
Investments in subsidiaries	15	**–**	–	**52,811,443**	54,066,921
Deferred tax assets	16	**212,318**	243,053	**110,000**	133,000
Total non-current assets		**76,217,919**	79,879,374	**52,921,443**	54,200,330
Current assets					
Inventories	17	**13,731,383**	13,854,128	**–**	–
Trade and other receivables	18	**10,920,822**	10,321,875	**37,739,488**	29,899,233
Current tax assets		**116,802**	130,000	**–**	–
Other assets	19	**1,638,748**	1,032,427	**2,000**	2,400
Short-term deposits	20	**185,865,835**	170,542,237	**149,620,918**	136,547,906
Cash and bank balances	21	**14,894,444**	3,930,433	**23,654**	16,746
Total current assets		**227,168,034**	199,811,100	**187,386,060**	166,466,285
Total assets		**303,385,953**	279,690,474	**240,307,503**	220,666,615
Equity and liabilities					
Capital and reserves					
Share capital	22	**88,739,112**	78,973,540	**88,739,112**	78,973,540
Treasury shares	22	**(11,241,985)**	(11,241,549)	**(11,241,985)**	(11,241,549)
Reserves	23	**60,011,148**	61,223,643	**58,315,649**	58,745,626
Retained earnings	24	**114,157,482**	101,710,579	**81,467,699**	73,614,743
Total equity attributable to owners of the Company		**251,665,757**	230,666,213	**217,280,475**	200,092,360
Non-current liabilities					
Deferred tax liabilities	16	**1,286,461**	1,246,163	**–**	–
Current liabilities					
Trade and other payables	25	**21,621,211**	22,699,346	**867,877**	957,987
Other financial liabilities	26	**4,595,710**	4,955,334	**–**	–
Dividend payable		**21,831,233**	19,389,850	**21,831,233**	19,389,850
Current tax liabilities		**371,758**	283,568	**327,918**	226,418
Provision for rework and warranty	27	**2,013,823**	450,000	**–**	–
Total current liabilities		**50,433,735**	47,778,098	**23,027,028**	20,574,255
Total liabilities		**51,720,196**	49,024,261	**23,027,028**	20,574,255
Total equity and liabilities		**303,385,953**	279,690,474	**240,307,503**	220,666,615

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2015	75,791,080	(11,241,138)	29,250,051	3,984,248	4,333,282	90,901,674	193,019,197
Profit for the year	–	–	–	–	–	49,297,964	49,297,964
Other comprehensive income for the year, net of income tax	–	–	–	–	4,922,381	–	4,922,381
Total comprehensive income for the year	–	–	–	–	4,922,381	49,297,964	54,220,345
Issue of ordinary shares under employee share option plan	3,182,460	–	17,872,875	–	–	–	21,055,335
Buy-back of ordinary shares	–	(411)	–	–	–	–	(411)
Recognition of share-based payments	–	–	–	970,022	–	–	970,022
Share-based payments forfeited	–	–	–	(109,216)	–	109,216	–
Payments of dividends (Note 28)	–	–	–	–	–	(38,598,275)	(38,598,275)
Balance at December 31, 2015	78,973,540	(11,241,549)	47,122,926	4,845,054	9,255,663	101,710,579	230,666,213
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**

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, 2015	75,791,080	(11,241,138)	29,250,051	6,777,646	3,984,248	60,352,216	164,914,103
Profit for the year	–	–	–	–	–	51,766,014	51,766,014
Other comprehensive income for the year, net of income tax	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	51,766,014	51,766,014
Issue of ordinary shares under employee share option plan	3,182,460	–	17,872,875	–	–	–	21,055,335
Buy-back of ordinary shares	–	(411)	–	–	–	–	(411)
Recognition of share-based payments:							
Recognised in profit or loss	–	–	–	–	405,519	–	405,519
Included in investments in subsidiaries	–	–	–	–	550,075	–	550,075
Share-based payments forfeited	–	–	–	–	(94,788)	94,788	–
Payments of dividends (Note 28)	–	–	–	–	–	(38,598,275)	(38,598,275)
Balance at December 31, 2015	78,973,540	(11,241,549)	47,122,926	6,777,646	4,845,054	73,614,743	200,092,360
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**

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities				
Profit for the year	**55,507,737**	49,297,964	**52,675,360**	51,766,014
Adjustments for:				
Depreciation and amortisation of non-current assets	**5,974,428**	6,790,626	**409**	1,872
Unrealised loss arising on financial liabilities designated as at fair value through profit or loss	**4,595,710**	4,955,334	–	–
Provision for rework and warranty	**1,799,933**	354,922	–	–
Tax expenses recognised in profit or loss	**1,579,175**	1,084,178	**1,272,250**	972,470
Expense recognised in respect of equity-settled share-based payments	**935,267**	970,022	**429,175**	405,519
Unrealised loss/ (gain) on foreign exchange	**148,679**	1,025,613	**(4)**	(3)
Property, plant and equipment written off	**31,909**	22,402	–	–
Impairment loss recognised on trade receivables	**323**	–	–	–
Investment income recognised in profit or loss	**(5,941,352)**	(4,720,579)	**(5,315,230)**	(4,144,868)
Reversal of allowance for obsolete inventories	**(90,082)**	–	–	–
Gain on disposal of property, plant and equipment	**(48,083)**	(1,394,227)	–	–
Allowance for obsolete inventories	–	84,600	–	–
Reversal of impairment loss on trade receivables	–	(113,170)	–	–
Gross dividend income from a subsidiary	–	–	**(50,000,000)**	(50,000,000)
	64,493,644	58,357,685	**(938,040)**	(998,996)
Movements in working capital:				
Decrease/ (increase) in inventories	**161,903**	(699,131)	–	–
(Increase)/ decrease in trade and other receivables	**(263,515)**	(1,157,160)	**(5,924)**	32
(Increase)/ decrease in other assets	**(604,911)**	(375,093)	**400**	(400)
(Decrease)/ increase in trade and other payables	**(1,344,050)**	(4,485,645)	**(90,110)**	230,276
Decrease in other financial liabilities	**(4,955,334)**	(3,165,152)	–	–
Cash generated from/ (used in) operations	**57,487,737**	48,475,504	**(1,033,674)**	(769,088)

	Notes	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Income taxes paid		**(1,408,153)**	(1,256,170)	**(1,147,750)**	(924,552)
Rework and warranty costs paid		**(236,110)**	(324,922)	**–**	–
Income taxes refunded		**–**	236,010	**–**	–
Net cash generated from/ (used in) operating activities		**55,843,474**	47,130,422	**(2,181,424)**	(1,693,640)
Cash flows from investing activities					
Interest received		**5,601,465**	3,821,486	**5,046,572**	3,290,699
Proceeds from disposal of property, plant and equipment		**52,958**	6,411,650	**–**	–
Payments for property, plant and equipment	12	**(2,922,039)**	(244,957)	**–**	–
Dividend received from a subsidiary		**–**	–	**50,000,000**	50,000,000
(Advances to)/ repayments by subsidiaries		**–**	–	**(7,565,673)**	10,183,742
Net cash generated from investing activities		**2,732,384**	9,988,179	**47,480,899**	63,474,441
Cash flows from financing activities					
Proceeds from issue of equity shares		**13,272,326**	21,055,335	**13,272,326**	21,055,335
Dividends paid to owners of the Company		**(45,491,449)**	(37,802,670)	**(45,491,449)**	(37,802,670)
Payments for buy-back of shares		**(436)**	(411)	**(436)**	(411)
Net cash used in financing activities		**(32,219,559)**	(16,747,746)	**(32,219,559)**	(16,747,746)
Net increase in cash and cash equivalents		**26,356,299**	40,370,855	**13,079,916**	45,033,055
Cash and cash equivalents at the beginning of the year		**174,472,670**	133,017,001	**136,564,652**	91,531,594
Effects of exchange rates changes on the balances of cash held in foreign currencies		**(68,690)**	1,084,814	**4**	3
Cash and cash equivalents at the end of the year	29	**200,760,279**	174,472,670	**149,644,572**	136,564,652

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 28, 2017

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, 1965 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, 2016.

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 MFRSs and IC Interpretations ("IC Int.") that have been issued and are not yet effective:

MFRS 9	Financial Instruments [b]
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) [b]
MFRS 16	Leases [c]
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions [b]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint venture [d]
Amendments to MFRS 107	Disclosure Initiative [a]
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses [a]
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts [b]
Amendments to MFRS 140	Transfers of Investment Property [b]
IC Int. 22	Foreign Currency Transactions and Advance Consideration [b]
Amendments to MFRSs	Annual Improvements to MFRSs 2014 – 2016 Cycle [a] or [b]

[a] Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
[b] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
[c] Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
[d] Effective for annual periods beginning on or after a date to be determined.

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 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) include requirements for the classification and measurement of financial liabilities and for derecognition, and in February 2015, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB – MFRS 9 (IFRS 9 issued by IASB in July 2015) 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 139 Financial Instruments: Recognition and Measurement 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 of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are 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) 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 the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. 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.

The directors anticipate that the application of MFRS 9 in the future may have an impact on the amounts reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Group and the Company complete a detailed review.

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

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

MFRS 15 Revenue from Contracts with Customers (cont'd)

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.

The directors anticipate that the application of MFRS 15 in the future may have an impact on the amounts reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 15 until the Group and the Company complete a detailed review.

MFRS 16 Leases

MFRS 16 specifies how an MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The directors anticipate that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Company perform a detailed review.

Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments to MFRS 2 provide requirements on the accounting for:

- effects of vesting and non-vesting conditions on measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- modification to terms and conditions of a share-based payment that changes the classification of transaction from cash-settled to equity-settled.

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

Amendments to MFRS 107 Disclosure Initiative

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from both cash flows and non-cash changes.

The amendments should be applied prospectively and comparative information is not required for earlier periods presented. Except for providing the requisite disclosures, the directors do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements.

Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to MFRS 112 provide clarification on the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. In addition, the amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

The amendments should be applied retrospectively with specific transitional relief. The directors do not anticipate that the application of the amendments will have a material impact on the Group's and the Company's financial statements.

Amendments to MFRS 140 Transfers of Investment Property

The amendments clarify that an entity can only reclassify a property from or to investment property when, and only when, there is evidence of a change in use. A change of use occurs if a property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

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

Amendments to MFRS 140 Transfers of Investment Property (cont'd)

Further, the list of circumstances that evidence a change in use as in paragraph 57(a) – (d) of MFRS 140 is now designated a non-exhaustive list of examples instead of the previous exhaustive list. Consequently, this allows for other circumstances to be accounted for as a transfer as long as that change is supported by the appropriate evidence.

The amendments apply to annual periods beginning on or after January 1, 2018 with earlier application permitted. A choice is available as to whether the amendments are to be applied either retrospectively or prospectively. The directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

IC Int. 22 Foreign Currency Transactions and Advance Consideration

This Interpretation addresses the diversity in practice as to the exchange rate used when reporting transactions that are denominated in a foreign currency in accordance with MFRS 121 The Effects of Chances in Foreign Exchange Rates in circumstances in which consideration is received or paid in advance of the recognition of the related asset, expense or income.

The clarification provided is that in such circumstances (i.e. when an entity pays or receives consideration in advance in a foreign currency), the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration (i.e. when the prepayment or income received in advance liability was recognised). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

The amendments apply to annual periods beginning on or after January 1, 2018 with earlier application permitted. A choice is available as to whether the amendments are to be applied either retrospectively or prospectively. 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.

Annual Improvements to MFRSs 2014 - 2016 Cycle

The Annual Improvements to MFRSs 2014 - 2016 Cycle include amendments to three MFRSs, as summarised below.

The amendments to MFRS 1 resulted in the deletion of short-term exemptions for first-time adopters that relate to Disclosures about financial instruments (MFRS 7), Employee Benefits (MFRS 119) and Investment Entities (MFRS 12 and MFRS 127) as these exemptions have served their intended purpose.

The amendments to MFRS 12 clarify that the only concession from the disclosure requirements of MFRS 12 is that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified, or included in a disposal group that is classified, as held for sale in accordance with MFRS 5.

The amendments to MFRS 128 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture.

These amendments apply retrospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. However, the amendment to MFRS 12 is effective for annual periods beginning on or after January 1, 2017. 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 122_{2004} Business Combinations, which were accounted for using the merger method.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsidiaries and basis of consolidation (cont'd)

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

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

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

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

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

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

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

When the Group loses control of a subsidiary, a gain or 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 and associates, and interests in joint ventures, 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 its 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 its 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%.

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.

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

The key assumptions made concerning the future, and, other key sources of estimation uncertainty at the balance sheet date, 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:

Income taxes

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional taxes will be due. 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	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Sale of goods:				
Manufacturing	**120,896,626**	112,608,206	**–**	–
Trading	**–**	3,611	**–**	–
Dividend income from a subsidiary	**–**	–	**50,000,000**	50,000,000
Management fee	**–**	–	**2,030,581**	2,011,721
	120,896,626	112,611,817	**52,030,581**	52,011,721

6. INVESTMENT INCOME

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Interest income on short-term deposits	**5,941,352**	4,720,579	**5,315,230**	4,144,868

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	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)	**5,941,352**	4,720,579	**5,315,230**	4,144,868

7. OTHER GAINS AND LOSSES

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Net foreign exchange gain	**764,284**	2,476,985	**40**	166
Reversal of allowance for obsolete inventories	**90,082**	–	**–**	–
Gain on disposal of property, plant and equipment	**48,083**	1,394,227	**–**	–
Net loss arising on financial liabilities designated as at fair value through profit or loss	**(1,717,882)**	(9,560,144)	**–**	–
Property, plant and equipment written off	**(31,909)**	(22,402)	**–**	–
Impairment loss recognised on trade receivables	**(323)**	–	**–**	–
Reversal of impairment loss on trade receivables	**–**	113,170	**–**	–
Allowance for obsolete inventories	**–**	(84,600)	**–**	–
Others	**41,704**	43,677	**–**	–
	(805,961)	(5,639,087)	**40**	166

8. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Post employment benefits:				
Defined contribution plan	**1,006,654**	1,123,624	**239,797**	256,545
Equity-settled share-based payments	**935,267**	970,022	**429,175**	405,519
Other employee benefits	**15,502,032**	14,718,770	**2,237,305**	2,429,852
Total employee benefits expense	**17,443,953**	16,812,416	**2,906,277**	3,091,916

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	
	2016	2015	2016	2015
	RM	RM	RM	RM
Executive directors of the Company:				
Fee	**156,400**	156,400	**132,400**	132,400
Contribution to employees provident fund	**130,980**	123,043	**110,968**	106,072
Benefits-in-kind	**55,000**	52,500	**55,000**	52,500
Other emoluments	**1,016,427**	832,120	**886,647**	708,520
Non-executive directors of the Company:				
Fee	**236,400**	236,400	**236,400**	236,400
Other emoluments	**50,452**	6,538	**50,452**	6,538
	1,645,659	1,407,001	**1,471,867**	1,242,430
Executive directors of a subsidiary:				
Fee	**24,000**	24,000	**–**	–
Contribution to employees provident fund	**22,739**	20,226	**22,739**	20,226
Other emoluments	**166,400**	122,690	**166,400**	122,690
	1,858,798	1,573,917	**1,661,006**	1,385,346

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	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Current tax expenses:				
Malaysian	**1,455,717**	1,221,739	**1,250,000**	1,031,000
Foreign	**27,925**	22,789	**–**	–
Deferred tax expenses/ (income):				
Relating to origination and reversal of temporary differences	**60,775**	(184,966)	**26,000**	(42,000)
Adjustment to deferred tax attributable to changes in tax rates and laws	**–**	(11,000)	**–**	2,000
Adjustments recognised in the current year in relation to prior year:				
Current tax	**26,264**	25,987	**(750)**	3,470
Deferred tax	**8,494**	9,629	**(3,000)**	(22,000)
Tax expenses	**1,579,175**	1,084,178	**1,272,250**	972,470

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Profit before tax	**57,086,912**	50,382,142	**53,947,610**	52,738,484
Tax expense calculated using the Malaysian statutory income tax rate of 24% (2015: 25%)	**13,701,000**	12,596,000	**12,947,000**	13,185,000
Effect of expenses that are not deductible in determining taxable profit	**1,837,417**	1,779,562	**329,000**	301,400
Effect of revenue that is exempt from taxation	**(14,423,000)**	(14,397,000)	**–**	–
Effect of income that are not taxable in determining taxable profit	**(1,000)**	(6,000)	**(12,000,000)**	(12,500,400)
Effect of double deduction of expenses	**–**	(6,000)	**–**	–
Deferred tax not recognised on pioneer activity	**430,000**	1,044,000	**–**	–
Effect on deferred tax attributable to the change in tax rates and laws	**–**	38,000	**–**	5,000
	1,544,417	1,048,562	**1,276,000**	991,000
Adjustments recognised in the current year in relation to prior year:				
Current tax	**26,264**	25,987	**(750)**	3,470
Deferred tax	**8,494**	9,629	**(3,000)**	(22,000)
Tax expenses recognised in profit or loss	**1,579,175**	1,084,178	**1,272,250**	972,470

The Group is operating in the jurisdictions of Malaysia and People's Republic of China. The applicable domestic statutory income tax rates are 24% (2015: 25%) for Malaysia and 25% (2015: 25%) for People's Republic of China. The applicable tax rate of 24% (2015: 25%) 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	
	2016	**2015**
	RM	**RM**
Deferred tax		
Translation of foreign operations	**(1,764)**	10,346

The Finance (No. 2) Act 2014 gazetted on December 30, 2014 enacts the reduction of corporate income tax rate from 25% to 24% with effect from year of assessment 2016.

The Budget 2017 announced on October 21, 2016 proposed that the incremental portion of chargeable income compared to the immediate preceding year of assessment enjoys reduced income tax rate as follows with effect from year of assessment 2017 and 2018. Following these, the applicable tax rate to be used for the measurement of any applicable deferred tax will be the below expected rate:

% of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point reduction in tax rate	Tax rate after reduction (%)
Less than 5%	Nil	24
5% to 9%	1	23
10% to 14.99%	2	22
15% to 19.99%	3	21
20% and above	4	20

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 and their assessment of current and deferred tax of the Group.

The estimated amounts of benefits arising from utilisation of previously unused tax losses and unused tax capital allowances that are used to reduce current tax expense of the Group are as follows:

	The Group	
	2016	**2015**
	RM	**RM**
Unused tax losses	**–**	21,000
Unused tax capital allowances	**–**	5,000

As of December 31, 2016, 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	
	2016	**2015**
	RM	**RM**
Unused reinvestment allowances	**1,236,000**	1,236,000
Unused tax capital allowances	**766,000**	–

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at:

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
After charging:				
Depreciation of property, plant and equipment	**5,544,210**	6,359,808	**409**	1,872
Loss arising on financial liabilities designated as at fair value through profit or loss:				
Unrealised	**4,595,710**	4,955,334	**–**	–
Realised	**–**	4,604,810	**–**	–
Research and development expenses*	**4,330,276**	3,258,452	**–**	–
Provision for rework and warranty*	**1,799,933**	354,922	**–**	–
Depreciation of investment property	**235,746**	235,746	**–**	–
Amortisation of prepaid lease payments on leasehold land	**194,472**	195,072	**–**	–
Unrealised loss on foreign exchange	**148,679**	1,025,613	**–**	–
Audit fee	**95,762**	95,819	**45,150**	45,150
And crediting:				
Realised gain arising on financial liabilities designated as at fair value through profit or loss	**2,877,828**	–	**–**	–
Gain on foreign exchange:				
Realised	**912,963**	3,502,598	**36**	163
Unrealised	**–**	–	**4**	3

* 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	
	2016	2015
Profit for the year attributable to owners of the Company (RM)	**55,507,737**	49,297,964
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	**415,280,349**	379,946,800
Basic earnings per share (sen)	**13.37**	12.97

Diluted earnings per share

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

	The Group	
	2016	2015
	RM	RM
Profit for the year attributable to owners of the Company	**55,507,737**	49,297,964

11. EARNINGS PER SHARE (cont'd)

Diluted earnings per share (cont'd)

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	
	2016	**2015**
	Unit	**Unit**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**415,280,349**	379,946,800
Shares deemed to be issued for no consideration in respect of employee share options	–	735,506
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**415,280,349**	380,682,306

	The Group	
	2016	**2015**
Diluted earnings per share (sen)	**13.37**	12.95

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	
	2016	**2015**
	Unit	**Unit**
Weighted average number of unissued shares in respect of employee share options	**2,809,820**	14,117,500

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, 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**
Balance at January 1, 2015	5,167,266	41,118,329	35,343,916	1,653,655	3,651,811	1,104,075	3,108,007	4,622,753	2,710,284	98,480,096
Additions	–	–	102,398	–	–	12,794	33,795	8,596	87,374	244,957
Disposals/ write-off	–	–	(8,296,812)	–	–	(2,976)	(45,069)	–	(392,471)	(8,737,328)
Currency translation differences	–	2,966,096	513,412	102,165	169,406	15,840	78,994	389,526	99,307	4,334,746
Balance at December 31, 2015	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

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
Accumulated depreciation										
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**
Balance at January 1, 2015	–	5,535,836	12,442,595	797,960	1,584,086	372,468	1,777,963	1,658,168	1,519,998	25,689,074
Charge for the year	–	1,490,527	3,247,769	127,412	319,384	121,040	210,693	449,084	393,899	6,359,808
Disposals/ write-off	–	–	(3,285,972)	–	–	(1,510)	(40,911)	–	(369,110)	(3,697,503)
Currency translation differences	–	769,791	429,087	91,949	151,716	13,161	68,855	193,904	70,772	1,789,235
Balance at December 31, 2015	–	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
Net book value										
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**
Balance at December 31, 2015	5,167,266	36,288,271	14,829,435	738,499	1,766,031	624,574	1,159,127	2,719,719	888,935	64,181,857

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

The Company

	Furniture and fittings RM	Office equipment RM	Total RM
Cost			
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**
Balance at January 1, 2015	7,045	138,305	145,350
Addition	–	–	–
Disposals/ write-off	–	–	–
Balance at December 31, 2015	7,045	138,305	145,350
Accumulated depreciation			
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**
Balance at January 1, 2015	7,045	136,024	143,069
Charge for the year	–	1,872	1,872
Disposals/ write-off	–	–	–
Balance at December 31, 2015	7,045	137,896	144,941
Net book value			
Balance at December 31, 2016	**–**	**–**	**–**
Balance at December 31, 2015	–	409	409

13. INVESTMENT PROPERTY

	The Group 2016 RM	The Group 2015 RM
At cost:		
Balance at beginning/ end of the year	**9,429,858**	9,429,858
Accumulated depreciation:		
Balance at beginning of the year	**(1,544,155)**	(1,308,409)
Charge for the year	**(235,746)**	(235,746)
Balance at end of the year	**(1,779,901)**	(1,544,155)
Net	**7,649,957**	7,885,703

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, 2016:				
Building	–	9,780,000	–	9,780,000
December 31, 2015:				
Building	–	9,780,000	–	9,780,000

There was no transfer between Levels 1 and 2 during the 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.

Direct operating expenses incurred by the Group on the investment property which did not generate rental income during the financial year amounts to RM353,969 (2015: RM350,175).

14. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

	The Group	
	2016	**2015**
	RM	**RM**
Short leasehold land		
Balance at beginning of the year	**7,568,761**	7,103,632
Amortisation during the year	**(194,472)**	(195,072)
Currency translation differences	**(107,397)**	660,201
Balance at end of the year	**7,266,892**	7,568,761

As of December 31, 2016, the unexpired lease periods of the Group's short leasehold land are 34 and 38 years respectively.

15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2016	**2015**
	RM	**RM**
Unquoted equity shares, at cost	**57,232,243**	58,487,721
Less: Accumulated impairment losses	**(4,420,800)**	(4,420,800)
	52,811,443	54,066,921

Included in the cost of investments in subsidiaries during the year is a deduction of RM1,255,478 (2015: RM550,075) 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.

15. INVESTMENTS IN SUBSIDIARIES (cont'd)

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 2016	Proportion of ownership interest 2015
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	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Deferred tax assets	**212,318**	243,053	**110,000**	133,000
Deferred tax liabilities	**(1,286,461)**	(1,246,163)	**–**	–
	(1,074,143)	(1,003,110)	**110,000**	133,000

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	Recognised in other comprehensive income	Closing balance
	RM	RM	RM	RM
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)**
2015:				
Deferred tax assets				
Accrued expenses	118,000	162,000	–	280,000
Provision for rework and warranty	56,000	(31,000)	–	25,000
Unused tax losses	21,000	(21,000)	–	–
Unused capital allowances	5,000	(5,000)	–	–
Inventories	2,533	5,635	242	8,410
Others	63,539	26,000	10,104	99,643
	266,072	136,635	10,346	413,053
Deferred tax liabilities				
Property, plant and equipment	(844,793)	24,000	–	(820,793)
Gain on revaluation of properties	(621,072)	25,702	–	(595,370)
	(1,465,865)	49,702	–	(1,416,163)
Net	(1,199,793)	186,337	10,346	(1,003,110)

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

The Company

	Opening balance	Recognised in profit or loss	Closing balance
	RM	RM	RM
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**
2015:			
Deferred tax asset			
Accrued expenses	72,000	62,000	134,000
Deferred tax liability			
Property, plant and equipment	(1,000)	–	(1,000)
Net	71,000	62,000	133,000

As of December 31, 2016, deferred tax has not been recognised in respect of the temporary differences relating to pioneer activity:

	The Group	
	2016	2015
	RM	RM
Gross amount of temporary differences arising from:		
Property, plant and equipment	**11,196,000**	10,962,000
Accrued expenses	**(4,948,000)**	(3,458,000)
Provision for rework and warranty	**(1,833,000)**	(347,000)
Other payables	**(79,000)**	(889,000)
Inventories	**(48,000)**	(126,000)
Others	**(177,000)**	(240,000)
Net	**4,111,000**	5,902,000

17. INVENTORIES

	The Group	
	2016	2015
	RM	RM
Raw materials	**7,791,403**	8,545,531
Work-in-progress	**2,421,053**	2,707,410
Finished goods	**3,518,927**	2,601,187
	13,731,383	13,854,128

The cost of inventories recognised as an expense during the financial year is RM53,233,555 (2015: RM47,262,374).

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade receivables	**8,731,354**	8,739,887	**–**	–
Less: Allowance for doubtful debts	**(91,146)**	(90,823)	**–**	–
	8,640,208	8,649,064	**–**	–
Amount owing by subsidiaries	**–**	–	**35,995,543**	28,429,870
Interest receivable	**1,946,932**	1,607,045	**1,735,653**	1,466,995
Other receivables	**333,682**	65,766	**8,292**	2,368
	10,920,822	10,321,875	**37,739,488**	29,899,233

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

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
United States Dollar	**8,534,687**	8,570,401	**–**	–
Ringgit Malaysia	**2,385,167**	1,750,482	**37,739,488**	29,899,233
Chinese Renminbi	**968**	992	**–**	–
	10,920,822	10,321,875	**37,739,488**	29,899,233

The average credit periods granted to trade receivables on sale of goods range from 30 to 45 days (2015: 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	
	2016	2015
	RM	RM
1 to 30 days	**2,196,430**	455,977
31 to 60 days	**4,540**	9,312
More than 60 days	**207,725**	–
Total	**2,408,695**	465,289

18. TRADE AND OTHER RECEIVABLES (cont'd)

Movement in the allowance for doubtful debts:

	The Group	
	2016	**2015**
	RM	**RM**
Balance at beginning of the year	**90,823**	203,993
Impairment losses recognised	**323**	–
Impairment losses reversed	**–**	(113,170)
Balance at end of the year	**91,146**	90,823

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	
	2016	**2015**
	RM	**RM**
1 to 30 days	**43,595**	36,728
31 to 60 days	**18,113**	42,223
61 to 90 days	**6,860**	11,872
91 to 120 days	**7,424**	–
More than 120 days	**15,154**	–
Total	**91,146**	90,823

The amount owing by subsidiaries are as follows:

	The Company	
	2016	**2015**
	RM	**RM**
Uchi Optoelectronic (M) Sdn. Bhd.	**35,990,534**	28,423,825
Uchi Electronic (M) Sdn. Bhd.	**5,009**	6,045
	35,995,543	28,429,870

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	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Prepayments	**1,540,678**	927,837	**–**	–
Deposits	**98,070**	104,590	**2,000**	2,400
	1,638,748	1,032,427	**2,000**	2,400

20. SHORT-TERM DEPOSITS

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

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Ringgit Malaysia	**172,869,520**	144,485,250	**149,620,918**	136,547,906
United States Dollar	**6,864,065**	20,107,987	–	–
Chinese Renminbi	**6,132,250**	5,949,000	–	–
	185,865,835	170,542,237	**149,620,918**	136,547,906

The short-term deposits of the Group carry interests at rates ranging from 0.01% to 4.3% (2015: 0.01% to 4.3%) per annum and will mature between January 2017 to November 2017. The short-term deposits of the Company carry interests at rates ranging from 2.85% to 4.3% (2015: 3.15% to 4.3%) per annum and will mature between January 2017 to August 2017.

21. CASH AND BANK BALANCES

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

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
United States Dollar	**11,511,913**	181,886	**923**	887
Ringgit Malaysia	**1,970,281**	2,493,241	**22,731**	15,859
Chinese Renminbi	**1,397,315**	1,228,647	–	–
Euro	**12,042**	23,216	–	–
Swiss Franc	**2,460**	2,866	–	–
Other foreign currencies	**433**	577	–	–
	14,894,444	3,930,433	**23,654**	16,746

22. SHARE CAPITAL

	The Company			
	2016		2015	
	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**	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**	500,000,000	100,000,000
Issued and fully paid:				
Ordinary shares of RM0.20 each:				
At beginning of the year	**394,867,700**	**78,973,540**	378,955,400	75,791,080
Issue of shares pursuant to ESOS	**9,589,810**	**1,917,962**	15,912,300	3,182,460
Bonus issue	**39,238,049**	**7,847,610**	–	–
At end of the year	**443,695,559**	**88,739,112**	394,867,700	78,973,540

22. SHARE CAPITAL (cont'd)

At the Annual General Meeting held on May 18, 2016, 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 RM78,973,540 divided into 394,867,700 ordinary shares of RM0.20 each to RM88,739,112 divided into 433,695,559 ordinary shares of RM0.20 each by way of:

(a) bonus issue of 39,238,049 new ordinary shares of RM0.20 each through capitalisation of RM7,847,610 from the share premium account on the basis of one new ordinary share of RM0.20 each for every ten existing ordinary shares of RM0.20 each held; and

(b) issuance of 9,589,810 new ordinary shares of RM0.20 each for cash pursuant to the Employees' Share Options Scheme ("ESOS") of the Company at exercise prices ranging from RM0.97 to RM1.60 per ordinary shares.

The resultant premium arising from the shares issued pursuant to the ESOS of RM11,354,364 was credited to the share premium account.

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

During the financial year, the Company repurchased 200 (2015: 200) of its issued and fully paid ordinary shares from the open market. The average price paid for the ordinary shares repurchased was approximately RM2.18 (2015: RM2.06) per ordinary share. The repurchase transactions were financed by internally generated funds. Share buybacks have been accounted for under the treasury stock method. When shares are repurchased, they are held as treasury shares at the cost of repurchase and set off against equity in accordance with Section 127 of the Companies Act, 2016.

As of December 31, 2016, out of the total number of 443,695,559 (2015: 394,867,700) of ordinary shares of RM0.20 each issued and paid-up, 7,070,900 (2015: 7,070,700) are held as treasury shares. Hence, the number of outstanding ordinary shares of RM0.20 each in issue and fully paid is 436,624,659 (2015: 387,797,000).

23. RESERVES

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Non-distributable reserves:				
Share premium	**50,629,680**	47,122,926	**50,629,680**	47,122,926
Equity-settled employee benefits reserve	**908,323**	4,845,054	**908,323**	4,845,054
Foreign currency translation reserve	**8,473,145**	9,255,663	**–**	–
Merger reserve	**–**	–	**6,777,646**	6,777,646
	60,011,148	61,223,643	**58,315,649**	58,745,626

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 August 8, 2006, the Company implemented an Employees' Share Option Scheme ("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 26, 2006. The Company had extended the ESOS for another period of 5 years commencing August 8, 2011 on the same terms and conditions as mentioned in the By-Laws. The extended share options are exercisable at any time within the option period up to August 7, 2016. The existing ESOS expired during the financial year.

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

23. RESERVES (cont'd)

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 or at par value of the ordinary shares of the Company, whichever is higher. Upon the effective date of the Companies Act, 2016 of January 31, 2017, the ordinary shares do not have any par value.

(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.

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	0.0604	1.70	19,039,000
December 8, 2016	November 7, 2021	0.0136	1.80	12,000
				19,051,000

The weighted average fair value of the share options granted during the financial year is RM0.0475 (2015: RM0.1533). 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.

23. RESERVES (cont'd)

	Inputs into the model					
Options series	**Grant date share price**	**Exercise price**	**Expected volatility**	**Option life**	**Dividend yield**	**Risk free interest rate**
	RM	**RM**				
The Group						
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%**
2015:						
Granted on:						
February 6, 2015	1.54	1.49	11.31%	2 years	7%	3%
May 8, 2015	1.56	1.56	11.31%	2 years	7%	3%
August 8, 2015	1.72	1.55	11.31%	1 years	6%	3%
November 7, 2015	1.48	1.54	11.31%	1 years	7%	3%

* The exercise price was adjusted for the bonus issue of 39,238,049 new ordinary shares of RM0.20 each during the year.

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

	The Group			
	2016		**2015**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		RM		**RM**
Balance at beginning of the year	**24,133,000**	**2.49**	34,964,800	2.13
Granted during the year	**19,211,500**	**1.70**	6,414,800	1.54
Bonus share issued	**1,918,710**	**2.51**	–	–
Exercised during the year	**(9,589,810)**	**1.39**	(15,912,300)	1.32
Forfeited during the year	**(522,700)**	**1.56**	(1,334,300)	2.53
Lapsed during the year	**(16,099,700)**	**2.87**	–	–
Balance at end of the year	**19,051,000**	**1.70**	24,133,000	2.49

23. RESERVES (cont'd)

The following share options were exercised during the financial year:

	Number exercised 2016	Exercise date	Share price at exercise date
			RM
The Group			
November 7, 2008	4,400	June 30, 2016	0.89*
May 15, 2009	832,000	June 30, 2016	1.21*
August 7, 2009	1,276,250	August 5, 2016	1.21*
February 8, 2010	375,650	August 5, 2016	1.20*
August 6, 2010	56,400	August 5, 2016	1.22*
November 8, 2010	16,500	June 30, 2016	1.22*
August 8, 2011	21,000	August 5, 2016	1.21*
November 8, 2011	2,200	June 30, 2016	1.11*
February 8, 2012	61,400	May 31, 2016	1.10*
November 8, 2012	5,000	May 31, 2016	1.09*
February 8, 2013	149,000	May 31, 2016	1.05*
May 8, 2013	46,500	June 30, 2016	1.13*
May 28, 2013	525,000	June 30, 2016	1.23*
November 8, 2013	113,000	June 30, 2016	1.35*
February 7, 2014	281,200	May 31, 2016	1.23*
May 8, 2014	66,740	June 30, 2016	1.31*
August 8, 2014	236,000	June 30, 2016	1.28*
November 7, 2014	30,000	May 31, 2016	1.29*
February 6, 2015	708,500	June 30, 2016	1.36*
May 8, 2015	30,000	May 31, 2016	1.42*
June 8, 2015	4,556,560	August 5, 2016	1.41*
August 7, 2015	111,010	August 5, 2016	1.40*
February 5, 2016	85,500	August 5, 2016	1.46*
	9,589,810		

* The exercise price was adjusted for the bonus issue of 39,238,049 new ordinary shares of RM0.20 each during the year.

Out of the outstanding share options, share options to subscribe for 3,795,200 (2015: 22,924,900) ordinary shares of RM0.20 each 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 RM1.80 (2015: RM0.97 to RM3.31), and a weighted average remaining contractual life of 5 years (2015: 1 year).

Share options to subscribe for 19,051,000 (2015: 24,133,000) ordinary shares of RM0.20 each 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 February 8, 2017, share options to subscribe for 393,500 ordinary shares of RM0.20 each offered under ESOS scheme were granted to employees with an exercise price of RM1.81 per share.

24. RETAINED EARNINGS

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Distributable reserve:				
Retained earnings	**114,157,482**	101,710,579	**81,467,699**	73,614,743

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	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade payables	**6,418,828**	7,437,150	**–**	–
Amount owing to directors	**160,000**	130,000	**160,000**	130,000
Other payables	**6,141,765**	8,179,322	**–**	–
Accrued expenses	**8,900,618**	6,952,874	**707,877**	827,987
	21,621,211	22,699,346	**867,877**	957,987

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

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
United States Dollar	**11,278,150**	13,657,278	**–**	–
Ringgit Malaysia	**8,718,085**	7,451,601	**867,877**	957,987
Chinese Renminbi	**1,624,356**	1,585,519	**–**	–
Other foreign currencies	**620**	4,948	**–**	–
	21,621,211	22,699,346	**867,877**	957,987

The average credit periods granted to the Group for trade purchases range from 30 to 60 days (2015: 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 LIABILITIES

	The Group	
	2016	2015
	RM	RM
Financial liabilities carried at fair value through profit or loss:		
Derivative financial instruments:		
Foreign currency forward contracts	**4,595,710**	4,955,334

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 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	
	2016	**2015**
	RM	**RM**
Balance at beginning of the year	**450,000**	420,000
Additional provision	**1,799,933**	354,922
Rework and warranty costs incurred	**(236,110)**	(324,922)
Balance at end of the year	**2,013,823**	450,000

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	
	2016	**2015**
	RM	**RM**
Declared and paid:		
Final dividend of 6 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2015	**26,101,599**	–
Final dividend of 5 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2014	**–**	19,208,425
Declared and payable:		
Interim dividend of 5 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2016	**21,831,233**	–
Interim dividends of 5 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2015	**–**	19,389,850
	47,932,832	38,598,275

The directors also proposed a final dividend of 8 sen per ordinary share of RM0.20 each, 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 RM34,929,973 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	
	2016	2015	2016	2015
	RM	RM	RM	RM
Short-term deposits	**185,865,835**	170,542,237	**149,620,918**	136,547,906
Cash and bank balances	**14,894,444**	3,930,433	**23,654**	16,746
	200,760,279	174,472,670	**149,644,572**	136,564,652

30. BANKING FACILITIES

As of December 31, 2016, the Group has unutilised banking facilities totalling RM115,600,000 (2015: RM117,820,000) covered by corporate guarantees from the Company for RM35,620,000 (2015: RM38,622,000).

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 2015.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

b. Categories of financial instruments

	2016	2015
	RM	RM
The Group		
Financial assets		
Cash and bank balances	**14,894,444**	3,930,433
Short-term deposits	**185,865,835**	170,542,237
Loans and receivables	**10,920,822**	10,321,875
Financial liabilities		
Financial liabilities carried at fair value through profit or loss	**4,595,710**	4,955,334
Trade and other payables	**21,621,211**	22,699,346
Dividend payable	**21,831,233**	19,389,850
The Company		
Financial assets		
Cash and bank balances	**23,654**	16,746
Short-term deposits	**149,620,918**	136,547,906
Loans and receivables	**37,739,488**	29,899,233
Financial liabilities		
Trade and other payables	**867,877**	957,987
Dividend payable	**21,831,233**	19,389,850

31. FINANCIAL INSTRUMENTS (cont'd)

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.

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	
	2016	**2015**
	RM	**RM**
Assets		
United States Dollar	**26,910,665**	28,860,274
Euro	**12,042**	23,216
Swiss Franc	**2,460**	2,866
Chinese Renminbi	**–**	979
Others	**433**	577
Liabilities		
United States Dollar	**11,278,150**	13,657,278
Chinese Renminbi	**20,190**	81,934
Others	**620**	4,948

31. FINANCIAL INSTRUMENTS (cont'd)

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

ii. Foreign currency risk management (cont'd)

	The Company	
	2016	**2015**
	RM	**RM**
Assets		
United States Dollar	**923**	887

The following table details the sensitivity analysis when the RM strengthens 16% (2015: 15%) against the relevant foreign currencies. 16% (2015: 15%) 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 16% (2015: 15%) 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 16% (2015: 15%) against the relevant currency.

	The Group	
	2016	**2015**
	RM	**RM**
Impact on profit or loss:		
United States Dollar	**(2,501,202)**	(2,280,449)
Euro	**(1,927)**	(3,482)
Swiss Franc	**(394)**	(430)
Chinese Renminbi	**3,230**	12,143
Others	**30**	656

	The Company	
	2016	**2015**
	RM	**RM**
Impact on profit or loss:		
United States Dollar	**(148)**	(133)

For a 16% (2015: 15%) 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.

31. FINANCIAL INSTRUMENTS (cont'd)

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

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:

	2016		2015	
	RM	**% of total**	**RM**	**% of total**
By country:				
Europe	**7,554,632**	**87**	8,095,198	93
Asia Pacific	**611,641**	**7**	487,964	6
United States of America	**473,935**	**6**	65,902	1
	8,640,208	**100**	8,649,064	100

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

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.

31. FINANCIAL INSTRUMENTS (cont'd)

d. Foreign currency forward contracts (cont'd)

The following table details the foreign currency forward contracts outstanding as at the end of the reporting date:

The Group

Outstanding contract	Average exchange rate	Foreign currency	Contract value	Fair value loss
		USD	RM	RM
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)**
2015:				
Sell USD				
Less than 3 months	3.76	2,400,000	9,018,050	(1,318,770)
3 to 6 months	3.83	4,000,000	15,334,860	(1,973,816)
6 to 9 months	3.88	3,400,000	13,173,940	(1,598,686)
9 to 12 months	4.35	2,600,000	11,299,940	(64,062)

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	
	2016	2015
	RM	RM
Foreign currency forward contracts:		
Fair value:		
Liability	**4,595,710**	4,955,334

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 2016	The Company 2015
	RM	RM
Dividend income received:		
Uchi Optoelectronic (M) Sdn. Bhd.	**50,000,000**	50,000,000
Management fee received:		
Uchi Optoelectronic (M) Sdn. Bhd.	**2,019,771**	1,999,518
Uchi Electronic (M) Sdn. Bhd.	**10,810**	12,203

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
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

33. SEGMENT INFORMATION (cont'd)

Segment revenue and results (cont'd)

	Investment holding	Manufacturing	Trading	Elimination	Consolidated
	RM	RM	RM	RM	RM
2015:					
Revenue					
External sales	–	112,608,206	3,611	–	112,611,817
Inter-segment sales	52,011,721	1,380	718,338	(52,731,439)	–
Total revenue	52,011,721	112,609,586	721,949	(52,731,439)	112,611,817
Results					
Segment profit	48,593,450	52,607,582	(24,379)	(49,876,003)	51,300,650
Investment income					4,720,579
Other gains and losses					(5,639,087)
Profit before tax					50,382,142
Tax expenses					(1,084,178)
Profit for the year					49,297,964

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
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**

33. SEGMENT INFORMATION (cont'd)

Segment assets and liabilities (cont'd)

	Investment holding	Manufacturing	Trading	Consolidated
	RM	RM	RM	RM
2015:				
Assets				
Segment assets	1,488,918	106,902,582	383,684	108,775,184
Unallocated corporate assets				170,915,290
Consolidated total assets				279,690,474
Liabilities				
Segment liabilities	957,987	26,954,034	192,659	28,104,680
Unallocated corporate liabilities				20,919,581
Consolidated total liabilities				49,024,261

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
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**
2015:					
Other information					
Capital expenditure	–	473,920	–	(228,963)	244,957
Depreciation and amortisation	1,872	6,825,371	–	(36,617)	6,790,626
Non-cash expenses other than depreciation and amortisation	405,519	7,007,374	–	–	7,412,893

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	
	2016	**2015**
	RM	**RM**
Touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipments	**119,957,635**	111,634,930
Mixed signal microprocessor based application and system integration products	**444,492**	545,764
Others	**494,499**	431,123
	120,896,626	112,611,817

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	
	2016	**2015**
	RM	**RM**
Europe	**114,152,299**	107,340,779
Asia Pacific	**5,878,945**	4,282,440
United States of America	**865,382**	988,598
	120,896,626	112,611,817

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

	The Group	
	2016	**2015**
	RM	**RM**
Malaysia	**56,958,133**	58,835,636
People's Republic of China	**19,047,468**	20,800,685
	76,005,601	79,636,321

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	
	2016	**2015**
	RM	**RM**
Customer A	**88,456,003**	83,844,791
Customer B	**10,883,989**	11,315,296
	99,339,992	95,160,087

34. SUPPLEMENTARY INFORMATION – DISCLOSURE ON REALISED AND UNREALISED PROFIT

On March 25, 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On December 20, 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group as of December 31, 2016 into realised and unrealised profits, pursuant to the directive, is as follows:

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Total retained earnings of the Company and its subsidiaries				
Realised	**130,075,397**	116,805,602	**81,357,695**	73,481,740
Unrealised	**(143,654)**	592,920	**110,004**	133,003
	129,931,743	117,398,522	**81,467,699**	73,614,743
Less: Consolidation adjustments	**(15,774,261)**	(15,687,943)	**–**	–
Total retained earnings as per statements of financial position	**114,157,482**	101,710,579	**81,467,699**	73,614,743

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on December 20, 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

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, 1965 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, 2016 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 34, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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 28, 2017

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 28, 2017

Before me,

LIM SENG HIN

Commissioner For Oaths

Share Buy-Back

During the financial year ended December 31, 2016, the Company purchased 200 of its issued share capital from the open market using internally generated funds and held as treasury shares.

Month	No. of Shares	Unit Cost	Total Cost*
		RM	RM
May	100	1.72	213
November	100	1.81	223
Total	**200**		**436**

* Including brokerage, commission, clearing house fee and stamp duty.

Total number of shares bought back and held as treasury shares as at December 31, 2016 is 7,070,900 shares.

Options, Warrants or Convertible Securities

A total of 9,589,810 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, 2016, there was no existing material contract or loan outside the ordinary course of business of the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major 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, 2016.

Audit and Non-Audit Fee

The total amount of audit and non-audit fees paid or payable to the auditors for the year ended December 31, 2016 are as follows:

	The Company	The Group
Audit Fee	45,150	95,762
Non-Audit Fee	3,800	16,200
Total	**48,950**	**111,962**

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, 2016.

Location	Description	Tenure / Date of Expiry of Lease	Age (Years)	Land Area / Built-up Area (Sq. Ft.)	Net Book Value at 31.12.2016 (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	1,588,606	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	22	33,144	2,203,412	31.12.2016
	-Phase II		16	92,864	5,446,545	31.12.2016
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	1,471,141	26.5.2004
(3097 Tingkat Perusahaan 4A, Perai FTZ Phase II, Perai)	Factory Building	60 years leasehold expiring on 6.12.2049	5	148,145	19,575,007	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		6		1,796,667	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	4,207,145	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	8	161,124	13,121,015	26.5.2009

ANALYSIS OF SHAREHOLDINGS
As at March 16, 2017

Share capital

Total number of issued shares	:	436,624,659 (exclusive of 7,070,900 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	156	2.45	7,568	0.00
100	–	1,000 shares	421	6.63	261,102	0.06
1,001	–	10,000 shares	3,452	54.33	14,597,907	3.34
10,001	–	100,000 shares	1,987	31.28	51,988,379	11.91
100,001	–	21,831,231	334	5.26	225,566,292	51.66
21,831,232	and	above	3	0.05	144,203,411	33.03
TOTAL			**6,353**	**100.00**	**436,624,659**	**100.00**

SUBSTANTIAL SHAREHOLDERS[(b)]

	Direct		Indirect	
Name of Shareholders	No. of issued shares	%	No. of issued shares	%
Eastbow International Limited	83,292,026	19.08	–	–
Kao, De-Tsan also known as Ted Kao	2,145,000	0.49	[(c)] 83,292,026	19.08
Ironbridge Worldwide Limited	35,327,981	8.09	–	–
Kao, Te-Pei also known as Edward Kao	2,145,000	0.49	[(d)] 35,327,981	8.09
Lembaga Tabung Haji	25,253,604	5.78	–	–

[(a)] Based on Record of Depositors as at March 16, 2017.
[(b)] Based on the Register of Substantial Shareholders of the Company as of March 16, 2017, 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
(Based on Record of Depositors without aggregating the securities from different securities accounts belonging to the same depositor)

No.	Name	No. of issued shares	%
1	Eastbow International Limited	83,292,026	19.08
2	Ironbridge Worldwide Limited	35,327,981	8.09
3	Lembaga Tabung Haji	25,583,404	5.86
4	Valuecap Sdn Bhd	17,503,300	4.01
5	Amanahraya Trustees Berhad [Public Islamic Opportunities Fund]	16,980,170	3.89
6	DB (Malaysia) Nominee (Asing) Sdn Bhd [SSBT Fund J6S6 for Asia Oceania Dividend Yield Stock Mother Fund]	12,300,030	2.82
7	CITIGroup Nominees (Tempatan) Sdn Bhd [Employees Provident Fund Board]	11,778,710	2.70
8	CITIGroup Nominees (Tempatan) Sdn Bhd [Exempt AN for AIA Bhd]	9,197,790	2.11
9	Amanahraya Trustees Berhad [Public Islamic Select Treasures Fund]	9,073,020	2.08
10	Bekal Sama Sdn Bhd	7,617,500	1.74
11	CITIGroup Nominees (Tempatan) Sdn Bhd [Kumpulan Wang Persaraan (Diperbadankan) (VCAM Equity FD)]	5,362,660	1.23
12	Cartaban Nominees (Tempatan) Sdn Bhd [RHB Trustees Berhad for Manulife Investment Shariah Progressfund]	4,311,000	0.99
13	Kao Wang, Ying-Ying	3,486,670	0.80
14	CITIGroup Nominees (Tempatan) Sdn Bhd [Kumpulan Wang Persaraan (Diperbadankan) (I-VCAP)]	3,268,190	0.75
15	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad [Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund]	3,209,000	0.73
16	Amanahraya Trustees Berhad [Public Strategic Smallcap Fund]	3,129,060	0.72
17	HSBC Nominees (Tempatan) Sdn Bhd [HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)]	3,019,590	0.69
18	Amanahraya Trustees Berhad [PB Smallcap Growth Fund]	2,966,700	0.68
19	Maybank Nominees (Tempatan) Sdn Bhd [National Trust Fund (IFM Eastspring) (410140)]	2,811,400	0.64
20	Chang, Shin-Fang	2,573,285	0.59
21	Cartaban Nominees (Tempatan) Sdn Bhd [PAMB for Prulink Equity Income Fund]	2,500,000	0.57
22	HSBC Nominees (Asing) Sdn Bhd [HSBC-FS I for Asean Growth Fund (Manufacturers L)]	2,444,420	0.56
23	CITIGroup Nominees (Tempatan) Sdn Bhd [Kumpulan Wang Persaraan (Diperbadankan) (ESPG IV SC E)]	2,418,800	0.55
24	Zulkifli Bin Hussain	2,393,600	0.55
25	HSBC Nominees (Tempatan) Sdn Bhd [HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)]	2,383,310	0.54
26	Liew Siew Lan	2,200,000	0.50
27	Kao, De-Tsan @ Ted Kao	2,145,000	0.49
28	Kao, Te-Pei @ Edward Kao	2,145,000	0.49
29	CITIGroup Nominees (Asing) Sdn Bhd [CBNY for DFA Emerging Markets Small CAP Series]	1,822,000	0.42
30	Hong Leong Assurance Berhad [As Beneficial Owner (Life Par)]	1,794,980	0.41
	Total	**285,038,596**	**65.28**

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct		Indirect	
	No. of issued shares	%	No. of issued shares	%
Kao, De-Tsan also known as Ted Kao	2,145,000	0.49	[1] 86,778,696	19.88
Kao, Te-Pei also known as Edward Kao	2,145,000	0.49	[2] 39,276,266	8.99
Dr. Heinrich Komesker	200,000	0.05	–	–
Charlie Ong Chye Lee	395,900	0.09	–	–
Tan Boon Hoe	–	–	–	–
Huang, Yen-Chang also known as Stanley Huang(Alternate Director to Kao, De-Tsan also known as Ted Kao)	340,670	0.08	–	–
Ow Chooi Khim (Alternate Director to Kao, Te-Pei also known as Edward Kao)	594,000	0.14	–	–

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.

UCHI TECHNOLOGIES BERHAD (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 Nineteenth Annual General Meeting of the Company to be held at the Laurel II, Level 1, Evergreen Laurel Hotel, 53 Persiaran Gurney, 10250 Georgetown, Penang on Tuesday, May 23, 2017 at 3.00 p.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

Resolutions			For	Against
Ordinary Resolution 1	-	Declaration of Final Tax Exempt Dividend		
Ordinary Resolution 2	-	Approval of Directors' Fee		
Ordinary Resolution 3	-	Re-appointment of Mr. Charlie Ong Chye Lee		
Ordinary Resolution 4	-	Re-election of Dr. Heinrich Komesker		
Ordinary Resolution 5	-	Re-election of Mr. Tan Boon Hoe		
Ordinary Resolution 6	-	Re-appointment of Messrs. Deloitte PLT as Auditors		
Ordinary Resolution 7	-	Continuing in office for Dr. Heinrich Komesker		
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. Tan Boon Hoe		

(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 ……………… 2017

Number of shared held	

……………………………………………………...…………………

Signature/Common Seal of Appointor

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	________________	________________%

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 15, 2017 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.

fold here

fold here

STAMP
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

This page is intentionally left blank

This page is intentionally left blank

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

Cover Photography by Goon Choo Hooi