UCHI TECHNOLOGIES BERHAD
(199801001764) (457890-A)
(Incorporated in Malaysia)

30TH ANNIVERSARY

FORGE AHEAD
RISE TO A CHALLENGE

ANNUAL REPORT 2019

CONTENTS

ISO 14001 ENVIRONMENTAL POLICY

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

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

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

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

Incessantly educating employee on environmental awareness and responsibility

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. 不断体育及培训职员工的环境意识和责任。

ISO 45001 OH&S POLICY

Uchi is committed to prevent work-related injury and ill health and enhance safety and health environment in the Uchi relevant organizational context with the nature of OH&S risks and opportunities through...

- Implementing OH&S Management System to minimize accidents, eliminate hazards and reduce OH&S risk;
- Promote safety and health programme for continual improvement;
- Complying with applicable OH&S legislation and other requirements;
- Educating employees on safety and health awareness and responsibility;
- Promote consultation and participation activities on OH&S matters with employees and relevant outsourcing or contracting representative

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting of the Company will be held at Sri Mas Ballroom, Level 4, Bayview Hotel Georgetown Penang, 25-A, Farquhar Street, 10200 Penang on Tuesday, July 28, 2020 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, 2019 together with the Reports of the Directors and Auditors thereon. **Please refer to Note 2**

As Ordinary Business

2. To approve the payment of Directors' Fees of RM393,600 for the year ending December 31, 2020. **Ordinary Resolution 1**

3. To re-elect Mr. Chin Yau Meng retiring under Clause 76(3) of the Constitution of the Company. **Ordinary Resolution 2**

4. To re-elect Mr. Lim Tian How retiring under Clause 76(3) of the Constitution of the Company. **Ordinary Resolution 3**

5. To re-elect Mr. Huang, Yen-Chang also known as Stanley Huang retiring under Clause 78 of the Constitution of the Company. **Ordinary Resolution 4**

6. To re-appoint Messrs. Deloitte PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. **Ordinary Resolution 5**

AS SPECIAL BUSINESS

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

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

   "That authority be and is hereby given to Mr. Charlie Ong Chye Lee who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 6**

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

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

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

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

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

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

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

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

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

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

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

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

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

whichever occurs first.

And THAT the Directors of the Company be and are authorised to take such steps to give full effect to the Proposed Renewal of Share Buy-Back Authority with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and/or to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company." **Ordinary Resolution 7**

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

By Order of the Board

LIM CHOO TAN (LS 0008888) (SSM PC No. 202008000713)
CHEW SIEW CHENG (MAICSA 7019191) (SSM PC No. 202008001179)
Secretaries

June 29, 2020

Penang

IMPORTANT NOTICE
In view of the COVID-19 pandemic, the Company has in place precautionary measures for the Twenty-Second Annual General Meeting ("22nd AGM") in order to safeguard the health of attendees at the 22nd AGM. You are requested to read and adhere to the Administrative Guide which can be downloaded from the Company's website or announcement via Bursa Securities' website. The Company has the right to impose any other precautionary measures as guided by the guidelines issued by the Government from time to time.

Notes:

1. Proxy

1.1 For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at July 16, 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.

1.2 A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.

1.3 A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.

1.4 If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.

1.5 Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, 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)

1. Proxy (cont'd)

1.6 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. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

1.7 Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

1.8 The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the proxy form must be deposited at the registered office of the Company situated at Suite A, Level 9, Wawasan Open University, 54 Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang. In the case of electronic appointment, the proxy form must be deposited via TIIH Online at https://tiih.online. Please refer to the Annexure to the Form of Proxy for further information on electronic submission. All proxy forms submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding this General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote.

1.9 Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the registered office of the Company situated at Suite A, Level 9, Wawasan Open University, 54 Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

1.10 Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.

1.11 Last date and time for lodging this proxy form is 3.00 p.m., Sunday, July 26, 2020.

1.12 Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:
a. Identity card (NRIC) (Malaysian), or
b. Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
c. Passport (Foreigner).

1.13 For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.

2. Audited Financial Statements for the financial year ended December 31, 2019

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

3. Ordinary Resolution 1 – To approve the payment of Directors' Fees of RM393,600 for the year ending December 31, 2020

The proposed Ordinary Resolution 1, if passed, will authorise the payment of Directors' Fees for the year ending December 31, 2020 amounting to RM393,600.

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.

Explanatory Notes on Special Business:

4. Ordinary Resolution 6 – Continuing in Office as an Independent Non-Executive Director

The Nomination & Remuneration Committee had on November 22, 2019 assessed the independence of Mr. Charlie Ong Chye Lee, who has served on the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. The Board recommended that the approval of the shareholders be sought to re-appoint Mr. Charlie Ong Chye Lee as an Independent Non-Executive Director as he possesses the following attributes necessary in discharging his roles and functions as an Independent Non-Executive Director of the Company, i.e.

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

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

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

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

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

Meanwhile, as recommended by the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"), the Board will be seeking shareholders' approval through a two-tier voting process at the Twenty-Second Annual General Meeting to retain Mr. Charlie Ong Chye Lee as an Independent Non-Executive Director as his tenure exceeded 12 years this year.

5. Ordinary Resolution 7 – Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 7 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.

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 28, 2019, the Company obtained approval from the shareholders, for the Company to renew the authority to purchase its own shares as may be determined by the Board of Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") upon such terms and conditions as the Board of Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares purchased and / or held pursuant to the resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as at the point of purchase and an amount not exceeding the total retained profits of RM47,416,891 of the Company based on the audited financial statements for the financial year ended December 31, 2018.

The authority obtained by the Board of Directors for purchasing the Company's own shares in accordance with the Main Market Listing Requirements of Bursa Securities governing share buy-back by listed companies will lapse at the conclusion of the coming Twenty-second (22nd) Annual General Meeting ("AGM").

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

1.2 Purpose of Statement

The purpose of this Statement is to provide relevant information on the Proposed Renewal of Share Buy-Back Authority and to seek your approval of the ordinary resolution on the Proposed Renewal of Share Buy-Back Authority to be tabled at the coming Twenty-second (22nd) 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, 2020, the Company announced that UCHITEC is proposing to seek its shareholders' approval at the AGM of UCHITEC to be convened in 2020 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, 2019 is RM 42,540,163.

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, 2019, the Group has a cash and cash equivalent balance of RM 136,929,328.

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 June 5, 2020, the Record of Depositors of the Company showed that 295,957,812 Shares representing approximately 65.90% 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] 65.90%	[b] 62.28%

Notes:

[a] As of June 5, 2020.

[b] As of June 5, 2020, the total number of issued shares of UCHITEC is 451,182,559 Shares including 2,072,500 Shares held as treasury shares. Based on the assumption that the Proposed Renewal of Share Buy-Back Authority involves the aggregate purchase of 45,118,256 Shares (being approximately ten per centum (10%) of the total number of issued shares of the Company as of June 5, 2020, 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 June 5, 2020, the total number of issued shares of UCHITEC stands at 451,182,559 Shares including 2,072,500 Shares held as treasury shares. Assuming that the Company purchases up to 45,118,256 UCHITEC Shares representing approximately ten per centum (10%) of its total number of issued shares as of June 5, 2020 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 June 5, 2020 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	2,525,000	0.56	[a]86,778,696	19.32	2,525,000	0.62	[a]86,778,696	21.37
Chin Yau Meng	261,400	0.06	[d]230,000	0.05	261,400	0.06	[d]230,000	0.06
Huang, Yen-Chang also known as Stanley Huang	251,870	0.06	-	-	251,870	0.06	-	-
Charlie Ong Chye Lee	795,900	0.18	-	-	795,900	0.20	-	-
Tan Boon Hoe	280,000	0.06	-	-	280,000	0.07	-	-
Lim Tian How	96,200	0.02	-	-	96,200	0.02	-	-
Substantial Shareholders								
Eastbow International Limited ("Eastbow")	83,292,026	18.55	-	-	83,292,026	20.51	-	-
Kao, De-Tsan also known as Ted Kao	2,525,000	0.56	[b]83,292,026	18.55	2,525,000	0.62	[b]83,292,026	20.51
Ironbridge Worldwide Limited ("Ironbridge")	35,327,981	7.87	-	-	35,327,981	8.70	-	-
Kao,Te-Pei also known as Edward Kao	2,585,000	0.58	[c]35,327,981	7.87	2,585,000	0.64	[c]35,327,981	8.70
Employees Provident Fund Board	24,020,200	5.35	-	-	24,020,200	5.92	-	-

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

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

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

[e] Percentage shareholding computed based on 449,110,059 UCHITEC Shares excluding 2,072,500 Shares held as treasury shares from the total number of issued shares of 451,182,559 Shares.

[f] Percentage shareholding computed based on 406,064,303 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 June 2019 to May 2020 are as follows:

	Highest (RM)	Lowest (RM)
Year 2019:		
June	2.95	2.79
July	2.89	2.72
August	2.89	2.72
September	2.85	2.78
October	2.84	2.66
November	2.90	2.77
December	2.85	2.75
Year 2020:		
January	2.82	2,61
February	2.78	2.57
March	2.70	1.70
April	2.40	1.87
May	2.64	2.36

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

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

As at June 5, 2020, total number of Shares held as treasury share was 2,072,500 Shares.

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

None of the Directors and major 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 major 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 On Take-Overs and Mergers, 2016

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 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
- Chin Yau Meng

Executive Directors
- Kao, De-Tsan also known as Ted Kao
- Huang, Yen-Chang also known as Stanley Huang (appointed on June 1, 2019)

Independent Non-Executive Directors
- Tan Boon Hoe
- Lim Tian How

Audit Committee

Chairman
- Tan Boon Hoe

Members
- Charlie Ong Chye Lee
- Lim Tian How

Nomination & Remuneration Committee

Chairman
- Charlie Ong Chye Lee

Members
- Tan Boon Hoe
- Lim Tian How

Company Secretaries

- Chew Siew Cheng
  (MAICSA 7019191) (SSM PC NO. 202008001179)

- Lim Choo Tan
  (LS 0008888) (SSM PC NO. 202008000713)

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
Public Bank Berhad
AmBank (M) Berhad

Auditors

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

Registrar

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

Stock Exchange Listing

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

DIRECTORS' PROFILE

CHIN YAU MENG
Managing Director
Malaysian, Aged 59, Male

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

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

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

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

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

KAO, DE-TSAN also known as TED KAO
Executive Director
Taiwanese, Aged 62, Male

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

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

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

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

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

HUANG, YEN-CHANG also known as STANLEY HUANG
Executive Director
Taiwanese, Aged 49, 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 and became as Executive Director of UCHITEC on June 1, 2019. He is also a member of the Employee Share Option Scheme Committee of UCHITEC.

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.

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

He sits on the Board of all companies under the Group and does not hold directorship in any other company.

CHARLIE ONG CHYE LEE

Independent Non-Executive Director
Malaysian, Aged 76, 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 Maneckshа under the name and style of Messrs. Ong & Maneckshа. He was mainly involved in banking and corporate work and occasionally involved in litigation on maritime and other miscellaneous matters. In May 2004, he retired as a partner and was appointed as consultant in Messrs. Ong & Maneckshа.

He holds a directorship in another public limited company.

TAN BOON HOE

Independent Non-Executive Director
Malaysian, Aged 64, 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 Kassim Chan) and has more than 35 years of experience in assurance and advisory engagements. He is currently a partner in an accounting practice providing auditing, due diligence, advisory and other related services.

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

LIM TIAN HOW

Independent Non-Executive Director
Malaysian, Aged 58, Male

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

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

Mr. Lim has vast working experience in the field of research & development (R&D) and manufacturing operation with more than 30 years attached in both consumer and automotive industries. From 1991 to 2003, he worked as a R&D Senior Manager in one of the multinational companies in Penang that has a leading presence in European automotive makers. He then moved to a manufacturing company in 2004 as a General Manager managing both factories in China and Malaysia with a total workforce of approximately 900 employees. In 2010, he joined a multinational company which is one of the world's largest suppliers of automotive components and took up the position of Operations Director of its subsidiary company located in Penang. In 2016, besides his role as Operations Director, he took up additional role as Product Engineering Director, of which he assumes the position till December 2019 when he retired. He was then responsible for the entire automotive industry work-cell operations and leading a team of product engineers and specialist in product development.

He holds directorship in a private limited company.

Note:

Mr. Stanley Huang is the nephew of Mr. Ted Kao.

Saved as disclosed, none of the other Directors have:

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

KEY SENIOR MANAGEMENT PROFILE

ENG CHIEW MING
Malaysian, Aged 55, Male

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

He started his career as Technical Specialist in National Semiconductor in 1989 and joined Interquartz (M) Sdn. Bhd. as R&D Engineer a year later. In 1991, he was attached to Uchi Electronic (M) Sdn. Bhd. (UEM) as the pioneer R&D Electronic Engineer and promoted to R&D Senior Electronic Engineer upon achieving excellent project management performance in 1994 .He was one of the key staff in R&D to lead and developing new projects with customers. Two years later, he was transferred to Uchi Optoelectronic (M) Sdn. Bhd (UOM) and promoted as Engineering Manager to lead Engineering Department in 1999 based on the technical experience he gained. He was further promoted to Senior Manager of Operation Division in 2003 and transferred to revamp and enhance all R&D activities in 2007 as a Mechatronic Development Division Head. Mr. Eng was appointed as an Executive Director of UOM and UEM on April 2, 2018 and Uchi Technologies (Dongguan) Co., Ltd. On December 12, 2019. He is currently leading a strong technical project team in UCHI Group of Companies on project management for electronic development and mechanical construction design. He is also responsible for the overall functions of the mechatronic development system.

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

NYEO TIAM JOO
Malaysian, Aged 54, Male

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

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

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

LIM CHIN KOK
Malaysian, Aged 48, Male

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

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

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

YEW AH PENG
Malaysian, Aged 55, Female

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

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

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

OO SIEW PHAIK

Malaysian, Aged 58, Female

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

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

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

KEOH LAY BIN

Malaysian, Aged 56, Female

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

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

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

TAN AI LIN

Malaysian, Aged 47, Female

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

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

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

ONG PEK SEE

Malaysian, Aged 37, Female

Ms. Ong was appointed as Finance Manager of the Company on October 1, 2019. She graduated from the University of Tunku Abdul Rahman in 2005 with a Bachelor of Commerce (Honours) Accounting.

Upon graduation, she joined Uchi Technologies Berhad in 2005 as an Accounts Assistant. She was recognized for her performance with several promotions before she reached management level as Head of Accounts in 2011. She gained experience in the areas of financial management, budget planning, preparation of management accounts and financial reports. Ms. Ong is now responsible for the Group's financial reporting and corporate planning.

Ms. Ong does not hold any directorship in other public companies or listed issuers.

Note:

None of the 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. 199801001764 (457890-A)
(Incorporated in Malaysia)

100%
UCHI OPTOELECTRONIC (M) SDN. BHD.
Company No. 198901013483 (190793-K)
Malaysia

100%
UCHI ELECTRONIC (M) SDN. BHD.
Company No. 198901005305 (182613-W)
Malaysia

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

Year ended December 31	2015 RM	2016 RM	2017 RM	2018 RM	2019 RM
Revenue	112,611,817	120,896,626	136,585,426	139,967,107	156,673,264
Profit before taxation	50,382,142	57,086,912	72,147,880	72,542,695	79,044,680
Profit after taxation	49,297,964	55,507,737	70,501,046	69,009,027	75,948,000
Dividends declared and paid in respect of financial year ended:					
Dividend per share (Sen)	11	13	25	14	7.5
Amount Paid (net of tax)	45,491,449	56,872,222	111,848,867	62,816,860	33,683,255
Dividends proposed in respect of financial year ended:					
Dividend per share (Sen)	not applicable	not applicable	not applicable	not applicable	8.5
Amount Payable (net of tax)	not applicable	not applicable	not applicable	not applicable	38,174,355 [1)]
Total Amount Paid and Payable (net of tax)	45,491,449	56,872,222	111,848,867	62,816,860	71,857,610 [2)]
Total Assets Employed	279,690,474	303,385,953	342,921,030	219,000,152	230,091,836
Shareholders' equity	230,666,213	251,665,757	236,342,262	150,825,312	162,162,296
Net tangible assets	230,666,213	251,665,757	236,342,262	150,825,312	162,162,296
Number of ordinary shares issued and fully paid as of December 31 (unit)	394,867,700	443,695,559	449,185,759	450,755,159	451,182,559 [3)]
Proforma weighted average number of shares (unit)	379,946,800	415,280,349	438,309,557	447,898,867	448,782,303
Net Earnings Per Share (Sen)	12.97	13.37	16.08	15.41	16.92
Return on Equity	21.4%	22.1%	29.8%	45.8%	46.8%

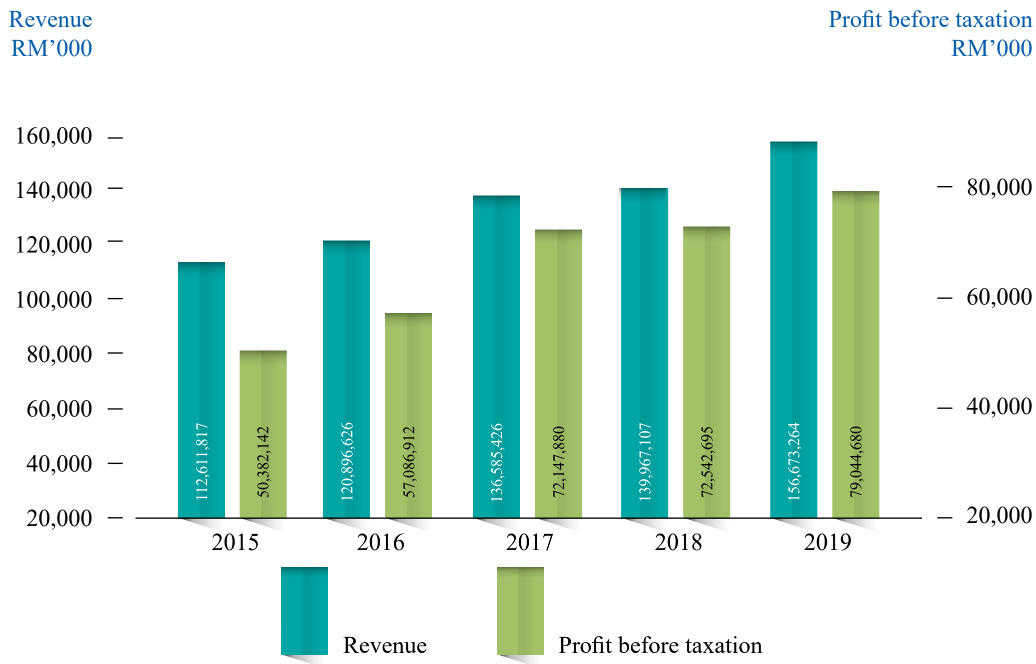
1) Represents approximation of dividend payable base on all ordinary shares in issue as of February 29, 2020. Actual amount of dividend payable shall be determined at the close of business on June 30, 2020.

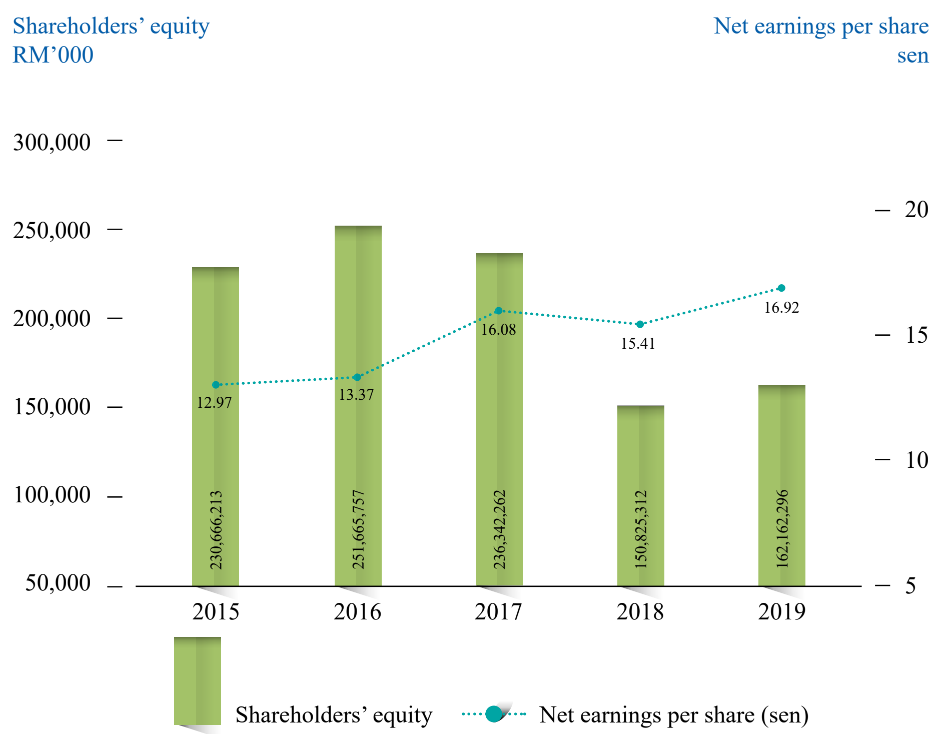
2) Summation of dividend paid and dividend proposed[1)]

3) Of the total 451,182,559 issued and fully paid ordinary shares, 2,072,500 shares are held as treasury shares by the Company. As at December 31, 2019, the number of outstanding shares in issued and fully paid is 449,110,059 ordinary shares.

FINANCIAL HIGHLIGHTS (cont'd)

FIVE YEARS FINANCIAL SUMMARY





Dear valued shareholders,

On behalf of the Board of Directors of Uchi Technologies Berhad ("UCHITEC" or "the Group"), I am pleased to present to you the Annual Report and Audited Financial Statements of the Group for the Financial Year 2019.

Consistent Performance Amid a Challenging Backdrop

The year under review was another challenging year for the world economy as growing trade tensions between the United States and China negatively impacted the global supply chain. However, due to the diligence of the UCHITEC team in allaying the disruptions that came our way and their persistence in continual performance improvement, we are able to announce that the Group registered an increase in revenue in USD of 9% (12% in RM), compared to the corresponding period in the preceding year.

As our customers have always been our priority since our establishment, we have endeavoured in going the extra mile in ensuring that we help them realise their ideas and goals. The Financial Year 2019 was no different, and we continued to challenge ourselves to keep innovating and to formulate better solutions that improve efficiency across all aspects and increase overall performance. Today, I am happy to report that the Group recorded a customer reject rate of 0.11% in 2019, making this the seventh consecutive year we have kept the rate below 0.20%.

Compared to 2018, there was a slight improvement in our on-time shipment performance. We continued to bear the impact of the United States and China trade tensions which resulted in vendors shifting their production base and affecting our production processes. In view of this, we have implemented additional measures to counteract the delays and better our delivery time in the future.

Delivering Change to Sustain Our Strategy

The ultimate goal of UCHITEC is to enhance its shareholders' value and to create a socially and environmentally conscious business. Looking beyond financial performance, we believe it is our responsibility to strive for the advancement of the community and the sustainability of the environment especially for future generations.

We continue to invest time and resources in designing, introducing and implementing social, educational or health-related programmes and systems which are constructive in minimising damage to local communities and the environment in which we operate. We carry these out by complying with OHSAS standards and benchmarking against international environmental and quality policies. In addition, we continue to build trust among employees, suppliers, customers and community members, and addressing the concerns of all stakeholders involved equally.

Our commitment to change also extends to making a difference in the community. The Group sponsored several charity events throughout the year. We also continued the River Rehabilitation Campaign which was initiated in 2015 in collaboration with Majlis Perbandaran Seberang Perai (MPSP). As the water quality has improved and continues to maintain an acceptable requirement standard, monitoring of the river is now done annually and has yielded good and consistent results. Closer to home, our employees have carried out planting activities on UCHITEC premises with a mission to foster a greener environment.

We continue to uphold the principles of the Malaysian Code on Corporate Governance (MCCG 2017) and recognise that ethical behaviour, accountability, transparency and sustainability are important to the governance of the Company. This is a clear operating model that guides us in how to make the right decisions for the right reasons and in the right ways.

We have made great strides in building a culture of continuous innovation. This can be seen in our energy-saving modules for household and office equipment which comply with European eco-design requirements, in particular the feature which enables a standby and off-mode with an electrical power consumption of less than 0.5 watts. We are focussed on creating solutions which empower our customers and their end-users to reduce their environmental impact and have several exciting projects in various research and development phases.

Also noteworthy are the positive outcomes of our Grid-Connected Photovoltaic Power System (PV System) which was installed in December 2016. Our commitment to preserve the environment by generating renewable energy using the PV system has resulted in a commendable reduction in our estimated CO_2 emissions by an estimated 515 tons in 2019, and has helped mitigate our electricity usage cost by providing an income of RM481,178 from electricity generated using solar energy.

The Power of Our People

Talented people are our greatest asset. The long-term success of the Company depends on its capacity to attract, retain and develop the best aptitude. To do this, the Company aims to build and sustain an environment where its people have a sense of personal commitment to their work and give their best to promote the success of the Company. In turn, the Company encourages and enables a healthy work-life balance for its employees. In addition, we emphasise respect and trust when dealing with our people at all levels without exception.

Our employees' commitment to the Company is something we truly appreciate. In 2019, the Group allocated 622,500 options to our employees under the Uchi Technologies Berhad Employee Share Option Scheme (ESOS) 2016.

Declaration of Dividends

The Company has been consistently delivering its commitment to distribute at least 70% of net profit as dividend since 2003. The Directors had, on February 26, 2020, announced the declaration of a Final Tax Exempt Dividend of 8.5 sen per share for the year ended December 31, 2019 subject to the approval of shareholders at the forthcoming Annual General Meeting ("AGM"). In light of the Covid-19 pandemic and the subsequent restriction by the Government to hold gathering of large numbers, the date of AGM became uncertain. To facilitate a timely dividend payment to its shareholders, the Board of Directors had resolved to reclassify the dividend from Final Tax Exempt Dividend to Second Interim Tax Exempt Dividend of 8.5 sen per share. The reclassification of dividend is not prejudicial to the interest of its shareholders as the quantum of the dividend remains unchanged at 8.5 sen per share. Together with the interim dividends of 7.5 sen per share tax exempt paid in January 2020, the total dividend declared for 2019 is 16 sen, which is equivalent to a pay-out ratio of 95%.

Note on the COVID-19 Impact

At the beginning of 2020 when the whole world was facing challenges stemming from the trade war between the United States and China, COVID-19, an invisible enemy to all humanity, worsened the global situation in almost all aspects. As this document is being prepared, we are in the middle of a Movement Control Order imposed as a significant containment measure to prevent the spread of COVID-19 in Malaysia. Our nation is just one of the countries that is experiencing similar lockdowns around the world. Moving on, it is imperative that we acknowledge the impact of the COVID-19 pandemic worldwide. As a result, the Group will continue to closely monitor the latest developments, take appropriate measures to mitigate any upcoming risks, as well as provide major updates in a timely manner.

On March 25, 2020, the Board of Directors had a Special Meeting and released a special announcement on the first initial assessment of the Management on the Group's revenue for the current financial year.

Acknowledgements

In delivering our commitments consistently and following through with the Group's aims, we will continue to focus on earning the respect and trust of all our stakeholders, to whom we are grateful for having been very supportive throughout the many challenges of the past year. To the management and employees of UCHITEC for their single-minded dedication, as well as our valued business partners and associates, customers, vendors, bankers, lawyers, financiers and government authorities, we thank you.

With our expert people, unique capabilities, a strong management team, and the support of our shareholders, UCHITEC has all of the attributes to deliver sustainable progress and significant results for all our stakeholders.

Lastly, my appreciation goes to my fellow directors for their visionary stewardship in helming the Group in our journey so far. With their guidance as well as the commitment of our team, I am confident that we will be able to continue moving forward positively and delivering sustainable value creation for all our stakeholders.

Thank you.

CHARLIE ONG CHYE LEE
Chairman

Overview

Uchi Technologies Berhad ("UCHITEC" or "the Group") is primarily an Original Design Manufacturer (ODM) that specialises in the design, research, development and manufacture of electronic control systems which includes software development, hardware design and system construction. UCHITEC takes pride in being a one-stop solutions provider with a wide spectrum of services that range from research & development, tools design and set up, and engineering support to the production of finished electronic control systems.

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

UCHITEC has two operating sites:
a) UOM situated in Malaysia is the main operating plant; and
b) Uchi Dongguan situated in Dongguan City, GuangDong Province of China, is the assembly arm of UOM

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

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	260 head count	65 head count
Capacity Utilisation	>85%	<75%

Going the Extra Mile

As an ODM, UCHITEC builds on a sound technical partnership with its customers to ensure that we exceed their expectations in providing viable and innovative solutions. UCHITEC designs and develops electronic control systems in-house, which are then manufactured and delivered to customers for further assembly into their finished products.

The modules developed and manufactured by UCHITEC are for multi-national companies who are global leaders in producing high-end household and commercial appliances (such as fully-automated coffee machines), and laboratory or industrial instruments (such as precision weighing scales, centrifuges and deep freezers).

Designed and manufactured for household and office equipment, our products pass the RoHS (Restriction of Hazardous Substances) compliance and conform to European eco-design requirements and the stringent EU energy regulation. In general, while our products in the art-of-living group incorporate a standby and off mode with an electrical power consumption of less than 0.5 watts and the capability to shut off completely within 15 minutes after operation is ceased, the majority of the products from the same group are even equipped with a zero watt power consumption in standby mode.

Since the inception of our business in 1989, our ultimate goal has always been to exceed our customers' expectations. We endeavour to do so by providing customers with innovative technical solutions and realising the ideas they put forth to us. In addition, we strive to replace existing options with better solutions, challenging even our own previous solutions so as to afford better cost efficiency and performance. Besides innovation, speed is another of our unique competencies. As such, we consistently find ways to shorten our design cycle lead time in order to deliver more competent solutions.

Financial Review

The Group has had to recognise and confront a number of challenges in the year under review. However, in 2019, much good work was accomplished and despite the challenges, UCHITEC was able to deliver a revenue growth of 9% in USD and 12% in RM as compared to 2018. This can be attributed to an increase in demand for the Group's products and services as well as the stronger performance of the USD in 2019 (2019: RM4.1446 / USD1.00; 2018: RM4.0344/USD1.00).

The Group's Operating Profit increased from RM64.1 million (with a 45.8% margin) in 2018 to RM75.0 million (with a 47.9% margin) in 2019. In the first half of 2019, we anticipated a low single digit revenue growth in USD and targeted in our 2018 annual report to deliver a 40% operating profit margin with the assumption that the USD remained at RM3.90/USD1.00. In the second half of the year, we revised and announced our revenue target growth in USD to be a high single digit, and by the end of the year, we achieved our target of a high single digit growth of 9% in USD revenue.

Despite the increase in Profit Before Tax from RM72.5 million in 2018 to RM79.0 million in 2019, there was no significant increase in the Group's Profit Before Tax margin. This was due to a reduction in the gain on disposal of property, plant and equipment to RM0.1 million (2018 : RM2.7 million) and the reduction in interest income on short-term deposits from RM5.2 million to RM3.0 million after a pay-out of capital repayment of RM89.7 million to shareholders in 2018.

Our net cash generated from operations amounted to an excess of RM84.1 million, representing 112.1% of our operating profit. There was a slight increase in cash and cash equivalent to RM136.9 million in 2019 from RM113.7 million in the previous year.

The Group's cash conversion cycle decreased to 69 days in 2019, a 2-day decrease compared to the previous year (2018: 71 days). Although the number of days receivable decreased to 31 days (2018: 49), this was linked to a decrease in the number of days payable to 55 days (2018: 81 days) due to payments made in 2019 to clear off payables to vendors which were previously on hold due to quality issues.

The Group remains financially strong and has been funded on internally generated funds since its listing in 2000. The Group continues to be debt-free with a solvency ratio of 1.22 times (2018: 1.10 times) and liquidity ratio of 2.56 times (2018: 2.28 times). The Group has sufficient cash flow to meet both its short-term and long-term liabilities.

Our largest export market continues to be the European region, from where approximately 93% of our revenue is derived.

Comparison of revenue distribution breakdown via country in 2019 and 2018:

Country	2019	2018
Switzerland	44%	44%
Portugal	37%	37%
Germany	12%	13%
China	2%	3%
USA	1%	1%
Others	4%	2%
Total	100%	100%

The revenue analysis by product group in 2019 compared to the preceding year remained the same across all product groups. The highest contribution at 81% comes from the Art-of-living product group. This product category comprises electronic control systems for household appliances as well as professional appliances for the office and office services sector. The contribution from Biotechnology products stood at 18%. Products in this category include electronic control systems such as high precision weighing scales, centrifuges and deep freezers. Meanwhile, products in the Others category made up the balance of 1%.

Operations Review

In the year under review, material consumption remained the Group's highest expenditure at 62% followed by employee benefit expense at 19%, depreciation and amortisation at 9%, research & development at 3% and other expenses at 7%. Compared to the preceding year, the increase in material cost in the financial year 2019 can be attributed directly to a higher production demand.

Almost 100% of UCHITEC's revenue is denominated in USD and approximately 30% of this revenue is allocated for payables in USD-natural hedge. The remaining 70% is exposed to currency fluctuation and is managed via a Forward Contract Management Policy which was approved by the Board of Directors in 2010. In 2019, UCHITEC sold forward a total contracted sum of USD25.0 million (2018: USD 18.4 million) at an average rate of RM4.1048/ USD1.00 (2018: RM4.1359/ USD1.00) while the average transaction rate was RM4.1446/ USD1.00 (2018: RM4.0344/ USD1.00).

For the year under review, the Group targeted a customer reject rate of 0.15% and achieved a commendable rate of 0.11% - the best ever recorded. This is the seventh year that UCHITEC has achieved its targeted customer reject rate of 0.15% and below and will continue to maintain this target for 2020. The quality culture of the company, which has become the driving force behind what every employee does, is the foremost factor behind our success. In 1994, the Quality Management system of the Company was established and since then, disciplines like continual improvement, systematic thinking, transparency, documentation and logical diagnostic have inculcated a holistic approach to our quality management system. Over time this has nurtured the quality culture of UCHITEC, a culture characterised by a practice where people, process and products are all taken into consideration with equal gravity when planning and achieving the company's objectives.

The year 2019 was a year of challenges. The trade war between the United States and China not only changed trade patterns but further affected how electronic manufacturers around the world operated. UCHI's subsidiary in China was similarly affected and in order to reduce the risk of supply chain disruption caused by the trade war, the Group shifted the procurement base for some of the parts and components. Simultaneously, preparations and efforts were made to reduce the production capacity in China in the event of the effects of a prolonged trade war. The process of transferring the operations inevitably caused temporary delays in our delivery time to our customers. Fortunately, these delays occurred mainly in the first three quarters, and by the end of 2019, our on-time delivery had improved significantly from a lowest achievement rate of 37.97% in January 2019 to 79.69% in December 2019.

The foundation of UCHITEC is in research and development. To enable us to progress and remain competitive, we have consistently budgeted 7% of revenue for research and development activities' expenses, so to ensure that the demands for such activities stemming from pipelined projects, prospective projects and new plans can be fully covered. The research and development expenses incurred during the year under review amounted to RM4.4 million (2018: RM4.3 million).

We have a number of projects in our research and development pipeline; these consist mainly of electronic control systems for both the Art-of-living Product Group and the Biotechnology Product Group. Before reaching the market, our products go through various stages of the research and development cycle - namely, basic research pre-development, concept evaluation, software programming, circuitry design, system construction, hardware design, tooling design, prototype development and evaluation, design confirmation, pilot run, troubleshooting and finally, mass production. Each of these stages is important and we will continue to invest and innovate to ensure we deliver products that satisfy market demands.

In 2019, RM0.74 million was spent in capital expenditure to support research and development and for minor enhancements in our production facilities which were already upgraded the previous year when we invested RM9.2 million of our capital expenditure.

UCHITEC recognises that the global marketplace poses many challenges. Nevertheless, we are committed to ensuring that we have effective contingency plans in place to mitigate possible risks. One of the ways the Group is risk-ready is by having a resilient operating model that is highly adaptable to changes. This encompasses our Enterprise Risk Management (ERM) framework. The ERM framework acts as the core management competency that incorporates a well-structured systematic process to identify business risks and lessen their impact on the operation of the Group' companies. Our management teams are guided by ERM principles that govern the actions of their operating personnel when managing risks. These ERM principles also help the team ensure that internal control systems are in place and effectively monitored. Our ERM framework is continuously monitored and reviewed throughout the year in order to identify risks following changes to the business and market environment.

Powering Opportunities

Our strategy and business model are to continue to deliver growth that is consistent, competitive, profitable and responsible. However, UCHITEC still faces a number of challenges; besides the fact that the political and economic environment and market conditions caused by the trade war between the United States and China still remain uncertain, one unprecedented challenge, however, has already certainly put a big dent in the globe just in the first few months of 2020. Yet our confidence in UCHITEC's capabilities remains strong. We want to become a more profitable, sustainable and responsible business - creating long-term value for shareholders.

The unprecedented challenge of COVID-19 was first deemed a Public Health Emergency of International Concern on January 30, 2020 by the World Health Organization. It was then declared a pandemic on March 11, 2020, just over a month later. The COVID-19 disease has greatly impacted healthcare systems, economies, and even the national security of countries around the globe. In response to this unprecedented pandemic, nations are bracing themselves for adverse economic impacts as cities and even entire countries lock down. On the other side of the world, the countries where our customers are located are also experiencing similar restriction measures as part of containment procedures against the spread of the virus.

Over the years, UCHI has always dealt with difficulties with great vigilance, overcoming our challenges the best we can and keeping our goals in sight. However, we also understand that many of the uncertainties, among others, caused by the COVID-19 pandemic are beyond everyone's control. As such, instead of speculating on outcomes of this global pandemic, we will focus the outlook for the financial year 2020 on actual customer demands based on existing partnerships as a more responsible approach. As a result, the Group expects to have a low double-digit revenue in USD decline for the financial year ending December 31, 2020 in comparison to that of the financial year ended December 31, 2019 as our customers have lowered their demands. Nevertheless, we are aware of the unpredictable nature of the coming months and will continue to be vigilant in responding to any changes in the pandemic. We will make public disclosures of information on important changes in a timely manner.

With research and development as driving forces for our success, we are committed to developing and offering cutting-edge products to stay at the forefront of continual evolution in technology. By improving production processes, we aim to manage production costs effectively and improve our profit margins. Besides providing ongoing support and periodic improvement of existing products, we will strive to harness the creative resources inside and outside of the organisation to generate innovative concepts. In addition, our operations will be enhanced so that the company meets its commitments to environmental sustainability and human resource development. UCHITEC has several projects that will be launched in 2020. However, due to customer confidentiality clauses, we will only be able to disclose details of these projects later at the appropriate time.

Since 2013, UCHITEC has recorded a customer reject rate below 0.20%. This target was revised in 2018 to 0.15% and we have continued to meet our targets. In 2019 we achieved 0.11% and for 2020, the target remains the same at 0.15%.

We constantly face hurdles in the form of protectionism, geopolitical influences in the trade environment and particularly, a global supply chain that can be unpredictable despite our best efforts to stave off any big surprises. As such, we need to ensure that we manage our global supply chain and procurement strategically. Among the measures we have implemented include locating alternative and diversified suppliers such as those in ASEAN countries.

We also review and enhance our buffer stocks scheme in order to mitigate the effects of material price fluctuation and supply shortages. In addition, we aim to develop, manage and leverage our relationship with suppliers and be more mindful of the external economic climate, as well as to leverage on supplier capabilities to reduce supply risk exposure, increase responsiveness to market changes and shorten order fulfilment lead times.

In order to strengthen our management effectiveness and efficiency, we plan to address issues in manpower shortage by outsourcing production processes or engaging contract manufacturing services. We also encourage positive performance and improved business processes by eliminating unnecessary work that consumes time without adding value in the eyes of the customers; simplifying tasks that contribute to product quality, achievement of sales objectives and effective management of risks; and utilising available technologies as well as implementing new systems to improve overall processes and ensure quality outcomes.

For the Group's 2020 capital expenditure requirements, we will be budgeting an estimated RM5 million for normal wear and tear as well as facility replacement. Besides that, we continue to allocate 7% of our revenue for research and development.

In summary, the ultimate goal of UCHITEC is to enhance its shareholders' value and to create a socially and environmentally conscious business. Our strong research and development foundation provide us with the necessary leverage to improve the production process, lower costs and increase profit margin. Besides enhancing our operations, we will continue to reinforce our human resources by tapping into the creative energy both inside and outside the organisation to facilitate the generation of more innovative solutions.

Appreciation

In conclusion, let me thank all of the outstanding people of UCHITEC who have worked so hard to make 2019 such a strong and positive year for the Group. Fuelled by your passion and dedication, let us continue to collaborate, innovate and envision answers that have never been contemplated before. We also truly value the contribution, cooperation and support extended to us by our customers, business associates, vendors, bankers, lawyers, advisors, financiers, investors and relevant authorities over the years.

Thank you also to our shareholders for your support in all our endeavours and for giving us the privilege to do what we do every day. I am confident that the Group will maintain its reforming momentum over the coming year and am excited about the prospects for a successful, innovation-driven, technology-enabled UCHITEC in the coming year.

CHIN YAU MENG
Managing Director

As the world evolves, stakeholders have increasing expectations towards businesses which includes the incorporation of sustainable business practices. At UCHITEC, we have embedded sustainability as a key component of our organisational culture. Our sustainability strategy is fully aligned with both the interests of our stakeholders and our business priorities where we are committed to protecting the environment, providing our customers with high quality products and ensuring the well-being of our employees.

Sustainability makes sense in terms of business considerations and contributes to the overall effectiveness of the Company. It gives us a strong competitive advantage, brings new opportunities, drives innovation, attracts and retains talented employees, reduces our long-term operating costs, and improves our overall risk management.

Led by our Board of Directors, the Group's sustainability governance ensures that a sustainability culture thrives within the Company and that the means are in place for each department and site to deploy all of the related sustainability programmes.

The Executive Committee (EXCOM) directly assists and reports to the Board concerning the monitoring of the effective implementation of sustainability-related strategies which complement or are integrated with business strategies. The EXCOM's primary role is to oversee the day-to-day sustainability management of all UCHITEC's subsidiary companies.

Reporting to the EXCOM is the Management Committee (MANCOM) whose function is to implement the Company's sustainability initiatives and oversee the daily management of sustainability matters in business operations.

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

The Group carries out material assessments to ascertain the sustainability topics that affect its business strategy performance in the short, medium and long term. The Group's material assessment scope encompasses a global view of UCHITEC's business and the overall group level, including all its subsidiaries, and the entire value chain, including its suppliers and customers.

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

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

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

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

At UCHITEC, we are committed to working together with both our internal and external stakeholders and striving to meet their expectations while driving our business forward. Our internal stakeholders are made up of our investors or financiers for whom we aim to enhance value creation; and our employees for whom we seek to provide job satisfaction, career development opportunities, and a conducive work environment.

Our external stakeholders, however, include the government, media, local communities, and our customers and suppliers. Engagement with the government involves obtaining the necessary licences for our operations and compliance with essential regulations, while media engagement facilitates meaningful communication. The Group's engagement with the local communities enables us to make significant environmental and social contributions which positively impact the future. Last but not least, maintaining a clear communication channel allows us to prioritise customer satisfaction and ensure a continuous supply of resources in a timely manner with our customers and suppliers respectively.

It is through these continual engagements that we are able to identify material sustainability matters and from there, categorise and prioritise them based on the assessment of their EES impact and the influence of these sustainability matters on stakeholder assessments and decisions.

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

They are:

- Customer satisfaction;
- Operational efficiency; and
- Technical and tactical proficiency

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

Upholding Customer Satisfaction

Businesses today have to work harder than ever to find, serve and retain customers while also managing risks, adhering to policies and complying with regulations. At UCHITEC, Total Customer Satisfaction is our business priority, and we will continue to work hard to "Exceed Customers' Expectations through Continuous Improvement".

We continue to build strong relationships with our customers across several countries and create value for them. In line with UCHITEC's ISO9001 Quality Policy, it is our pledge to:

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

On average, UCHITEC scored 7.75/10.00 in 2019 (2018: 7.83/10.00) on the customer satisfaction index. The criteria for assessment encompass product lead time, product delivery, product quality, customer complaint handling and product packaging.

In 2019, our average on-time delivery performance saw a slight improvement from 53.51% in the previous year to 57.95%. The negative effects of the US-China trade war has continued to weigh on the global economy. Many of our suppliers have made the decision to move their production base away from China as a result of rising costs. Similarly, the Group relocated the procurement base for some of the parts and components and gradually decreased the dependence on production in China to alleviate the negative effects of the trade war. These relocation efforts have unfortunately caused delays in the delivery of our components and affected our supply chain which was intensified by manpower shortage as UCHITEC also suffered a high turnover rate in our recruitment of local contract workers.

To allay the situation, we took steps to communicate closely with our customers and keep them abreast with updates. We reconfirmed the priority of product demand, and with multiple efforts of material re-scheduling and production line re-adjustments, we were able to ship backlogs as fast as possible to avoid any disruption to our customers' operations. Our efforts ensured a marked improvement in our on-time delivery by the end of 2019 (December 2019: 79.69%), allowing us to achieve the targeted growth in revenue in 2019.

There are other procedures that UCHITEC has implemented. These include a Safety Buffer Stocks System where safety stocks are kept for long lead time components in order to facilitate smooth operations, and efforts to reshape the strategic and effective management of our global supply chain. We also reviewed the timing, trade terms and country of origin provision in our contracts and ensured that tier 2 or tier 3 suppliers were not overlooked.

Another positive step we have taken to mitigate the situation is to improve the management of our global supply chain. We evaluate the demand forecast and provide visibility to our suppliers. By building a close relationship with our suppliers, it is hoped that the Company will be among the first in line when supply tightens in the market. Furthermore, we have initiated efforts to find alternative supply sources, particularly in South East Asian countries, and to shore up the supply chain. To be prepared in all situations, we consistently perform contingency and scenario planning.

We continued to record a customer reject rate below our 0.15% target at 0.11% in 2019. On a positive note, there was no record of complaints from our customers or the authorities regarding any violation of requirements.

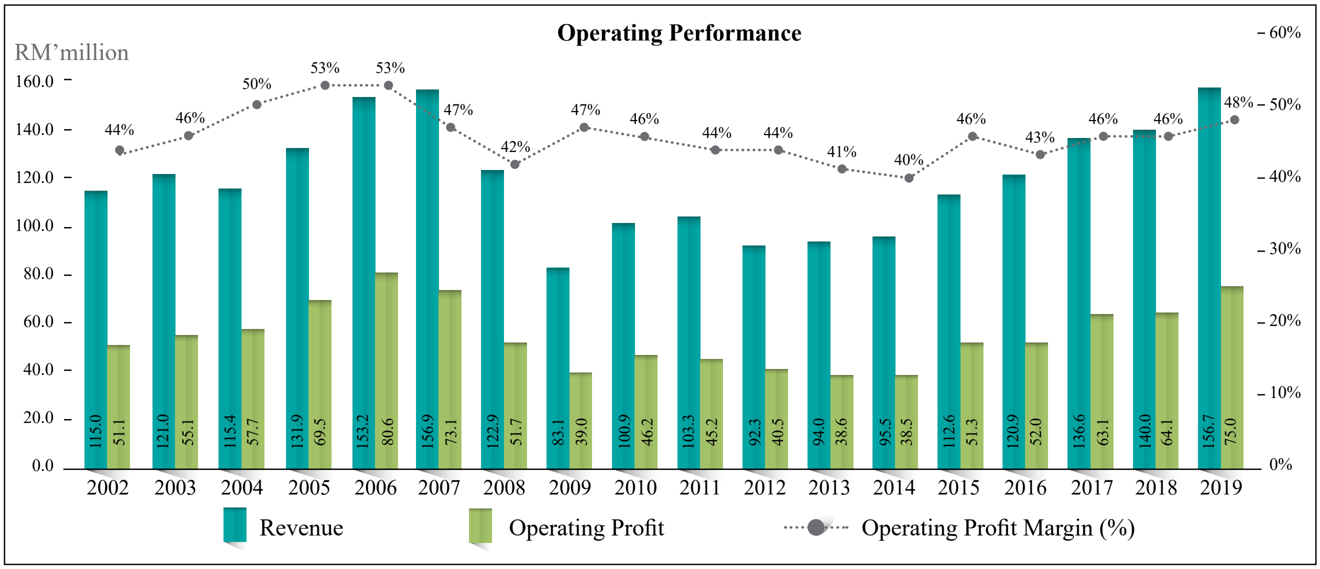
Initiatives that Empower Operational Efficiency

We know that a sustainable strategy provides the foundation for long-term success. We continue to scrutinise ourselves and adapt to new situations including those that deal with sustainability. Through a quality management system that incorporates a formalised set of policies, processes, procedures and responsibilities that are required for planning and executing strategies, UCHITEC is committed towards achieving our company objectives. The Group's accomplishment of ISO9001:2015 in 2017 also strengthened our ability to progress in our overall performance and provide a sound foundation for our sustainable development initiatives.

The Group uses a process approach, which involves the systematic definition and management of processes and their interactions, to help it achieve its goals without deviating from the quality policy and strategic direction of the Company. To manage the processes and the system as a whole, the Plan-Do-Check-Act (PDCA) cycle is employed.

The PDCA cycle operates on a risk-based thinking approach which enables the Company to determine the factors that could cause its processes and its quality management system to deviate from the planned results, to put in place preventive controls to minimise negative effects, and to make maximum use of opportunities as they arise. In addition, the PDCA cycle helps ensure that the Group's processes are adequately resourced and managed, and that opportunities for improvement are identified and acted upon.

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



For the year 2019, UCHITEC registered a 9% growth in revenue in USD and a slight rise in the Group's operating profit margin at 48% in 2019 (2018: 46%). A detailed analysis of our key operational risks and their mitigating controls is disclosed in the Management Discussion and Analysis section of this Annual Report.

The Group has recorded a consistent operating profit margin averaging at 45% since its listing in 2000 in spite of multiple challenges faced in the economy that included the global economic downturn, foreign currency fluctuation and technical challenges. Since 2003, we have managed to maintain a dividend policy of allocating at least 70% of the Group's profit after taxation.

Taking Technical and Tactical Proficiency to the Next Level

We have developed plans to strengthen our competitive position, seize new opportunities and deliver profitable aspirations. As our core business is in providing innovative solutions to our customers and helping them to be the first to launch a new product feature, and ultimately capturing the market share, our technical and tactical proficiency has a considerable impact on our customers.

Our aim to provide fast, innovative and profitable responses to our customers is deeply ingrained in our corporate culture. This is demonstrated in our Vision, Mission, Strength, Development Strategy and Development Goals.

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

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

Our Strength
We are "A Technical Partner to walk you to the top."

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

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

The goal of UCHITEC's research and development team is to attain technological breakthroughs that respond to and exceed the expectations of our customers. We plan to achieve this through consistent research and innovation, and by developing high grade, market-oriented and cost-efficient products.

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

UCHITEC operates in a niche market that sells solutions aimed at satisfying specific market needs. One way for us to stay ahead is to regard our customers as our competitors. To secure orders from our customers, we have to provide innovative turnkey technical solutions that are more appealing than their current options. Essentially, this means we need to be faster and better in providing solutions to our customers. As such, it is not enough for us to merely keep pace with technological innovations. We must also be able to exploit the innovations to ensure that we deliver compelling solutions and services to our customers.

At UCHITEC, we emphasise not only technical proficiency but also tactical proficiency. Technical proficiency means that not only do we have the expert knowledge in operating our technical equipment and to use it efficiently, but that we also have the capability to turn ideas into real products within both time and financial constraints. This gives us the confidence to tackle our customers' technical issues and provide prompt troubleshooting advice. In contrast, tactical proficiency means putting together our experience and skills to use our judgement, initiative, decisiveness and enthusiasm in order to achieve the desired results. It takes us from simply knowing what something is to understanding why it is important and how to employ it for the best possible results in a given situation or environment.

Fuelled by our technical and tactical savvy, our customers continue to rate us favourably in relation to technical competency. The criteria used by our customers in assessing our technical competency include product design lead time, quality of product design, and ability to fulfil customers' design requirements and exceed customers' expectations with innovative ideas or designs.

We achieved a slightly higher customer rating of 9.04/10.00 in 2019 compared to 8.81/10.00 in 2018. This can be attributed to a better on-time delivery rate of 88% in 2019, an increase from 74% in 2018. In addition, the research and development team recorded a 100% (2018: 100%) success rate on project launching.

Our persistence in always putting our customers' interests as our top priority and our unceasing efforts helped to ensure that the launching of our customers' products were accomplished on schedule. In other words, all of our research and development projects were launched for mass production successfully.

We are proud of the technical and tactical proficiency of the Group but will continue to formulate better ways to deliver our innovative solutions. New product design and development is undoubtedly a crucial factor in the survival of a company. In a global industrial landscape that is rapidly changing, companies must have the capability to continually revise their designs and range of products.

Taking these factors into consideration, our target to increase the headcount of our research and development team to 45 in 2019 fell short. The main reason for this was talent scarcity which has become an economic concern for many countries across the globe. Nevertheless, despite tight numbers in our workforce (2019: 33 HC; 2018 36 HC), we were still able to deliver our commitments to our customers on time for their new product launchings.

Looking forward, UCHITEC will continue to respect and value our people by putting them at the centre of how we operate. We will focus on enhancing the technical ability of our current workforce by increasing their involvement in project discussions and brainstorming sessions with vendors, customers and experts.

In terms of expanding our innovation capabilities, we intend to strengthen our strategic technical alliances with universities, research organisations and individuals or expert companies. This is imperative in closing the gap where we may not have a specific sort of expertise, skill, talent or equipment. This strategy will allow the Company to mitigate the issue of talent scarcity and at the same time, focus on our core expertise in enhancing the technical knowledge and exposure of our research and development team through these collaborations. In short, we outsource in order to keep our resources on par with competitors in the field.

Corporate Social Responsibility

The corporate social responsibility ("CSR") vision of UCHITEC is founded on a culture of caring and responsible citizens. Our CSR philosophy integrates our social and environmental responsibilities into our business strategies for the sustainable growth of the Company.

The Group emphasises CSR in these four areas:

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

Within the community, the Group is involved in activities that contribute to the wellbeing of the society. In 2019, the Group organised social visits and donations to the Pertubuhan Permata Al-Mahabbah Negeri Pulau Pinang and participated in the Eden Charity Food Fair 2019 held by Eden Handicap Service Centre Berhad.

In the marketplace, responsible business is integral to our corporate governance practices. Accountability for our responsible business strategy and integrity in our practices are paramount. Our business ethical values will not be compromised when striving for our corporate goals.

The Group is committed to cultivating a more diverse and inclusive workplace with a focus on fair and equitable employment, and equal opportunity for career advancement. We practise a culture of continuous learning, making sure our employees are equipped with the relevant skills, knowledge and experience to enhance their competency. Our people's welfare is essential. To motivate our employees and to create a safe and positive workplace, we organised activities such as a badminton open, bowling competition, annual trip and annual dinner. We nurture a safe and healthy work environment and maintain a culture that embraces the best practices of occupational safety and health requirements. Uchi Optoelectronic (M) Sdn. Bhd. ("UOM") and Uchi Technologies (Dongguan) Co., Ltd. (Uchi Dongguan) are both OHSAS 18001:2007 certified.

UCHITEC is committed to minimising its environmental impact and will continue to advance its efforts to safeguard the environment. Our Grid-Connected Photovoltaic Power System has helped curb our carbon emissions and our Go Green Campaign encourages our employees to plant vegetables and fruits within the premises of the Group. Our initiatives also include UCHItecture, our very own green building, and a River Rehabilitation Campaign that involves the cleaning up of a nearby river using effective-microorganism mud balls. In addition, UOM and Uchi Dongguan are ISO 14001 certified, while Uchi Dongguan was honoured with the "2012 Dongguan City Green Award".

In carrying out CSR initiatives that benefit the community and environment in which it operates, the Group also aspires to create a positive impact on employee wellbeing and morale. We want to create a healthy, safe and happy workplace by taking care of the welfare of our employees in their day-to-day work. From get-togethers at the office to activities outside the workplace, we aim to strengthen the team spirit among our employees as well as between them and our community.

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

The ensuing paragraphs summarizing the Company's corporate governance practices during the financial year ended December 31, 2019 with reference to the application of the Principles set out in the Malaysian Corporate Governance Code 2017 ("MCCG 2017"). The detailed application for each practice as set out in the Code is disclosed in the Corporate Governance Report ("CG Report") which is available on the corporate website: www.uchi.net.

A. BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board Charter

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

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

The Board reviewed and assessed the adequacy of Board Charter in February 2019 and resolved that the Board Charter is in compliance with relevant rules and regulations promulgated by the regulatory body.

The Responsibilities of the Board and Management

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

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

Whilst, the management is responsible to:

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

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

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

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

Chairman and Managing Director

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

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

Qualified and Competent Company Secretaries

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

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

Board Meetings

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

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

Number of Board of Directors' meetings and number of attendances for each Director for the financial year ended December 31, 2019 are as follows:

No.	Director	Year 2019 Period of Directorship	Total No. of Meetings	Attendance
1.	Kao, De-Tsan also known as Ted Kao	1/1/2019 to 31/12/2019	4	4
2.	Kao, Te-Pei also known as Edward Kao	1/1/2019 to 28/05/2019	2	2
3.	Chin Yau Meng	1/1/2019 to 31/12/2019	4	4
4.	Huang, Yen-Chang also known as Stanley Huang *	1/1/2019 to 31/12/2019	4	4
5.	Charlie Ong Chye Lee	1/1/2019 to 31/12/2019	4	4
6.	Tan Boon Hoe	1/1/2019 to 31/12/2019	4	4
7.	Lim Tian How	1/1/2019 to 31/12/2019	4	4
8.	Ow Chooi Khim (Alternate Director to Kao, Te-Pei also known as Edward Kao)	1/1/2019 to 28/05/2019	2	1

* Resigned as Alternate Director to Mr. Kao, De-Tsan also known as Ted Kao and appointed as Director on June 1, 2019.

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

Supply of Information

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

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

Code of Ethics

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

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

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

Whistle Blowing Policy

UCHITEC in placed a 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.

Anti-bribery and Corruption Policy

With the amendment to the Malaysian Anti-Corruption Commission ("MACC") Act 2018 whereby corporate liability provision under Section 17A will come into force on June 1, 2020, the Board will focus on the implementation of the procedures outlined in the "Guidelines on Adequate Procedure", which include establishment of Anti-Bribery and Corruption Policy, enhancement of Principles of Business Conduct and Whistleblowing Policy, assessment of potential risk area and control measures as well as training and communication of the Group's Anti-Bribery and Corruption Policy to all employees and business associates. This is to ensure good standards of ethical behavior flow through all levels of the Group to prevent unethical practices and consequently, support the delivery of long-term sustainable success of the Group.

II. Board Composition

For the financial year 2019, the Board comprised of six (6) Directors, of which three (3) are Executive Directors and three (3) are Independent Non-Executive Directors. The present composition of the Board meets the requirements as stipulated in Chapter 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad as half of its members are Independent Directors and the Chairman of the Board is an Independent Non-Executive Director.

The Board's standards for determining the independence of a Director is set forth in the Board Charter. The Nomination & Remuneration Committee (NRC) is authorized to assess the independence of the Independent Directors in accordance to the Boards Independence Standards annually. Based on the assessment in 2019, the Board is generally satisfied that all the Independent Directors are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company and minority shareholders.

Tenure of Independent Director

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

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

Name of Directors	Date of Appointment	Tenure of Service as of March 31, 2020
Charlie Ong Chye Lee	July 1, 2008	11 years 9 months
Tan Boon Hoe	August 1, 2016	3 years 8 months
Lim Tian How	April 2, 2018	2 years

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Mr. Charlie Ong Chye Lee's service is approaching twelve (12) years tenure on June 30, 2020. The NRC, with Mr. Charlie Ong Chye Lee abstaining from the deliberation of his own assessment, has assessed his independence and is satisfied with the following attributes necessary in discharging his roles and functions as an Independent Non-Executive Director of the Company, i.e.

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

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

Effectiveness of the Board, Board Committee and Individual Directors

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

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

Summary of activities of the NRC in 2019 are as follows:

- reviewed the required mix of skills of experience and other qualities, including core competencies, which Non-Executive Directors brought to the Board;
- reviewed and recommended to the Board the re-election of Directors who retired in accordance with the Constitution;
- reviewed and recommended to the Board the appointment of Directors in accordance with the Board Charter;
- reviewed and recommend to the Board for re-appointment of Director who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years and to seek shareholders' approval through a two tier voting process 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;
- Assessed the contribution of each individual Director in terms of skills, experience and other qualities, attendance in all Board meetings, Board Committee meetings and annual meeting of shareholders, willingness to rigorously prepare prior to each meeting, level of participation in the meeting, willingness to make himself/herself available to management upon required to provide advice and counsel, willing to develop a broad knowledge of both critical issues affecting the Company (including industry, technology and market specific information), ability to exercise independent judgment at all times, demonstration of high professionalism and integrity in decision-making process;
- Reviewed and assessed the annual performance of the Board Committee and the effectiveness of the Board as a whole;
- Reviewed and reassessed the adequacy of the Board Charter and the Nomination & Remuneration Committee Charter including the evaluation criteria of recruitment and assessment of Directors.

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

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

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

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

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

Appointments of the Board

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

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

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

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

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

Diversification Policy

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

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

The Board has set its target to achieve at least 20% of women directors and key senior management for 2019. During the year, there was 36% women representation on the board and key senior management.

The Board through the NRC will consider the gender diversity as part of its future selection and will look into to maintain or increase female board and key senior management representation in year 2020.

Re-Election

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

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

Directors' Training

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

A. BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Directors' Training (cont'd)

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

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

In 2019, all the Board members had attended / participated in one or more of the following training programmes / conferences / seminars / workshops on areas relating to operational management, corporate governance, risk management, and financial reporting:

- Industry 4.0
- Compliance – General Instruction Product Liability
- Introduction to Supplier Development (SDP)
- Latest Development in MFRS / IFRS & IC Interpretation – An Overview
- Navigating Corporate Liability (Anti-Corruption amendments)
- Deloitte Taxmax National Budget 2019
- Awareness Program on Compliance of Post Incentive Guidelines
- Latest Developments on Capital Allowances and Updates on Tax Incentives in Budget 2020

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

III. Remuneration

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

For the year ended December 31, 2019, the NRC reviewed and recommended to the Board the Nomination & Remuneration Committee Charter and the remuneration package and other benefits extended to all Directors. Remuneration packages of Directors was decided by the Board as a whole with the Director concerned abstaining in deliberation and voting on decisions in respect of his / her individual remuneration.

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

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

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

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

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

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

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

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

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

A. **BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)**

III. Remuneration (cont'd)

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

The maximum number of new shares which may be issued and allotted pursuant to the exercise of ESOS 2016 shall not at any point in time in aggregate exceed fifteen percent (15%) of the issued and paid up share capital of the Company. During the financial year ended December 31, 2019, the Company granted total share options of 622,250 ordinary shares to eligible employees. As of December 31, 2019, balance number of share options available for allotment under ESOS 2016 was 11,787,250 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, 2019, the actual allocation of share options to Directors and key senior management was 40%.

The details of share options granted to and exercised by the Directors during the year under review are presented on page 50 of this annual report.

B. **EFFECTIVE AUDIT AND RISK MANAGEMENT**

I. Audit Committee

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

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

In 2019, Audit Committee members attended / participated in conferences / seminars on areas relating to corporate governance, anti-corruption amendments, latest development on MFRS and national budget 2019.

Relationship with the Auditor

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

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

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

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

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

II. Risk Management and Internal Control Framework

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

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

Audit Committee Report and Statement on Risk Management & Internal Control incorporating report on risk management review, internal audit function and conclusion of the review are set out from pages 40 to 44 of this annual report.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

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

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

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

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

Corporate Disclosure Policy

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

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

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

II. Conduct of General Meeting

The notice of the Twenty-First Annual General Meeting (AGM) held on May 28, 2019 was dispatched to the shareholders on April 29, 2019, which is more than 28 days before the AGM, so as to ensure the shareholders are given sufficient notice and time to go through the Annual Report and make the necessary attendance and voting arrangement.

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

All Directors, the management and external auditors were in attendance to respond to shareholders' questions during the Twenty-First Annual General Meeting held on May 28, 2019.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Responsibility Statement

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

For the year ended December 31, 2019, 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;

D. ACCOUNTABILITY AND AUDIT (cont'd)

Responsibility Statement (cont'd)

- Ensured accounting and other records are properly kept to enable the preparation of financial statements with reasonable accuracy;

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

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

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

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

The Directors approved the audited financial statements for the year ended December 31, 2019 on May 14, 2020.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has fared well during the financial year in application of the corporate practices recommended under the MCCG 2017. The collective approval by the Board on this Statement was tabled on May 14, 2020.

For and on behalf of the Board of Directors of

Uchi Technologies Berhad (Company No.: 199801001764 (457890-A)

Charlie Ong Chye Lee
Chairman

AUDIT COMMITTEE REPORT

The Board of Directors of Uchi Technologies Berhad is pleased to present the report of the Audit Committee for the year ended December 31, 2019.

AUDIT COMMITTEE

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

Chairman : Tan Boon Hoe
Independent Non-Executive Director

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

Lim Tian How
Independent Non-Executive Director

TERMS OF REFERENCE

1. Objectives

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

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

2. Composition

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

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

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

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

3. Authority

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

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

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

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

5. Audit Committee Responsibilities

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

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

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

6. Reporting

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

SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year ended December 31, 2019, 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, 2019 is as follows:

- Reviewed the adequacy of Audit Committee Charter;

- Recommended the re-appointment of the external auditors and agreed on their remuneration;

- Reviewed the external auditors' audit plan and scope of works for the year, assessed the independence and objectivity of the external auditors and discussed the results of the annual audit and audit report with the external auditors;

- Reviewed the audited financial statements for the year ended December 31, 2019 and the un-audited quarterly financial results of the Group;

- Reported and recommended to the Board to approve the annual financial statements and un-audited quarterly financial results;

- Reviewed the internal auditors' audit reports and considered the audit issues, recommendations and the management's written response;

- Reviewed with the Company's management and the internal auditors' on the adequacy and effectiveness of risk management and internal control system of the Group;

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

- Reviewed and assessed the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and

- Reviewed the allocation of options during the year under the ESOS 2016 to ensure that this was in compliance with the allocation criteria determined by the ESOS committee and in accordance with the Bye-Laws of the ESOS 2016.

INTERNAL AUDIT FUNCTION

In respect of the financial year ended December 31, 2019, 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:

- Production and material planning;
- Procurement and payment; and
- Inventory management.

The reviews were conducted to assess the adequacy and effectiveness of the Group's system of internal control and its compliance with the Group's policies and procedures. 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, 2019 was approximately RM51,500.

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, 2019, which has been prepared pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guideline for Directors of Listed Issuers ("the Guidelines"), in this annual report. This statement outlines the nature and state of the internal controls of the Group.

Board Responsibility

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

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

Management Responsibility

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

RISK MANAGEMENT REVIEW

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

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

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

KEY RISK MANAGEMENT & INTERNAL CONTROL PROCESSES

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

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

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

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

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

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

- The main subsidiaries of the Group, namely Uchi Optoelectronic (M) Sdn. Bhd. and Uchi Technologies (Dongguan) Co., Ltd. are ISO9001:2015, ISO14001:2004 / ISO14001:2015 and OHSAS18001:2007 certified. With these certifications, annual surveillance audits are conducted by independent external ISO auditors particularly to ensure compliance with ISO procedures or manual;

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

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

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

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

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

INTERNAL AUDIT FUNCTION

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

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

There were a total of 5 personnel which were deployed by KPMG for the internal audit work during the financial year ended December 31, 2019. All the personnel possess tertiary qualifications and the level of expertise and professionalism is as follows:

Expertise category	Percentage of total auditors
Bachelor degree	40%
Professional (ACCA, CPA, CIA, etc)	60%

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

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

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

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

CONCLUSION

The Board has received assurance from the Management, including the Managing Director and the 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 2019 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 May 14, 2020.

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.


SGS
Uchi Technologies (Dongguan) Co., Ltd.
ISO 9001:2015


SGS
宇琦光电(东莞)有限公司
ISO 9001:2015

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


SGS
UCHI Optoelectronic (M) Sdn. Bhd.
ISO 9001:2015

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, 2019.

PRINCIPAL ACTIVITIES

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

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

RESULTS OF OPERATIONS

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

	The Group RM	The Company RM
Profit for the year	75,948,000	60,172,642

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 tax exempt dividend of 7 sen per ordinary share, amounting to RM31,418,804 in respect of the financial year ended December 31, 2018, was declared on February 26, 2019 and paid on July 23, 2019.

The directors declared an interim tax exempt dividend of 7.5 sen per ordinary share, amounting to RM33,683,255, in respect of the current financial year on November 22, 2019. The interim dividend has been paid in January 21, 2020.

The directors have also proposed a final tax exempt dividend of 8.5 sen per ordinary share, in respect of the current financial year. The proposed tax exempt dividend if payable in respect of all ordinary shares in issue as at the date of the financial statements would amount to RM38,174,355 and has not been included as a liability in the financial statements. The dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and the date of entitlement of dividend has yet to be determined as at the date of this Directors' Report.

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 450,755,159 ordinary shares to 451,182,559 ordinary shares by way of issuance of 427,400 new ordinary shares, amounting to RM751,518, for cash pursuant to the Employees' Share Options Scheme ("ESOS") of the Company at exercise prices ranging from RM1.57 to RM2.72 per ordinary share.

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

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

TREASURY SHARES

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

EMPLOYEES' SHARE OPTIONS SCHEME

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

The principal features of the ESOS are as follows:

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

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

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

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

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

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

			No. of options over ordinary shares				
Granted on	**Expiry date**	**Exercise price per ordinary share**	**Balance as at 1.1.2019**	**Granted**	**Exercised**	**Forfeited**	**Balance as at 31.12.2019**
		RM					
November 8, 2016	November 7, 2021	1.57	10,827,100	-	(257,400)	(1,099,600)	9,470,100
February 8, 2017	November 7, 2021	1.67	266,700	-	-	(23,400)	243,300
March 8, 2017	November 7, 2021	1.66	75,000	-	-	-	75,000
May 23, 2017	November 7, 2021	1.57	300,000	-	(100,000)	-	200,000
September 8, 2017	November 7, 2021	2.11	195,600	-	-	(45,000)	150,600
October 6, 2017	November 7, 2021	2.47	103,000	-	-	(44,000)	59,000
November 8, 2017	November 7, 2021	2.78	48,000	-	-	-	48,000
December 8, 2017	November 7, 2021	3.19	35,000	-	-	-	35,000
January 8, 2018	November 7, 2021	2.92	15,000	-	-	(15,000)	-
February 8, 2018	November 7, 2021	2.43	232,000	-	-	(15,000)	217,000
April 6, 2018	November 7, 2021	2.26	16,000	-	-	-	16,000
May 8, 2018	November 7, 2021	2.52	90,000	-	-	-	90,000
May 25, 2018	November 7, 2021	2.72	360,000	-	(70,000)	-	290,000

EMPLOYEES' SHARE OPTIONS SCHEME (cont'd)

			No. of options over ordinary shares				
Granted on	Expiry date	Exercise price per ordinary share	Balance as at 1.1.2019	Granted	Exercised	Forfeited	Balance as at 31.12.2019
		RM					
July 6, 2018	November 7, 2021	2.55	156,000	-	-	-	156,000
August 8, 2018	November 7, 2021	2.86	44,000	-	-	-	44,000
December 7, 2018	November 7, 2021	2.89	92,000	-	-	(21,000)	71,000
January 8, 2019	November 7, 2021	2.45	-	75,000	-	-	75,000
February 8, 2019	November 7, 2021	2.57	-	91,500	-	-	91,500
March 8, 2019	November 7, 2021	2.75	-	11,250	-	-	11,250
April 8, 2019	November 7, 2021	2.75	-	45,000	-	-	45,000
May 8, 2019	November 7, 2021	2.82	-	136,000	-	-	136,000
August 16, 2019	November 7, 2021	2.77	-	150,000	-	-	150,000
September 6, 2019	November 7, 2021	2.81	-	6,000	-	-	6,000
November 8, 2019	November 7, 2021	2.80	-	62,500	-	-	62,500
December 6, 2019	November 7, 2021	2.82	-	45,000	-	-	45,000
			12,855,400	622,250	(427,400)	(1,263,000)	11,787,250

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS

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

Kao, De-Tsan also known as Ted Kao	
Kao, Te-Pei also known as Edward Kao	(retired on May 28, 2019)
Charlie Ong Chye Lee	
Tan Boon Hoe	
Chin Yau Meng	
Lim Tian How	
Huang, Yen-Chang also known as Stanley Huang (alternate to Kao, De-Tsan also known as Ted Kao*)	(appointed on June 1, 2019)
Ow Chooi Khim	(ceased as alternate director to Kao, Te-Pei also known as Edward Kao on May 28, 2019)

* Mr. Huang, Yen-Chang also known as Stanley Huang resigned as the alternate director to Mr. Kao, De-Tsan also known as Ted Kao on June 1, 2019.

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 (retired on May 28, 2019) Ow Chooi Khim (resigned on September 30, 2019) Chin Yau Meng Eng Chiew Ming Huang, Yen-Chang also known as Stanley Huang (appointed on October 1, 2019)
Uchi Optoelectronic (M) Sdn. Bhd.	Kao, De-Tsan also known as Ted Kao Kao, Te-Pei also known as Edward Kao (retired on May 28, 2019) Ow Chooi Khim (resigned on September 30, 2019) Chin Yau Meng Eng Chiew Ming Huang, Yen-Chang also known as Stanley Huang (appointed on October 1, 2019)
Uchi Technologies (Dongguan) Co., Ltd.	Huang, Yen-Chang also known as Stanley Huang (appointed on June 28, 2019) Kao, Te-Pei also known as Edward Kao (resigned on June 28, 2019) Ow Chooi Khim (resigned on December 12, 2019) Eng Chiew Ming (appointed on December 12, 2019) Chin Yau Meng

DIRECTORS' INTERESTS

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

	No. of ordinary shares			
	Balance as at 1.1.2019/ date of appointment	**Bought**	**Sold**	**Balance as at 31.12.2019**
Direct interest:				
Kao, De-Tsan also known as Ted Kao	2,525,000	-	-	2,525,000
Huang, Yen-Chang also known as Stanley Huang	251,870	-	-	251,870
Charlie Ong Chye Lee	695,900	100,000	-	795,900
Tan Boon Hoe	170,000	100,000	-	270,000
Chin Yau Meng	261,400	-	-	261,400
Lim Tian How	-	70,000	-	70,000
Indirect interest:				
Kao, De-Tsan also known as Ted Kao	86,778,696	-	-	86,778,696
Chin Yau Meng	230,000	-	-	230,000

DIRECTORS’ INTERESTS (cont'd)

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

	No. of option over ordinary shares			
	Balance as at 1.1.2019/ date of appointment	Granted	Exercised	Balance as at 31.12.2019
Kao, De-Tsan also known as Ted Kao	570,000	-	-	570,000
Charlie Ong Chye Lee	200,000	-	(100,000)	100,000
Huang, Yen-Chang also known as Stanley Huang	391,800	150,000	-	541,800
Tan Boon Hoe	300,000	-	(100,000)	200,000
Chin Yau Meng	617,000	-	-	617,000
Lim Tian How	280,000	-	(70,000)	210,000

DIRECTORS’ BENEFITS

Since the end of the previous financial year, none of the directors of the Company have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors or the fixed salary of a full-time employee of the Company of RM1,328,860) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except that certain directors received remuneration from related corporations in their capacities as directors or executives of those related corporations.

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, OFFICERS AND AUDITORS

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 RM15,778.

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

AUDITORS’ REMUNERATION

The amount paid/ payable as remuneration of the auditors of the Group and of the Company for the financial year ended December 31, 2019, are RM113,222 and RM55,000 respectively.

SUBSEQUENT EVENT

Details of the subsequent event are disclosed in Note 35 to the financial statements.

AUDITORS

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

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

CHIN YAU MENG

KAO, DE-TSAN also known as TED KAO

Penang,

May 14, 2020

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 at December 31, 2019, 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 54 to 109.

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, 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matter

Key audit matter is those matter that, in our professional judgement, is of most significance in our audit of the financial statements of the Group and of the Company for the current year. This matter is 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 this matter.

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 certain terms and conditions being fulfilled, 100% of the Company's statutory income derived from the design, development and manufacture of real-time centralised energy measurement and control system, high precision hot fluid temperature control system and ultra-low temperature and mass sensing control system for bio-chem equipments, will be exempted from income tax for a period of five years commencing from January 1, 2018. Due to the said terms and conditions 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 the Group's current and deferred tax. The significant management judgement on income taxes is disclosed in Note 4 to the financial statements. The current and deferred tax of the Group are disclosed in Notes 9 and 17 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 pioneer status disclosures in the financial statements of the Group. We obtained specific representations from management and the board of directors as to the matters above.

We have not identified any key audit matter pertaining to the financial statements of the Company for the financial year ended December 31, 2019.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 16 to the financial statements.

Other Matters

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

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

LIM KENG PEO
Partner – 02939/01/2022 J
Chartered Accountant

Penang,

May 14, 2020

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	The Group		The Company	
		2019	2018	2019	2018
		RM	RM	RM	RM
Revenue	5	**156,673,264**	139,967,107	**62,085,278**	72,217,339
Investment income	6	**2,976,583**	5,229,775	**1,485,750**	4,078,613
Other income		**-**	122,728	**-**	-
Other gains and losses	7	**692,526**	2,686,334	**(9)**	16
Raw materials consumed		**(50,913,260)**	(43,718,111)	**-**	-
Changes in inventories of finished goods and work-in-progress		**222,197**	(467,424)	**-**	-
Employee benefit expenses	8	**(15,615,925)**	(17,289,459)	**(2,673,859)**	(3,109,910)
Depreciation and amortisation expenses		**(6,949,982)**	(6,412,856)	**-**	-
Other expenses		**(8,040,723)**	(7,575,399)	**(371,833)**	(582,615)
Profit before tax		**79,044,680**	72,542,695	**60,525,327**	72,603,443
Tax expenses	9	**(3,096,680)**	(3,533,668)	**(352,685)**	(973,076)
Profit for the year attributable to owners of the Company	10	**75,948,000**	69,009,027	**60,172,642**	71,630,367
Other comprehensive loss, net of income tax					
Items that will be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(763,720)**	(1,081,492)	**-**	-
Total comprehensive income for the year, net of tax attributable to owners of the Company		**75,184,280**	67,927,535	**60,172,642**	71,630,367
Earnings per share	11				
Basic (sen per share)		**16.92**	15.41		
Diluted (sen per share)		**16.76**	15.23		

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

STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2019

	Note	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
Assets					
Non-current assets					
Property, plant and equipment	12	**45,522,584**	51,580,290	**-**	-
Investment property	13	**6,942,719**	7,178,465	**-**	-
Prepaid lease payments on leasehold land	14	**-**	6,577,714	**-**	-
Right-of-use assets	15	**6,258,931**	-	**-**	-
Investments in subsidiaries	16	**-**	-	**53,785,214**	53,511,940
Deferred tax assets	17	**203,222**	212,508	**105,000**	115,000
Total non-current assets		**58,927,456**	65,548,977	**53,890,214**	53,626,940
Current assets					
Inventories	18	**16,489,697**	18,050,214	**-**	-
Trade and other receivables	19	**13,857,261**	19,631,327	**36,629,817**	54,440,517
Current tax assets		**196,733**	-	**187,000**	-
Other financial assets	27	**928,778**	-	**-**	-
Other assets	20	**2,762,583**	2,055,388	**2,000**	2,000
Short-term deposits	21	**133,552,612**	97,542,548	**63,433,187**	47,623,335
Cash and bank balances	22	**3,376,716**	16,171,698	**72,803**	57,175
Total current assets		**171,164,380**	153,451,175	**100,324,807**	102,123,027
Total assets		**230,091,836**	219,000,152	**154,215,021**	155,749,967
Equity and liabilities					
Capital and reserves					
Share capital	23	**70,829,238**	70,077,720	**70,829,238**	70,077,720
Treasury shares	23	**(3,295,223)**	(3,295,223)	**(3,295,223)**	(3,295,223)
Reserves	24	**8,297,127**	8,630,500	**9,590,778**	9,160,430
Retained earnings	25	**86,331,154**	75,412,315	**42,540,163**	47,416,891
Total equity attributable to owners of the Company		**162,162,296**	150,825,312	**119,664,956**	123,359,818
Non-current liabilities					
Deferred tax liabilities	17	**1,173,355**	1,312,057	**-**	-
Current liabilities					
Trade and other payables	26	**31,111,776**	33,567,695	**866,810**	880,439
Other financial liabilities	27	**-**	804,415	**-**	-
Dividend payable		**33,683,255**	31,407,786	**33,683,255**	31,407,786
Current tax liabilities		**389,158**	482,887	**-**	101,924
Provision for rework and warranty	28	**1,571,996**	600,000	**-**	-
Total current liabilities		**66,756,185**	66,862,783	**34,550,065**	32,390,149
Total liabilities		**67,929,540**	68,174,840	**34,550,065**	32,390,149
Total equity and liabilities		**230,091,836**	219,000,152	**154,215,021**	155,749,967

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

The Group

			← Non-distributable →		Distributable	
	Share capital RM	Treasury shares RM	Equity-settled employee benefits reserve RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM
Balance at January 1, 2018	157,036,362	(3,295,223)	1,636,877	7,329,207	73,635,039	236,342,262
Profit for the year	-	-	-	-	69,009,027	69,009,027
Other comprehensive loss for the year, net of income tax	-	-	-	(1,081,492)	-	(1,081,492)
Total comprehensive income for the year	-	-	-	(1,081,492)	69,009,027	67,927,535
Issue of ordinary shares under employees' share options plan	2,737,010	-	-	-	-	2,737,010
Capital repayment	(89,695,652)	-	-	-	-	(89,695,652)
Recognition of share-based payments	-	-	761,556	-	-	761,556
Share-based payments forfeited	-	-	(15,648)	-	15,648	-
Dividends (Note 29)	-	-	-	-	(67,247,399)	(67,247,399)
Balance at December 31, 2018	70,077,720	(3,295,223)	2,382,785	6,247,715	75,412,315	150,825,312
Balance at January 1, 2019	**70,077,720**	**(3,295,223)**	**2,382,785**	**6,247,715**	**75,412,315**	**150,825,312**
Profit for the year	**-**	**-**	**-**	**-**	**75,948,000**	**75,948,000**
Other comprehensive loss for the year, net of income tax	**-**	**-**	**-**	**(763,720)**	**-**	**(763,720)**
Total comprehensive income for the year	**-**	**-**	**-**	**(763,720)**	**75,948,000**	**75,184,280**
Issue of ordinary shares under employees' share options plan	**751,518**	**-**	**-**	**-**	**-**	**751,518**
Recognition of share-based payments	**-**	**-**	**503,245**	**-**	**-**	**503,245**
Share-based payments forfeited	**-**	**-**	**(72,898)**	**-**	**72,898**	**-**
Dividends (Note 29)	**-**	**-**	**-**	**-**	**(65,102,059)**	**(65,102,059)**
Balance at December 31, 2019	**70,829,238**	**(3,295,223)**	**2,813,132**	**5,483,995**	**86,331,154**	**162,162,296**

The Company

	Non-distributable				Distributable	
	Share capital	Treasury shares	Merger reserve	Equity-settled employee benefits reserve	Retained earnings	Total
	RM	RM	RM	RM	RM	RM
Balance at January 1, 2018	157,036,362	(3,295,223)	6,777,646	1,636,877	43,021,706	205,177,368
Profit for the year	-	-	-	-	71,630,367	71,630,367
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	71,630,367	71,630,367
Issue of ordinary shares under employees' share options plan	2,737,010	-	-	-	-	2,737,010
Capital repayment	(89,695,652)	-	-	-	-	(89,695,652)
Recognition of share-based payments:						
Recognised in profit or loss	-	-	-	419,626	-	419,626
Included in investments in subsidiaries	-	-	-	338,498	-	338,498
Share-based payments forfeited	-	-	-	(12,217)	12,217	-
Dividends (Note 29)	-	-	-	-	(67,247,399)	(67,247,399)
Balance at December 31, 2018	70,077,720	(3,295,223)	6,777,646	2,382,784	47,416,891	123,359,818
Balance at January 1, 2019	**70,077,720**	**(3,295,223)**	**6,777,646**	**2,382,784**	**47,416,891**	**123,359,818**
Profit for the year	**-**	**-**	**-**	**-**	**60,172,642**	**60,172,642**
Other comprehensive income for the year, net of income tax	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**60,172,642**	**60,172,642**
Issue of ordinary shares under employees' share options plan	**751,518**	**-**	**-**	**-**	**-**	**751,518**
Recognition of share-based payments:						
Recognised in profit or loss	**-**	**-**	**-**	**209,763**	**-**	**209,763**
Included in investments in subsidiaries	**-**	**-**	**-**	**273,274**	**-**	**273,274**
Share-based payments forfeited	**-**	**-**	**-**	**(52,689)**	**52,689**	**-**
Dividends (Note 29)	**-**	**-**	**-**	**-**	**(65,102,059)**	**(65,102,059)**
Balance at December 31, 2019	**70,829,238**	**(3,295,223)**	**6,777,646**	**2,813,132**	**42,540,163**	**119,664,956**

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities				
Profit for the year	**75,948,000**	69,009,027	**60,172,642**	71,630,367
Adjustments for:				
Depreciation and amortisation of non-current assets	**6,949,982**	6,412,856	**-**	-
Tax expenses recognised in profit or loss	**3,096,680**	3,533,668	**352,685**	973,076
Provision for rework and warranty	**1,496,063**	466,883	**-**	-
Unrealised loss on foreign exchange	**842,510**	485,425	**16**	10
Equity-settled share-based payments	**503,245**	761,556	**209,763**	419,626
Allowance for obsolete inventories	**368,666**	62,061	**-**	-
Impairment loss recognised on trade receivables	**44,393**	436,327	**-**	-
Property, plant and equipment written off	**3,984**	122,397	**-**	-
Unrealised (gain)/ loss arising on financial assets/ liabilities designated as at fair value through profit or loss	**(928,778)**	804,415	**-**	-
Investment income recognised in profit or loss	**(2,976,583)**	(5,229,775)	**(1,485,750)**	(4,078,613)
Reversal of provision for rework and warranty no longer required	**(170,000)**	(223,694)	**-**	-
Gain on disposal of property, plant and equipment	**(112,169)**	(2,682,708)	**-**	-
Reversal of impairment loss on trade receivables	**(39,505)**	(76,916)	**-**	-
Gross dividend income from a subsidiary	**-**	-	**(60,000,000)**	(70,000,000)
	85,026,488	73,881,522	**(750,644)**	(1,055,534)
Movements in working capital:				
Decrease/ (increase) in inventories	**1,140,466**	(2,473,643)	**-**	-
Decrease/ (increase) in trade and other receivables	**5,464,105**	(11,455,124)	**9,746**	(3,728)
Increase in other assets	**(709,558)**	(91,572)	**-**	-
Decrease in other financial assets	**-**	1,692,929	**-**	-
(Decrease)/ increase in trade and other payables	**(2,191,564)**	5,823,887	**(46,555)**	(130,030)
Decrease in other financial liabilities	**(804,415)**	-	**-**	-
Cash generated from/ (used in) operations	**87,925,522**	67,377,999	**(787,453)**	(1,189,292)
Income tax refunded	**200,052**	-	**-**	-
Income tax paid	**(3,717,869)**	(3,456,420)	**(631,609)**	(1,081,402)
Rework and warranty costs paid	**(354,067)**	(551,022)	**-**	-
Net cash generated from/ (used in) operating activities	**84,053,638**	63,370,557	**(1,419,062)**	(2,270,694)

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Cash flows from investing activities				
Interest received	**2,905,636**	6,360,456	**1,411,612**	5,219,764
Proceeds from disposal of property, plant and equipment	**128,290**	9,628,530	**-**	-
Purchase of property, plant and equipment	**(743,075)**	(9,228,124)	**-**	-
Dividend received from a subsidiary	**-**	-	**60,000,000**	70,000,000
Advances from/ (to) subsidiaries	**-**	-	**17,908,018**	(16,047,836)
Net cash generated from investing activities	**2,290,851**	6,760,862	**79,319,630**	59,171,928
Cash flows from financing activities				
Proceeds from issue of equity shares	**751,518**	2,737,010	**751,518**	2,737,010
Dividends paid to owners of the Company	**(62,826,590)**	(111,848,867)	**(62,826,590)**	(111,848,867)
Capital repayment	**-**	(89,695,652)	**-**	(89,695,652)
Net cash used in financing activities	**(62,075,072)**	(198,807,509)	**(62,075,072)**	(198,807,509)
Net increase/ (decrease) in cash and cash equivalents	**24,269,417**	(128,676,090)	**15,825,496**	(141,906,275)
Cash and cash equivalents at the beginning of the year	**113,714,246**	243,088,040	**47,680,510**	189,586,795
Effects of exchange rate changes on the balances of cash held in foreign currencies	**(1,054,335)**	(697,704)	**(16)**	(10)
Cash and cash equivalents at the end of the year (Note 30)	**136,929,328**	113,714,246	**63,505,990**	47,680,510

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

1. GENERAL INFORMATION

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

The Company is principally involved in investment holding and providing management services. The information on the name, principal activities, place of incorporation and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 16.

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 May 14, 2020.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Adoption of new and revised MFRSs and IC Interpretation

In the current year, the Group and the Company have applied a number of new and revised MFRSs and IC Interpretation issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements except for those as disclosed below.

Impact of initial application of MFRS 16 *Leases*

In the current year, the Group and the Company have applied MFRS 16 *Leases* (as issued by the MASB in April 2016) that is effective for annual periods that begin on or after January 1, 2019.

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of MFRS 16 on the Group and the Company's financial statements is described below.

The date of initial application of MFRS 16 for the Group and the Company is January 1, 2019.

The Group and the Company have applied MFRS 16 using the cumulative catch-up approach which:

- Requires the Group and the Company to recognise the cumulative effect of initially applying MFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and

- Does not permit restatement of comparatives, which continue to be presented under MFRS 117 *Leases* and IC Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(a) Impact of the new definition of a lease

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

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in MFRS 117 and IC Int. 4.

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

Impact of initial application of MFRS 16 *Leases* (cont'd)

(a) Impact of the new definition of a lease (cont'd)

The Group and the Company apply the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or changed on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of MFRS 16, the Group and the Company have carried out an implementation project. The project has shown that the new definition in MFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group and the Company.

(b) Impact on lessee accounting

(i) Former operating leases

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

Applying MFRS 16, for all leases (except as noted below), the Group and the Company:

a) Recognise right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with MFRS 16:C8(b)(ii);

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the statements of profit or loss; and

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statements of cash flows.

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

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes water dispensers and photocopy machines), the Group and the Company have opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Group and the Company have used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying MFRS 117.

- The Group and the Company have elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

- The Group and the Company have excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

- The Group and the Company have used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases applying MFRS 117, the carrying amount of the leased assets and obligations under finance leases measured applying MFRS 117 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group and the Company have elected to apply the low-value lease recognition exemption.

The right-of-use assets and the lease liabilities are accounted for under MFRS 16 from January 1, 2019.

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

Impact of initial application of MFRS 16 *Leases* (cont'd)

(c) Impact on lessor accounting

MFRS 16 does not change substantially how a lessor accounts for leases. Under MFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, MFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under MFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under MFRS 117).

The adoption of MFRS 16 has not had any material impact on the Group and the Company's retained earnings, except for the reclassification of the Group's prepaid lease payments on leasehold land to right-of-use-assets in the statement of financial position.

New and revised standards in issue but not yet effective

The Group and the Company have not applied the following new and revised amendments to MFRSs that have been issued but are not yet effective:

Amendments to MFRS 3	Definition of a Business [a]
Amendments to MFRS 101 and MFRS 108	Definition of Material [a]
Amendments to MFRS	References to the Conceptual Framework in MFRS Standards [a]
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform [a]
MFRS 17	Insurance Contracts [b]
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current [c]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [d]

[a] Effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.
[b] Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.
[c] Effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.
[d] Effective date deferred to a date to be determined and announced, with earlier application still permitted.

The directors anticipate that the above-mentioned new and amendments to MFRSs will be adopted in the annual financial statements of the Group and the Company when they become effective and that the adoption of these new and amendments to MFRSs will have no material impact on the financial statements of the Group and the Company in the period of initial application.

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 *Share-based Payment*, leasing transactions that are within the scope of MFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

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.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

i) deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

ii) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date (see below); and

iii) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsidiaries and basis of consolidation (cont'd)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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 acquisition method.

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

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

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

When the Group loses control of a subsidiary, a gain or a loss is recognised in profit or loss and is calculated as the difference between (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

When assets of the subsidiary are carried at revalued amounts or at fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Subsidiaries

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

Revenue recognition

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

(a) Sale of goods

The Group's sale of goods include real-time centralised energy measurement and control system, high precision hot fluid temperature control system and ultra-low temperature and mass sensing control system for bio-chem equipment, touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition (cont'd)

(b) Dividend and interest income

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

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

(c) Other income

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

Short-term employee benefits

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

Retirement benefit costs

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

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 24.

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 and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

(b) Deferred tax

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

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

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

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

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

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

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

(c) Current and deferred tax for the year

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

Earnings per share

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

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies (cont'd)

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.

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 disposal or partial disposal of the net investment.

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

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

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

Research and development expenses

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

Property, plant and equipment

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

Freehold land is not depreciated.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment (cont'd)

Depreciation is recognised so as to write off the cost of assets (other than freehold land) 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.

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

Investment property

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

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

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

Leases

The Group and the Company have applied MFRS 16 *Leases* using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under MFRS 117 *Leases*. The details of accounting policies under both MFRS 117 and MFRS 16 are presented separately below.

Policy applicable from January 1, 2019

The Group and the Company as a lessee

The Group and the Company assess whether a contract is or contains a lease, at inception of the contract. The Group and the Company recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as water dispensers and photocopy machines). For these leases, the Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Policy applicable from January 1, 2019 (cont'd)

The Group and the Company as a lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or a rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group and the Company did not make such adjustments during the period presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and any impairment losses.

Whenever the Group and the Company incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statements of financial position.

The Group and the Company apply MFRS 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Policy applicable prior to January 1, 2019

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.

The Group and the Company as a lessee

Assets held under finance leases are recognised as assets of the Group and the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease 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 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.

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 in the Group's and the Company's statement of financial position when the Group and the Company become a party to the contractual provisions of the instrument.

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

(a) Financial assets

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

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

Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

(a) Financial assets (cont'd)

(i) Amortised cost and effective interest method

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

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

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

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

For purchased or originated credit-impaired financial assets, the Group and the Company recognise interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "investment income" line item (Note 6).

Impairment of financial assets

The Group and the Company recognise a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company always recognise lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

For all other financial instruments, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets (cont'd)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group and the Company consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group and the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group and the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group and the Company presume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group and the Company have reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group and the Company assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. The financial instrument has a low risk of default,
2. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group and the Company consider a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets (cont'd)

(i) Significant increase in credit risk (cont'd)

For financial guarantee contracts, the date that the Group and the Company become a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group and the Company consider the changes in the risk that the specified debtor will default on the contract.

The Group and the Company regularly monitor the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group and the Company, in full (without taking into account any collateral held by the Group and the Company).

Irrespective of the above analysis, the Group and the Company consider that default has occurred when a financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a. significant financial difficulty of the issuer or the borrower;
b. a breach of contract, such as a default or past due event (see (ii) above);
c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e. the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group and the Company write off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group and the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets (cont'd)

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group and the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with MFRS 16.

For a financial guarantee contract, as the Group and the Company are required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group and the Company expect to receive from the holder, the debtor or any other party.

If the Group and the Company have measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group and the Company measure the loss allowance at an amount equal to 12-month ECL at the end of the current reporting period, except for assets for which simplified approach was used.

The Group and the Company recognise an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

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 continues to control the transferred asset, the Group and the Company recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group and the Company have elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

(b) Financial liabilities and equity

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) 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 Group's and 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 Group's and the Company's own equity instruments.

(iii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

(i) Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

(ii) 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group and the Company exchange with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group and the Company account for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

(c) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 27.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Treasury shares

Shares bought back are retained as treasury shares under the treasury stock method. Shares repurchased and held as treasury shares are accounted for at the cost of repurchase and set off against equity. Where such treasury shares are subsequently sold or reissued, the net consideration received is included in shareholders' equity.

Where the Company reacquires its own equity share capital, the consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in statements of comprehensive income on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

Segment information

For management purpose, the Group is organised into operating segments based on their business segment which is regularly reviewed by the Group's chief operation decision officer for the performance of the respective segments under their charge. The segment chief operation officer reports directly to the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

Cash and cash equivalents

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents comprise of cash and bank balances, demand deposits, bank overdrafts and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgements made by management in the process of applying the Group's accounting policies that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

The key assumptions made concerning the future, and, other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(i) Income taxes

The management exercises significant judgement in determining the status of fulfilment of the terms and conditions of the pioneer status granted to a subsidiary, Uchi Optoelectronic (M) Sdn. Bhd. in their assessment of current and deferred tax of the Group. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be 2 to 40 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment. Therefore the future depreciation charge could be revised.

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

(iii) Provision for rework and warranty

The Group will assess the provision made for estimated rework and warranty claims in respect of products sold which are still under warranty at the end of each reporting period. The Group estimates the related provision for future rework and warranty claims based on historical information of the cost incurred for the rework and warranty claims.

5. REVENUE

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Revenue from contracts with customers:				
Sale of goods	**156,673,264**	139,967,107	**-**	-
Management fee	**-**	-	**2,085,278**	2,217,339
Revenue from other sources:				
Dividend income from a subsidiary	**-**	-	**60,000,000**	70,000,000
	156,673,264	139,967,107	**62,085,278**	72,217,339

Disaggregation of the Group's and the Company's revenue from contracts with customers:

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Segment revenue				
Sale of goods	**156,673,264**	139,967,107	**-**	-
Management fee	**-**	-	**2,085,278**	2,217,339
Timing of revenue recognition				
At a point in time				
Sale of goods	**156,673,264**	139,967,107	**-**	-
Management fee	**-**	-	**2,085,278**	2,217,339

6. INVESTMENT INCOME

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Interest income on short-term deposits	**2,976,583**	5,229,775	**1,485,750**	4,078,613

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

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Interest income for financial assets not designated as at fair value through profit or loss:				
Financial assets measured at amortised cost (including cash and bank balances)	**2,976,583**	5,229,775	**1,485,750**	4,078,613

7. OTHER GAINS AND LOSSES

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Gain on disposal of property, plant and equipment	**112,169**	2,682,708	**-**	-
Net foreign exchange (loss)/ gain	**(314,331)**	834,826	**(9)**	16
Net gain/ (loss) arising on financial assets/ liabilities designated as at fair value through profit or loss	**598,546**	(788,278)	**-**	-
Impairment loss recognised on trade receivables	**(44,393)**	(436,327)	**-**	-
Reversal of impairment loss on trade receivables	**39,505**	76,916	**-**	-
Property, plant and equipment written off	**(3,984)**	(122,397)	**-**	-
Allowances for obsolete inventories	**(368,666)**	(62,061)	**-**	-
Others	**673,680**	500,947	**-**	-
	692,526	2,686,334	**(9)**	16

8. EMPLOYEE BENEFIT EXPENSES

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Post employment benefits:				
Defined contribution plan	**1,030,986**	976,326	**234,915**	248,173
Equity-settled share-based payments	**503,245**	761,556	**209,763**	419,626
Other employee benefits	**14,081,694**	15,551,577	**2,229,181**	2,442,111
Total employee benefit expenses	**15,615,925**	17,289,459	**2,673,859**	3,109,910

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 benefit 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	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Executive directors of the Company:				
Fee	**174,867**	200,400	**166,867**	172,400
Contribution to employees provident fund	**145,645**	146,412	**92,246**	125,419
Benefits-in-kind	**52,500**	50,000	**35,000**	50,000
Other emoluments	**1,174,449**	1,387,779	**686,616**	1,006,238
Non-executive directors of the Company:				
Fee	**234,900**	251,400	**234,900**	251,400
Other emoluments	**59,922**	78,201	**59,922**	78,201
	1,842,283	2,114,192	**1,275,551**	1,683,658
Executive directors of a subsidiary:				
Fee	**34,000**	18,000	**-**	-
Contribution to employees provident fund	**26,708**	19,293	**5,724**	-
Other emoluments	**245,607**	188,922	**47,585**	-
	2,148,598	2,340,407	**1,328,860**	1,683,658

Remuneration of executive directors, who are also 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	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Current tax expenses:				
Malaysian	**3,068,807**	3,518,700	**342,832**	959,000
Foreign	**10,050**	43,706	**-**	-
Deferred tax (income)/ expenses:				
Relating to origination and reversal of temporary differences	**(37,990)**	113,306	**7,000**	11,000
Adjustments recognised in the current year in relation to prior year:				
Current tax	**148,813**	3,956	**(147)**	76
Deferred tax	**(93,000)**	(146,000)	**3,000**	3,000
Tax expenses	**3,096,680**	3,533,668	**352,685**	973,076

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

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Profit before tax	**79,044,680**	72,542,695	**60,525,327**	72,603,443
Tax expense calculated using the Malaysian statutory income tax rate of 24% (2018: 24%)	**18,970,000**	17,410,000	**14,526,000**	17,425,000
Effect of expenses that are not deductible in determining taxable profit	**415,945**	810,712	**223,832**	345,000
Effect of revenue that is exempted from taxation	**(16,936,000)**	(13,439,000)	**-**	-
Effect of income that are not taxable in determining taxable profit	**(192,593)**	(775,000)	**(14,400,000)**	(16,800,000)
Deferred tax not recognised on pioneer activity	**783,515**	(331,000)	**-**	-
	3,040,867	3,675,712	**349,832**	970,000
Adjustments recognised in the current year in relation to prior year:				
Current tax	**148,813**	3,956	**(147)**	76
Deferred tax	**(93,000)**	(146,000)	**3,000**	3,000
Tax expenses recognised in profit or loss	**3,096,680**	3,533,668	**352,685**	973,076

The Group is operating in the jurisdictions of Malaysia and the People's Republic of China. The applicable domestic statutory income tax rates are 24% (2018: 24%) for Malaysia and 25% (2018: 25%) for the People's Republic of China. The applicable tax rate of 24% (2018: 24%) used in the above numerical reconciliation of tax of the Group and of the Company is determined based on the statutory income tax rate prevailing for the Company.

Tax income recognised in other comprehensive income

	The Group	
	2019	**2018**
	RM	**RM**
Deferred tax		
Translation of foreign operations	**(1,574)**	(2,213)

9. TAX EXPENSES (cont'd)

A subsidiary, Uchi Optoelectronic (M) Sdn. Bhd. ("UO") has been granted pioneer status by the Ministry of International Trade and Industry ("MITI") for the design, development and manufacture of real-time centralised energy measurement and control system, high precision hot fluid temperature control system and ultra-low temperature and mass sensing control system for bio-chem equipment. Under this incentive, upon certain terms and conditions fulfilled, 100% of the statutory income derived from the design, development and manufacture of the abovementioned products will be exempted from income tax for a period of five years from January 1, 2018 (the commencement date of the tax free period).

As at December 31, 2019, the approximate amounts of unused reinvestment allowances and unused tax capital allowances of the Group which are available to be offset against future taxable income are as follows:

	The Group	
	2019	**2018**
	RM	**RM**
Unused reinvestment allowances#	**1,236,000**	1,236,000
Unused tax capital allowances	**128,000**	351,000

The unused reinvestment allowances of RM1,236,000 will expire in the financial year ending December 31, 2025.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
After charging:				
Depreciation of:				
Property, plant and equipment	**6,486,730**	5,963,415	**-**	-
Investment property	**235,746**	235,746	**-**	-
Right-of-use assets	**227,506**	-	**-**	-
Research and development expenses:				
Employee benefit expenses	**1,822,262**	1,655,551	**-**	-
Others*	**2,592,229**	2,597,711	**-**	-
Loss arising on financial assets/liabilities designated as at fair value through profit or loss:				
Unrealised	**-**	804,415	**-**	-
Realised	**330,232**	-	**-**	-
Unrealised loss on foreign exchange	**842,510**	485,425	**16**	10
Provision for rework and warranty*	**1,496,063**	466,883	**-**	-
Amortisation of prepaid lease payments on leasehold land	**-**	213,695	**-**	-
Audit fee	**113,222**	113,355	**55,000**	55,000
And crediting:				
Realised gain on foreign exchange	**528,179**	1,320,251	**7**	26
Reversal of provision for rework and warranty no longer required	**170,000**	223,694	**-**	-
Gain arising on financial assets/ liabilities designated as at fair value through profit or loss:				
Realised	**-**	16,137	**-**	-
Unrealised	**928,778**	-	**-**	-

* 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	
	2019	**2018**
Profit for the year attributable to owners of the Company (RM)	**75,948,000**	69,009,027
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	**448,782,303**	447,898,867
Basic earnings per share (sen)	**16.92**	15.41

Diluted earnings per share

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

	The Group	
	2019	**2018**
	RM	**RM**
Profit for the year attributable to owners of the Company	**75,948,000**	69,009,027

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	
	2019	**2018**
	Unit	**Unit**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**448,782,303**	447,898,867
Shares deemed to be issued for no consideration in respect of employees' share options	**4,418,996**	5,360,534
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**453,201,299**	453,259,401

	The Group	
	2019	**2018**
Diluted earnings per share (sen)	**16.76**	15.23

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	
	2019	**2018**
	Unit	**Unit**
Weighted average number of unissued shares in respect of employees' share options	**12,273**	59,808

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, 2019	-	40,608,015	37,395,247	1,703,815	3,701,780	1,145,187	3,870,451	4,851,950	2,215,250	95,491,695
Additions	-	50,621	365,378	413	-	5,705	8,101	8,057	304,800	743,075
Disposals/ write-off	-	-	(706,691)	-	-	(1,854)	(48,449)	-	(328,314)	(1,085,308)
Currency translation differences	-	(466,249)	(64,975)	(15,865)	(26,449)	(2,913)	(15,978)	(62,310)	(7,786)	(662,525)
Balance at December 31, 2019	**-**	**40,192,387**	**36,988,959**	**1,688,363**	**3,675,331**	**1,146,125**	**3,814,125**	**4,797,697**	**2,183,950**	**94,486,937**
Balance at January 1, 2018	5,167,266	43,009,183	30,222,341	1,726,180	3,729,089	1,124,261	3,640,118	4,908,688	2,379,383	95,906,509
Additions	-	250,360	8,595,829	-	10,000	25,917	277,058	30,360	38,600	9,228,124
Disposals/ write-off	(5,167,266)	(2,000,000)	(1,323,004)	-	-	(943)	(23,671)	-	(189,026)	(8,703,910)
Currency translation differences	-	(651,528)	(99,919)	(22,365)	(37,309)	(4,048)	(23,054)	(87,098)	(13,707)	(939,028)
Balance at December 31, 2018	-	40,608,015	37,395,247	1,703,815	3,701,780	1,145,187	3,870,451	4,851,950	2,215,250	95,491,695

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

The Group

	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
Accumulated depreciation									
Balance at January 1, 2019	11,371,163	19,648,764	1,346,046	2,882,653	838,027	2,509,125	3,493,506	1,822,121	43,911,405
Charge for the year	1,438,275	3,626,323	128,680	313,721	115,090	269,197	405,967	189,477	6,486,730
Disposals/ write-off	-	(702,268)	-	-	(1,432)	(45,822)	-	(315,678)	(1,065,200)
Currency translation differences	(213,770)	(42,288)	(14,272)	(23,730)	(2,408)	(11,601)	(54,155)	(6,358)	(368,582)
Balance at December 31, 2019	**12,595,668**	**22,530,531**	**1,460,454**	**3,172,644**	**949,277**	**2,720,899**	**3,845,318**	**1,689,562**	**48,964,353**
Balance at January 1, 2018	10,438,514	17,886,976	1,237,531	2,601,100	727,653	2,293,381	3,115,316	1,768,537	40,069,008
Charge for the year	1,461,140	2,993,476	128,643	314,939	114,435	254,431	443,550	252,801	5,963,415
Disposals/ write-off	(273,333)	(1,148,822)	-	-	(849)	(23,663)	-	(189,024)	(1,635,691)
Currency translation differences	(255,158)	(82,866)	(20,128)	(33,386)	(3,212)	(15,024)	(65,360)	(10,193)	(485,327)
Balance at December 31, 2018	11,371,163	19,648,764	1,346,046	2,882,653	838,027	2,509,125	3,493,506	1,822,121	43,911,405
Net book value									
Balance at December 31, 2019	**27,596,719**	**14,458,428**	**227,909**	**502,687**	**196,848**	**1,093,226**	**952,379**	**494,388**	**45,522,584**
Balance at December 31, 2018	29,236,852	17,746,483	357,769	819,127	307,160	1,361,326	1,358,444	393,129	51,580,290

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

The Company

	Furniture and fittings RM	Office equipment RM	Total RM
Cost			
Balance at January 1, 2019	7,045	106,483	113,528
Addition	-	-	-
Disposals/ write-off	-	(13,650)	(13,650)
Balance at December 31, 2019	**7,045**	**92,833**	**99,878**
Balance at January 1, 2018	7,045	109,334	116,379
Addition	-	-	-
Disposals/ write-off	-	(2,851)	(2,851)
Balance at December 31, 2018	7,045	106,483	113,528
Accumulated depreciation			
Balance at January 1, 2019	7,045	106,483	113,528
Charge for the year	-	-	-
Disposals/ write-off	-	(13,650)	(13,650)
Balance at December 31, 2019	**7,045**	**92,833**	**99,878**
Balance at January 1, 2018	7,045	109,334	116,379
Charge for the year	-	-	-
Disposals/ write-off	-	(2,851)	(2,851)
Balance at December 31, 2018	7,045	106,483	113,528
Net book value			
Balance at December 31, 2019	-	-	-
Balance at December 31, 2018	-	-	-

13. INVESTMENT PROPERTY

	The Group	
	2019	**2018**
	RM	**RM**
At cost:		
Balance at beginning/ end of the year	**9,429,858**	9,429,858
Accumulated depreciation:		
Balance at beginning of the year	**(2,251,393)**	(2,015,647)
Charge for the year	**(235,746)**	(235,746)
Balance at end of the year	**(2,487,139)**	(2,251,393)
Net	**6,942,719**	7,178,465

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

Details of the Group's investment property and information about the fair value hierarchy is as follows:

	Fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
	RM	**RM**	**RM**	**RM**
The Group				
December 31, 2019:				
Building	**-**	**-**	**9,780,000**	**9,780,000**
December 31, 2018:				
Building	-	-	9,780,000	9,780,000

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

The fair value of the Group's investment property has been arrived at on the basis of a valuation carried out as at December 31, 2019 by an independent valuer who has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The fair value was determined based on open market value.

The building is valued by reference to current estimates of construction costs to erect equivalent buildings, taking into consideration similar accommodation in terms of size and construction. Appropriate adjustments are then made for factors of age, obsolescence and existing physical condition of the building.

The building valued using this method is categorised as level 3 in the fair value hierarchy. The significant unobservable inputs for this category of assets are the replacement cost per square meter of RM835 per square meter (2018: RM835 per square meter). It is further depreciated by 8% (2018: 8%) after taking consideration of the building condition and other relevant factors.

Direct operating expenses incurred by the Group on its investment property which did not generate rental income during the financial year is RM384,358 (2018: RM391,925).

14. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

	The Group	
	2019	**2018**
	RM	**RM**
Short-term leasehold land		
Balance at beginning of the year	**6,577,714**	6,925,611
Reclassified to right-of-use assets	**(6,577,714)**	-
Amortisation during the year	**-**	(213,695)
Currency translation differences	**-**	(134,202)
Balance at end of the year	**-**	6,577,714

As at December 31, 2018, the unexpired lease periods of the Group's short-term leasehold land are 32 and 36 years respectively.

15. RIGHT-OF-USE ASSETS

	The Group	
	2019	**2018**
	RM	**RM**
Short-term leasehold land		
Balance at beginning of the year	**-**	-
Reclassified from prepaid lease payments on leasehold land	**6,577,714**	-
Depreciation during the year	**(227,506)**	-
Currency translation difference	**(91,277)**	-
Balance at end of year	**6,258,931**	-

As at December 31, 2019, the unexpired lease periods of the Group's short-term leasehold land are 31 and 35 years respectively.

The Group and the Company lease certain office equipment such as water dispensers and photocopy machines, which qualify as low-value assets. The Group and the Company have elected to apply the recognition exemption and thus, did not recognise right-of-use assets and lease liabilities for these leases.

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2019	**2018**
	RM	**RM**
Unquoted equity shares, at cost	**58,206,014**	57,932,740
Less: Accumulated impairment losses	**(4,420,800)**	(4,420,800)
	53,785,214	53,511,940

Included in the cost of investments in subsidiaries during the year is a charge of RM273,274 (2018: RM338,498) representing the recognition of equity-settled share-based payments for share options granted to subsidiaries' employees to acquire ordinary shares of the Company.

16. 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 2019	2018
Uchi Electronic (M) Sdn. Bhd.	Assembly of electrical components onto printed circuit boards and trading of complete electric module and saturated paper for PCB lamination.	Malaysia	100%	100%
Uchi Optoelectronic (M) Sdn. Bhd.	Design, research, development and manufacture of real-time centralised energy measurement and control system, high precision hot fluid temperature control system and ultra-low temperature and mass sensing control system for bio-chem equipment, touch screen advance display, high precision light measurement (optoelectronic) equipment, mixed signal control system for centrifuge/ laboratory equipment, mixed signal microprocessor based application and system integration products.	Malaysia	100%	100%
Uchi Technologies (Dongguan) Co., Ltd.*#	Design, research, development, manufacture and trading of electronic modules.	People's Republic of China	100%	100%

* Audited by Deloitte PLT for consolidation purposes only.
\# The financial statements of the subsidiary is audited by auditors other than auditors of the Company.

17. DEFERRED TAX ASSETS/ (LIABILITIES)

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

	The Group 2019	2018	The Company 2019	2018
	RM	RM	RM	RM
Deferred tax assets	**203,222**	212,508	**105,000**	115,000
Deferred tax liabilities	**(1,173,355)**	(1,312,057)	**-**	-
	(970,133)	(1,099,549)	**105,000**	115,000

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

Movement in deferred tax assets/ (liabilities) is as follows:

The Group

	Opening balance	Recognised in profit or loss (Note 9)	Recognised in other comprehensive income (Note 9)	Closing balance
	RM	RM	RM	RM
2019:				
Deferred tax assets				
Accrued expenses	**150,000**	**(8,000)**	**-**	**142,000**
Provision for rework and warranty	**56,000**	**11,000**	**-**	**67,000**
Inventories	**3,052**	**4,281**	**-**	**7,333**
Unused tax capital allowances	**84,000**	**(53,000)**	**-**	**31,000**
Others	**208,456**	**66,007**	**(1,574)**	**272,889**
	501,508	**20,288**	**(1,574)**	**520,222**
Deferred tax liabilities				
Property, plant and equipment	**(1,082,793)**	**85,000**	**-**	**(997,793)**
Gain on revaluation of properties	**(518,264)**	**25,702**	**-**	**(492,562)**
	(1,601,057)	**110,702**	**-**	**(1,490,355)**
Net	**(1,099,549)**	**130,990**	**(1,574)**	**(970,133)**
2018:				
Deferred tax assets				
Accrued expenses	153,000	(3,000)	-	150,000
Provision for rework and warranty	26,000	30,000	-	56,000
Inventories	5,032	(1,980)	-	3,052
Unused tax capital allowances	134,000	(50,000)	-	84,000
Others	64,697	145,972	(2,213)	208,456
	382,729	120,992	(2,213)	501,508
Deferred tax liabilities				
Property, plant and equipment	(968,793)	(114,000)	-	(1,082,793)
Gain on revaluation of properties	(543,966)	25,702	-	(518,264)
	(1,512,759)	(88,298)	-	(1,601,057)
Net	(1,130,030)	32,694	(2,213)	(1,099,549)

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

The Company

	Opening balance RM	Recognised in profit or loss (Note 9) RM	Closing balance RM
2019:			
Deferred tax asset			
Accrued expenses	**115,000**	**(10,000)**	**105,000**
2018:			
Deferred tax asset			
Accrued expenses	129,000	(14,000)	115,000

As at December 31, 2019, deferred tax has not been recognised in respect of the temporary differences relating to pioneer activity:

	The Group 2019 RM	The Group 2018 RM
Gross amount of temporary differences arising from:		
Property, plant and equipment	**12,126,000**	13,145,000
Accrued expenses	**(6,036,000)**	(5,717,000)
Provision for rework and warranty	**(1,427,000)**	(556,000)
Other payables	**(687,000)**	(381,000)
Inventories	**(392,000)**	(73,000)
Others	**(133,000)**	(121,000)
Net	**3,451,000**	6,297,000

18. INVENTORIES

	The Group 2019 RM	The Group 2018 RM
Raw materials	**11,555,323**	13,297,201
Work-in-progress	**2,629,142**	3,644,799
Finished goods	**2,305,232**	1,108,214
	16,489,697	18,050,214

The cost of inventories recognised as an expense during the financial year is RM67,858,915 (2018: RM59,866,093).

The cost of inventories recognised as an expense included RM368,666 (2018: RM62,061) in respect of allowance for obsolete inventories.

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2019	2018	**2019**	2018
	RM	**RM**	**RM**	**RM**
Trade receivables	**13,680,901**	19,251,035	**-**	-
Less: Loss allowance	**(441,215)**	(436,327)	**-**	-
	13,239,686	18,814,708	**-**	-
Amount owing by subsidiaries	**-**	-	**36,261,853**	54,136,945
Interest receivable	**571,841**	500,894	**361,281**	287,143
Other receivables	**45,734**	315,725	**6,683**	16,429
	13,857,261	19,631,327	**36,629,817**	54,440,517

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

	The Group		The Company	
	2019	2018	**2019**	2018
	RM	**RM**	**RM**	**RM**
United States Dollar	**13,151,278**	18,699,998	**-**	-
Ringgit Malaysia	**705,396**	929,223	**36,629,817**	54,440,517
Chinese Renminbi	**587**	2,106	**-**	-
	13,857,261	19,631,327	**36,629,817**	54,440,517

The average credit periods granted to trade receivables on sale of goods range from 21 to 60 days (2018: 21 to 60 days). No interest is charged on the outstanding balance of trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

19. TRADE AND OTHER RECEIVABLES (cont'd)

Ageing analysis of trade receivables:

	2019	2018
	RM	RM
Neither past due nor impaired	**10,102,454**	16,217,994
1 to 30 days past due but not impaired	**2,391,971**	2,274,692
31 to 60 days past due but not impaired	**745,261**	321,992
More than 60 days past due but not impaired	**-**	30
	3,137,232	2,596,714
Impaired	**441,215**	436,327
Total	**13,680,901**	19,251,035

Movement in the allowance for doubtful debts:

	The Group	
	2019	2018
	RM	RM
Balance at beginning of the year	**436,327**	76,916
Impairment loss recognised	**44,393**	436,327
Reversal of impairment loss no longer required	**(39,505)**	(76,916)
Balance at end of the year	**441,215**	436,327

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	
	2019	2018
	RM	RM
1 to 30 days	**12,421**	10,227
31 to 60 days	**27,639**	15,995
61 to 90 days	**4,333**	13,283
91 to 120 days	**-**	-
More than 120 days	**396,822**	396,822
Total	**441,215**	436,327

19. TRADE AND OTHER RECEIVABLES (cont'd)

The amount owing by subsidiaries is as follows:

	The Company	
	2019	**2018**
	RM	**RM**
Uchi Optoelectronic (M) Sdn. Bhd.	**36,261,853**	54,133,799
Uchi Electronic (M) Sdn. Bhd.	**-**	3,146
	36,261,853	54,136,945

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

Other receivables comprise mainly of goods and services tax refundable.

20. OTHER ASSETS

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Prepayments	**2,660,042**	1,958,518	**-**	-
Deposits	**102,541**	96,870	**2,000**	2,000
	2,762,583	2,055,388	**2,000**	2,000

21. SHORT-TERM DEPOSITS

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

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	**83,231,220**	70,178,965	**63,433,187**	47,623,335
United States Dollar	**40,935,792**	18,939,783	**-**	-
Chinese Renminbi	**9,385,600**	8,423,800	**-**	-
	133,552,612	97,542,548	**63,433,187**	47,623,335

The short-term deposits of the Group earn interests at rates ranging from 1.35% to 4.15% (2018: 1.69% to 4.3%) per annum and have maturity periods ranging between 1 to 12 months (2018: 1 to 12 months). The short-term deposits of the Company earn interests at rates ranging from 2.85% to 3.85% (2018: 3.0% to 4.30%) per annum and have maturity periods ranging between 1 to 6 months (2018: 1 to 8 months).

22. CASH AND BANK BALANCES

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

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
United States Dollar	**431,858**	13,124,065	**830**	843
Chinese Renminbi	**710,831**	2,106,464	**-**	-
Ringgit Malaysia	**2,222,625**	919,807	**71,973**	56,332
Euro	**9,968**	19,576	**-**	-
Swiss Franc	**888**	1,303	**-**	-
Other foreign currencies	**546**	483	**-**	-
	3,376,716	16,171,698	**72,803**	57,175

23. SHARE CAPITAL

	The Company			
	2019		2018	
	No. of shares	**RM**	**No. of shares**	**RM**
Issued and fully paid:				
Ordinary shares:				
At beginning of the year	**450,755,159**	**70,077,720**	449,185,759	157,036,362
Issue of shares pursuant to ESOS	**427,400**	**751,518**	1,569,400	2,737,010
Capital repayment	**-**	**-**	-	(89,695,652)
At end of the year	**451,182,559**	**70,829,238**	450,755,159	70,077,720

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from 450,755,159 ordinary shares to 451,182,559 ordinary shares by way of issuance of 427,400 new ordinary shares, amounting to RM751,518, for cash pursuant to the Employees' Share Options Scheme ("ESOS") of the Company at exercise prices ranging from RM1.57 to RM2.72 per ordinary share.

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

As at December 31, 2019, out of the total number of 451,182,559 (2018: 450,755,159) of ordinary shares issued and paid-up, 2,072,500 (2018: 2,072,500) are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid is 449,110,059 (2018: 448,682,659).

24. RESERVES

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Non-distributable reserves:				
Equity-settled employee benefits reserve	**2,813,132**	2,382,785	**2,813,132**	2,382,784
Foreign currency translation reserve	**5,483,995**	6,247,715	**-**	-
Merger reserve	**-**	-	**6,777,646**	6,777,646
	8,297,127	8,630,500	**9,590,778**	9,160,430

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

24. RESERVES (cont'd)

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

The principal features of the ESOS are as follows:

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

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

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

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

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

Share options are conditional on the employee's confirmation of service. The share options are exercisable in a staggered basis within the option period up to November 7, 2021. The Group and the Company have no legal or constructive obligation to repurchase or to settle the share options in cash.

The persons to whom the share options have been granted have no right to participate by virtue of the share options in any share options of any other companies in the Group.

The following share based payments arrangements were in existence as of the end of the reporting period:

Options series	Expiry date	Fair value at grant date	Exercise price	Number
		RM	RM	
The Group				
Granted on:				
November 8, 2016	November 7, 2021	0.1962	1.57	9,470,100
February 8, 2017	November 7, 2021	0.1593	1.67	243,300
March 8, 2017	November 7, 2021	0.1592	1.66	75,000
May 23, 2017	November 7, 2021	0.2692	1.57	200,000
September 8, 2017	November 7, 2021	0.3179	2.11	150,600
October 6, 2017	November 7, 2021	0.3556	2.47	59,000
November 8, 2017	November 7, 2021	0.3648	2.78	48,000
December 8, 2017	November 7, 2021	0.3023	3.19	35,000
February 8, 2018	November 7, 2021	0.3354	2.43	217,000
April 6, 2018	November 7, 2021	0.3506	2.26	16,000
May 8, 2018	November 7, 2021	0.4169	2.52	90,000
May 25, 2018	November 7, 2021	0.2669	2.72	290,000
July 6, 2018	November 7, 2021	0.3256	2.55	156,000
August 8, 2018	November 7, 2021	0.3193	2.86	44,000
December 7, 2018	November 7, 2021	0.1128	2.89	71,000
January 8, 2019	November 7, 2021	0.0242	2.45	75,000
February 8, 2019	November 7, 2021	0.0485	2.57	91,500
March 8, 2019	November 7, 2021	0.0164	2.75	11,250
April 8, 2019	November 7, 2021	0.0380	2.75	45,000
May 8, 2019	November 7, 2021	0.0149	2.82	136,000
August 16, 2019	November 7, 2021	0.0336	2.77	150,000
September 6, 2019	November 7, 2021	0.0602	2.81	6,000
November 8, 2019	November 7, 2021	0.0655	2.80	62,500
December 6, 2019	November 7, 2021	0.0303	2.82	45,000
				11,787,250

24. RESERVES (cont'd)

The weighted average fair value of the share options granted during the financial year is RM0.1094 (2018: RM0.1438). Options were priced using the binominal option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 1¼ years.

	Inputs into the model					
Options series	**Grant date share price**	**Exercise price**	**Expected volatility**	**Option life**	**Dividend yield**	**Risk free interest rate**
	RM	**RM**				
The Group						
2019:						
Granted on:						
January 8, 2019	**2.45**	**2.45**	**33.77%**	**3 years**	**6%**	**3.59%**
February 8, 2019	**2.60**	**2.57**	**33.77%**	**3 years**	**6%**	**3.59%**
March 8, 2019	**2.68**	**2.75**	**33.77%**	**3 years**	**5%**	**3.59%**
April 8, 2019	**2.78**	**2.75**	**33.77%**	**3 years**	**5%**	**3.59%**
May 8, 2019	**2.74**	**2.82**	**33.77%**	**3 years**	**5%**	**3.59%**
August 16, 2019	**2.77**	**2.77**	**33.77%**	**3 years**	**5%**	**3.59%**
September 6, 2019	**2.80**	**2.81**	**33.77%**	**3 years**	**5%**	**3.59%**
November 8, 2019	**2.79**	**2.80**	**33.77%**	**2 years**	**5%**	**3.59%**
December 6, 2019	**2.80**	**2.82**	**33.77%**	**2 years**	**5%**	**3.59%**
2018:						
Granted on:						
January 8, 2018	3.04	2.92*	35.27%	4 years	8%	3.50%
February 8, 2018	2.70	2.43*	35.27%	4 years	9%	3.50%
April 6, 2018	2.57	2.26*	35.27%	4 years	10%	3.50%
May 8, 2018	2.89	2.52*	35.27%	4 years	9%	3.50%
May 25, 2018	2.88	2.72*	35.27%	4 years	9%	3.50%
July 6, 2018	2.80	2.55*	35.27%	4 years	9%	3.50%
August 8, 2018	3.07	2.86*	35.27%	4 years	8%	3.50%
December 7, 2018	2.69	2.89	35.27%	3 years	9%	3.50%

* The exercise share price was adjusted for the capital repayment of the basis of RM0.20 for each ordinary share in 2018.

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

	The Group			
	2019		2018	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		RM		**RM**
Balance at beginning of the year	**12,855,400**	**1.68**	14,451,200	1.73
Granted during the year	**622,250**	**2.72**	1,130,000	2.62
Exercised during the year	**(427,400)**	**1.76**	(1,569,400)	1.74
Forfeited during the year	**(1,263,000)**	**1.67**	(1,156,400)	1.81
Balance at end of the year	**11,787,250**	**1.73**	12,855,400	1.68

24. RESERVES (cont'd)

The following share options were exercised during the financial year:

	Number exercised 2019	Exercise date	Exercise price RM
The Group			
November 8, 2016	18,400	January 23, 2019	1.57
November 8, 2016	139,000	June 24, 2019	1.57
November 8, 2016	100,000	December 19, 2019	1.57
May 23, 2017	100,000	December 19, 2019	1.57
May 25, 2018	70,000	December 19, 2019	2.72
	427,400		

Out of the outstanding share options, share options to subscribe for 7,411,770 (2018: 4,491,100) ordinary shares under the ESOS scheme were exercisable at the end of the year.

The share options outstanding as at year end had exercise prices ranging from RM1.57 to RM3.19 (2018: RM1.57 to RM3.19), and a weighted average remaining contractual life of 2 to 3 years (2018: 3 to 4 years). The share options to subscribe for 11,787,250 (2018: 12,855,400) ordinary shares under the ESOS scheme are exercisable within the option period up to November 7, 2021.

On January 8, 2020, share options to subscribe for 22,500 ordinary shares offered under ESOS scheme were granted to employees with an exercise price of RM2.80 per share.

On February 7, 2020, share options to subscribe for 87,700 ordinary shares offered under ESOS scheme were granted to employees with an exercise price of RM2.62 per share.

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (Ringgit Malaysia) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

The merger reserve represents the difference between the cost of investments in subsidiaries and the nominal value of shares issued as consideration.

25. RETAINED EARNINGS

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

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables	**7,473,019**	10,394,011	**-**	-
Amount owing to directors	**280,000**	160,000	**160,000**	160,000
Amount owing to a subsidiary	**-**	-	**32,926**	-
Other payables	**13,443,395**	13,334,661	**-**	-
Accrued expenses	**9,915,362**	9,679,023	**673,884**	720,439
	31,111,776	33,567,695	**866,810**	880,439

26. TRADE AND OTHER PAYABLES (cont'd)

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

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
United States Dollar	**19,102,857**	21,408,762	**-**	-
Ringgit Malaysia	**10,636,905**	10,713,195	**866,810**	880,439
Chinese Renminbi	**1,372,014**	1,397,086	**-**	-
Other foreign currencies	**-**	48,652	**-**	-
	31,111,776	33,567,695	**866,810**	880,439

The average credit periods granted to the Group for trade purchases range from 30 to 60 days (2018: 30 to 60 days). No interest is charged on the outstanding balance of trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The amount owing to directors represents directors' remuneration payable.

The amount owing to a subsidiary, Uchi Electronic (M) Sdn. Bhd., arose mainly from unsecured advances which are interest free and are repayable on demand.

Other payables comprise mainly of amounts outstanding for ongoing costs.

27. OTHER FINANCIAL ASSETS/ (LIABILITIES)

	The Group	
	2019	**2018**
	RM	**RM**
Financial assets/ (liabilities) carried at fair value through profit or loss:		
Derivative financial instruments:		
Foreign currency forward contracts	**928,778**	(804,415)

The Group uses foreign currency forward contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure.

Foreign currency forward contracts are used to hedge the Group's sales denominated in United States Dollars for which firm commitments existed at the end of the reporting period.

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from swap points matching maturities of the contracts.

28. PROVISION FOR REWORK AND WARRANTY

	The Group	
	2019	**2018**
	RM	**RM**
Balance at beginning of the year	**600,000**	907,833
Additional provision	**1,496,063**	466,883
Reversal of provision no longer required	**(170,000)**	(223,694)
Rework and warranty costs paid	**(354,067)**	(551,022)
Balance at end of the year	**1,571,996**	600,000

28. PROVISION FOR REWORK AND WARRANTY (cont'd)

The Group provides a warranty on its products and undertakes to replace defective products. A provision is recognised for expected warranty claims on products sold, based on past experience of the level of repairs and returns. Assumptions used to calculate the provision for rework and warranty were based on current sales levels and current information available about returns based on the warranty period for all products sold. These amounts have not been discounted for the purposes of measuring the provision for rework and warranty, because the effect is not material.

29. DIVIDENDS

	The Group and the Company	
	2019	2018
	RM	RM
Declared and paid:		
Final tax exempt dividend of 7 sen per ordinary share, in respect of the financial year ended December 31, 2018, declared on February 26, 2019 and paid on July 23, 2019.	**31,418,804**	-
Final tax exempt dividend of 8 sen per ordinary share, in respect of the financial year ended December 31, 2017, declared on May 24, 2018 and paid on August 21, 2018.	**-**	35,839,613
Interim tax exempt dividend of 7 sen per ordinary share, in respect of the financial year ended December 31, 2018, declared on November 23, 2018 and paid on January 24, 2019.	**-**	31,407,786
Declared and payable:		
Interim tax exempt dividend of 7.5 sen per ordinary share, in respect of the financial year ended December 31, 2019, declared on November 22, 2019.	**33,683,255**	-
	65,102,059	67,247,399

The directors also proposed a final tax exempt dividend of 8.5 sen per ordinary share, in respect of the current financial year. The proposed tax exempt dividend if payable in respect of all ordinary shares in issue as at the date of the financial statements would amount to RM38,174,355 and has not been included as a liability in the financial statements. The dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and the date of entitlement to the dividend has yet to be determined as at the date of these financial statements.

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Short-term deposits	**133,552,612**	97,542,548	**63,433,187**	47,623,335
Cash and bank balances	**3,376,716**	16,171,698	**72,803**	57,175
	136,929,328	113,714,246	**63,505,990**	47,680,510

31. BANKING FACILITIES

As at December 31, 2019, the Group has unutilised banking facilities totalling RM115,600,000 (2018: RM115,600,000) covered by corporate guarantees from the Company for RM35,620,000 (2018: RM35,620,000).

32. FINANCIAL INSTRUMENTS

a. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or to achieve an optimal capital structure, the Group may adjust the amount of dividend payment and buy back issued shares. Management monitors capital based on the ability of the Group to generate sustainable profits and availability of retained earnings for dividend payments to shareholders. The Group's overall strategy remains unchanged from 2018.

b. Categories of financial instruments

	2019	2018
	RM	RM
The Group		
Amortised cost		
Financial assets		
Cash and bank balances	**3,376,716**	16,171,698
Short-term deposits	**133,552,612**	97,542,548
Trade and other receivables	**13,857,261**	19,631,327
Financial liabilities		
Trade and other payables	**31,111,776**	33,567,695
Dividend payable	**33,683,255**	31,407,786
Fair value through profit or loss		
Financial assets/ (liabilities)		
Derivative financial instruments	**928,778**	(804,415)
The Company		
Amortised cost		
Financial assets		
Cash and bank balances	**72,803**	57,175
Short-term deposits	**63,433,187**	47,623,335
Trade and other receivables	**36,629,817**	54,440,517
Financial liabilities		
Trade and other payables	**866,810**	880,439
Dividend payable	**33,683,255**	31,407,786

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.

32. FINANCIAL INSTRUMENTS (cont'd)

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

i. Market risk management

The Group has in place policies to manage the Group's exposures to fluctuation in the prices of the raw materials used in the operations.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

ii. Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Group's activities expose it primarily to the financial risk of change in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on foreign currency sales.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group	
	2019	**2018**
	RM	**RM**
Assets		
United States Dollar	**54,518,779**	50,763,847
Euro	**9,968**	19,576
Swiss Franc	**888**	1,303
Chinese Renminbi	**270**	421
Others	**546**	483
Liabilities		
United States Dollar	**19,095,514**	21,408,762
Chinese Renminbi	**54,900**	93,066
Others	**-**	48,652

	The Company	
	2019	**2018**
	RM	**RM**
Assets		
United States Dollar	**830**	843

The following table details the sensitivity analysis when the RM strengthens 4% (2018: 9%) against the relevant foreign currencies. 4% (2018: 9%) 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 period end for a 4% (2018: 9%) 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 4% (2018: 9%) against the relevant currency.

32. FINANCIAL INSTRUMENTS (cont'd)

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

ii. Foreign currency risk management (cont'd)

	The Group	
	2019	**2018**
	RM	**RM**
Impact on profit or loss:		
United States Dollar	**(1,416,931)**	(2,641,958)
Euro	**(399)**	(1,762)
Swiss Franc	**(36)**	(117)
Chinese Renminbi	**2,185**	8,338
Others	**(22)**	4,335

	The Company	
	2019	**2018**
	RM	**RM**
Impact on profit or loss:		
United States Dollar	**(33)**	(76)

For a 4% (2018: 9%) weakening of the RM against the relevant currency, it would have had equal but opposite effect on the above currencies to the amounts shown above.

iii. Interest rate risk management

The Group's and the Company's exposure to changes in interest rates relates primarily to the Group's and the Company's short-term deposits. It has no significant interest-bearing financial assets or liabilities other than the short-term deposits. The short-term deposits are placed with reputable banks. The Group and the Company do not use derivative financial instruments to hedge its risk.

No sensitivity analysis is prepared as the Group and the Company do not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

iv. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The Group only grants credit to creditworthy counterparties. The trade receivables that are neither past due nor impaired relate to customers that the Group has assessed to be creditworthy, based on the credit evaluation process performed by management. The Group places its cash and cash equivalents with a number of major and high credit rating commercial banks.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position.

32. FINANCIAL INSTRUMENTS (cont'd)

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

iv. Credit risk management (cont'd)

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:

	2019		2018	
	RM	**% of total**	**RM**	**% of total**
By country:				
Europe	**11,762,606**	**89**	16,616,245	88
United States of America	**875,908**	**7**	2,058,762	11
Asia Pacific	**601,172**	**4**	139,701	1
	13,239,686	**100**	18,814,708	100

For trade receivables, the Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime expected credit losses. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

v. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and financial liabilities. Note 31 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 27, including foreign currency forward contracts as detailed in item (d) below.

vi. Cash flow risk management

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

d. Foreign currency forward contracts

It is the policy of the Group to enter into foreign currency forward contracts to cover specific foreign currency payments and receipts. The Group also enters into foreign currency forward contracts to manage the risk associated with anticipated sales and purchase transactions.

32. 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 gain/(loss)
		USD	RM	RM
2019:				
Sell USD				
Less than 3 months	**4.13**	**7,000,000**	**28,895,253**	**206,415**
3 to 6 months	**4.21**	**4,200,000**	**17,663,452**	**410,012**
6 to 9 months	**4.18**	**3,600,000**	**15,037,945**	**220,303**
9 to 12 months	**4.17**	**2,100,000**	**8,759,849**	**92,048**
2018:				
Sell USD				
Less than 3 months	3.96	3,500,000	13,850,156	(633,942)
3 to 6 months	4.08	4,500,000	18,347,600	(294,168)
6 to 9 months	4.14	5,100,000	21,088,630	(51,107)
9 to 12 months	4.19	4,100,000	17,187,530	174,802

e. Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

i. Financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities 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 and financial liabilities are determined (in particular, the valuation techniques and inputs used).

	The Group 2019	2018
	RM	RM
Foreign currency forward contracts:		
Fair value:		
Assets/ (liabilities)	**928,778**	(804,415)

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 short-term financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

33. RELATED PARTY TRANSACTIONS

The details of transactions between the Group and the Company and its related parties are as disclosed below.

	The Group		The Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Dividend income received from:				
Uchi Optoelectronic (M) Sdn. Bhd.	-	-	**60,000,000**	70,000,000
Management fee received from:				
Uchi Optoelectronic (M) Sdn. Bhd.	-	-	**2,071,351**	2,201,090
Uchi Electronic (M) Sdn. Bhd.	-	-	**13,927**	16,249
Disposal of property, plant and equipment to:				
Kao, Yen-Ping#	-	9,510,000	-	-

\# Son of a director of the Company.

34. SEGMENT INFORMATION

Products and services from which reportable segments derive their revenue

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under MFRS 8 *Operating Segments* are therefore as follows:

a. investment holding (includes management services);
b. manufacturing of real-time centralised energy measurement and control system, high precision hot fluid temperature control system and ultra-low temperature and mass sensing control system for bio-chem equipment, touch screen advance display, high precision light measurement (optoelectronic) equipments, mixed signal control system for centrifuge/ laboratory equipments, mixed signal microprocessor based application, system integration products and electronic modules; and
c. trading of complete electric module and saturated paper for PCB lamination.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

The Group

	Investment holding	Manufacturing	Trading	Elimination	Consolidated
	RM	RM	RM	RM	RM
2019:					
Revenue					
External sales	-	156,673,264	-	-	156,673,264
Inter-segment sales	62,085,278	-	1,068,144	(63,153,422)	-
Total revenue	62,085,278	156,673,264	1,068,144	(63,153,422)	156,673,264
Results					
Segment profit	59,039,587	73,483,787	(16,116)	(57,131,687)	75,375,571
Investment income					2,976,583
Other gains and losses					692,526
Profit before tax					79,044,680
Tax expenses					(3,096,680)
Profit for the year					75,948,000

34. SEGMENT INFORMATION (cont'd)

Segment revenue and results (cont'd)

	Investment holding	Manufacturing	Trading	Elimination	Consolidated
	RM	RM	RM	RM	RM
2018:					
Revenue					
External sales	-	139,967,107	-	-	139,967,107
Inter-segment sales	72,217,339	-	1,062,750	(73,280,089)	-
Total revenue	72,217,339	139,967,107	1,062,750	(73,280,089)	139,967,107
Results					
Segment profit	68,524,814	65,861,379	74,885	(69,834,492)	64,626,586
Investment income					5,229,775
Other gains and losses					2,686,334
Profit before tax					72,542,695
Tax expenses					(3,533,668)
Profit for the year					69,009,027

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
2019:				
Assets				
Segment assets	**442,767**	**95,566,843**	**129,659**	**96,139,269**
Unallocated corporate assets				**133,952,567**
Consolidated total assets				**230,091,836**
Liabilities				
Segment liabilities	**866,810**	**31,554,862**	**262,100**	**32,683,772**
Unallocated corporate liabilities				**35,245,768**
Consolidated total liabilities				**67,929,540**

34. SEGMENT INFORMATION (cont'd)

Segment assets and liabilities (cont'd)

	Investment holding RM	Manufacturing RM	Trading RM	Consolidated RM
2018:				
Assets				
Segment assets	362,748	120,539,107	343,241	121,245,096
Unallocated corporate assets				97,755,056
Consolidated total assets				219,000,152
Liabilities				
Segment liabilities	880,439	33,872,545	219,126	34,972,110
Unallocated corporate liabilities				33,202,730
Consolidated total liabilities				68,174,840

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 RM	Manufacturing RM	Trading RM	Elimination RM	Consolidated RM
2019:					
Other information					
Capital expenditure	**-**	**743,075**	**-**	**-**	**743,075**
Depreciation and amortisation	**-**	**6,949,982**	**-**	**-**	**6,949,982**
Non-cash expenses other than depreciation and amortisation	**209,779**	**3,031,148**	**6,247**	**11,687**	**3,258,861**
2018:					
Other information					
Capital expenditure	-	9,228,124	-	-	9,228,124
Depreciation and amortisation	-	6,428,072	-	(15,216)	6,412,856
Non-cash expenses other than depreciation and amortisation	419,636	2,632,238	6,160	4,114	3,062,148

34. 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	
	2019	**2018**
	RM	**RM**
Real-time centralised energy measurement and control system, high precision hot fluid temperature control system and ultra-low temperature and mass sensing control system for bio-chem equipment	**138,492,982**	109,697,676
Touch screen advance display, high precision light measurement (optoelectronic) equipment and mix signal control system for centrifuge laboratory equipment	**15,956,221**	28,946,292
Others	**2,224,061**	1,323,139
	156,673,264	139,967,107

Geographical information

The Group operates in two principal geographical areas, Malaysia (country of domicile) and the People's Republic of China.

The Group's revenue from external customers attributed to countries from which the Company and its subsidiaries derive revenue are as disclosed below:

	The Group	
	2019	**2018**
	RM	**RM**
Europe	**148,098,426**	132,496,011
Asia Pacific	**6,674,990**	6,692,053
United States of America	**1,899,848**	779,043
	156,673,264	139,967,107

Information about the Group's non-current assets by geographical area are as disclosed below:

	The Group	
	2019	**2018**
	RM	**RM**
Malaysia	**44,151,913**	49,746,893
The People's Republic of China	**14,572,321**	15,589,576
	58,724,234	65,336,469

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	
	2019	**2018**
	RM	**RM**
Customer A	**115,107,348**	99,377,598
Customer B	**11,715,001**	10,541,316
	126,822,349	109,918,914

35. SUBSEQUENT EVENT

Subsequent to year end, on March 18, 2020, the Government implemented the Movement Control Order (MCO) to curb the Covid-19 pandemic in Malaysia. This has resulted in the suspension of businesses which are non-essential and the Group had complied with this government regulation. There is no major impact to the Group in terms of its ability to operate during the MCO because during Phase 2 of the MCO (on April 4, 2020), the Group had applied to the Ministry of International Trade and Industry (MITI) to resume its production. The Group had successfully obtained MITI's approval and its production team was allowed to operate at a headcount of 50 staff. Subsequently, on April 16, 2020, the Group was allowed to operate at a headcount of 115 staff and at full headcount from April 29, 2020 onwards.

The Covid-19 pandemic has also resulted in the Group to anticipate a decline in its revenue for the financial year ending December 31, 2020 which is mainly driven by lower demand from customers.

In mitigating the risk of disruption to its supply chain during this pandemic, the Group has also implemented several plans such as safety buffer stocks system and sourcing of materials from alternative supply sources.

Overall, the implementation of the MCO and the Covid-19 pandemic have not resulted in any material impact to the Group's business and operations as of the date of these financial statements.

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 requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2019 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

CHIN YAU MENG **KAO, DE-TSAN also known as TED KAO**

Penang,

May 14, 2020

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

I, **ONG PEK SEE**, the officer 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 **ONG PEK SEE** at

GEORGETOWN in the State of **PENANG**

on May 14, 2020

Before me,
HAJI MOHAMED YUSOFF BIN MOHD. IBRAHIM (No. P. 156)

Commissioner For Oaths

Share Buy-Back

During the financial year ended December 31, 2019, the Company has not repurchased or resold any treasury shares.

Total number of shares bought back and held as treasury shares as at December 31, 2019 is 2,072,500 shares.

Options, Warrants or Convertible Securities

A total of 427,400 options were exercised during the financial year in respect of the Company's Employee Share Option Scheme (ESOS).

The Company did not issue any convertible securities or warrants during the financial year.

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company does not have an ADR or GDR programme in place.

Imposition of sanctions / penalties

There were no material sanctions and / or penalties imposed on the Company and its subsidiary, directors or management by the relevant regulatory bodies.

Material Contracts or Loans

As of December 31, 2019, there was no existing material contract or loan outside the ordinary course of business of the Company and its subsidiaries involving directors and substantial shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous year.

Profit Estimate, Forecast or Projection

There were no profit estimate, forecast or projection or unaudited results released which differ by 10 percent or more from the audited results.

Profit Guarantee

There was no profit guarantee given in respect of the Company.

Utilisation of Proceeds

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended December 31, 2019.

Audit and Non-Audit Fee

The total amount of non-audit fee paid and payable to the external auditors by the Group for the year ended December 31, 2019 are as follows:

	The Company	The Group
	RM	**RM**
Audit Fee	55,000	113,222
Non-Audit Fee	5,200	23,843
Total	**60,200**	**137,065**

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, 2019.

LIST OF PROPERTIES

DECEMBER 31, 2019

Location	Description	Tenure / Date of Expiry of Lease	Age (Years)	Land Area / Built-up Area (Sq. Ft.)	Net Book Value at 31.12.2019 (RM)	Date of Acquisition / Last Revaluation
Registered Beneficial Owner: Uchi Optoelectronic (M) Sdn. Bhd.						
HS (D) 4360/PT No. 3054 (New Lot No. 4971) Mukim 1, Seberang Perai Tengah, Pulau Pinang	Industrial Land	60 years leasehold expiring on 1.1.2050	-	139,926	1,444,252	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	25	33,144	2,000,210	31.12.2019
	-Phase II		19	92,864	4,942,509	31.12.2019
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	1,279,057	26.5.2004
(3097 Tingkat Perusahaan 4A, Perai FTZ Phase II, Perai)	Factory Building	60 years leasehold expiring on 6.12.2049	8	148,145	17,871,042	01.12.2012
Registered Beneficial Owner: Uchi Technologies (Dongguan) Co., Ltd.						
Lot No. 1905010100037 Information Industrial Park, Xi Hu Area, ShiLong Town, Dongguan City, People's Republic of China	Industrial Land	48 years leasehold expiring on 26.2.2054	-	208,671	3,535,622	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	11	161,124	9,725,677	26.5.2009

Share capital

Total number of issued shares	:	449,110,059 (*exclusive of 2,072,500 treasury shares)*
Class of Shares	:	Ordinary shares
Voting Rights	:	One voting right for one ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS[(a)]

Size of shareholdings	No of shareholders	%	No. of issued shares	%
Less than 100 shares	227	3.22	9,362	0.00
100 - 1,000 shares	1,139	16.18	748,476	0.17
1,001 - 10,000 shares	3,757	53.36	15,990,986	3.56
10,001 - 100,000 shares	1,558	22.13	42,149,381	9.39
100,001 - 22,455,501 shares	358	5.08	271,591,847	60.47
22,455,502 shares and above	2	0.03	118,620,007	26.41
TOTAL	**7,041**	**100.00**	**449,110,059**	**100.00**

SUBSTANTIAL SHAREHOLDERS[(b)]

	Direct		Indirect	
Name of Shareholders	No. of issued shares	%	No. of issued shares	%
Eastbow International Limited	83,292,026	18.55	-	-
Kao, De-Tsan also known as Ted Kao	2,525,000	0.56	[(c)]83,292,026	18.55
Ironbridge Worldwide Limited	35,327,981	7.87	-	-
Kao, Te-Pei also known as Edward Kao	2,585,000	0.58	[(d)]35,327,981	7.87
Employees Provident Fund Board	24,020,200	5.35	-	-

a) Based on Record of Depositors as at June 5, 2020.
b) Based on the Register of Substantial Shareholders of the Company as of June 5, 2020, pursuant to Chapter 9, Appendix 9C (23)(a) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
c) Deemed interested by virtue of his substantial shareholding in Eastbow International Limited.
d) Deemed interested by virtue of his substantial shareholding in Ironbridge Worldwide Limited.

DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
Name of Directors	No. of issued shares	%	No. of issued shares	%
Kao, De-Tsan also known as Ted Kao	2,525,000	0.56	[1)]86,778,696	19.32
Chin Yau Meng	261,400	0.06	[2)]230,000	0.05
Charlie Ong Chye Lee	795,900	0.18	-	-
Tan Boon Hoe	280,000	0.06	-	-
Lim Tian How	96,200	0.02	-	-
Huang, Yen-Chang also known as Stanley Huang	251,870	0.06	-	-

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

TOP THIRTY SECURITIES ACCOUNT HOLDERS
(Without aggregating the securities from different securities accounts belonging to the same depositor)

No.	Name	No. of shares	%
1	Eastbow International Limited	83,292,026	18.55
2	Ironbridge Worldwide Limited	35,327,981	7.87
3	Amanahraya Trustees Berhad [Public Islamic Opportunities Fund]	16,255,670	3.62
4	DB (Malaysia) Nominee (Asing) Sdn Bhd [SSBT Fund J6S6 For Asia Oceania Dividend Yield Stock Mother Fund]	11,721,130	2.61
5	Bekal Sama Sdn Bhd	10,000,000	2.23
6	Amanahraya Trustees Berhad [Public Islamic Select Treasures Fund]	9,040,020	2.01
7	Kumpulan Wang Persaraan (Diperbadankan)	7,516,500	1.67
8	CITIGroup Nominees (Tempatan) Sdn Bhd [Exempt AN for AIA Bhd]	6,906,490	1.54
9	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad [Deutsche Trustees Malaysia Berhad For Eastspring Investmentssmall-Cap Fund]	6,190,300	1.38
10	CITIGroup Nominees (Tempatan) Sdn Bhd [Employees Provident Fund Board (CIMB Prin)]	5,968,300	1.33
11	Maybank Nominees (Tempatan) Sdn Bhd [MTrustee Berhad for Principal Dali Equity Growth Fund (UT-CIMB-Dali) (419455)]	5,674,700	1.26
12	Hong Leong Assurance Berhad [As Beneficial Owner (Life PAR)]	5,528,180	1.23
13	CITIGroup Nominees (Tempatan) Sdn Bhd [Employees Provident Fund Board (Amundi)]	5,500,000	1.22
14	Zulkifli Bin Hussain	5,004,500	1.11
15	HSBC Nominees (Tempatan) Sdn Bhd [HSBC (M) Trustee Bhd for Principal Dali Opportunities Fund]	3,574,500	0.80
16	Cartaban Nominees (Tempatan) Sdn Bhd [RHB Trustees Berhad for Manulife Investment Shariah Progressfund]	3,552,600	0.79
17	Kao Wang, Ying-Ying	3,486,670	0.78
18	CITIGroup Nominees (Tempatan) Sdn Bhd [Employees Provident Fund Board]	3,367,100	0.75
19	Amanahraya Trustees Berhad [Public Strategic Smallcap Fund]	3,209,060	0.71
20	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad [Deutsche Trustees Malaysia Berhad For Eastspring Investments Islamic Small-Cap Fund]	3,124,400	0.70
21	CITIGroup Nominees (Tempatan) Sdn Bhd [Kumpulan Wang Persaraan (Diperbadankan) (Principal EQITS)]	2,898,200	0.64
22	CITIGroup Nominees (Tempatan) Sdn Bhd [Employees Provident Fund Board (NIAM EQ)]	2,817,600	0.63
23	Amanahraya Trustees Berhad [PB Smallcap Growth Fund]	2,796,700	0.62
24	Chang, Shin-Fang	2,573,285	0.57
25	Kao, De-Tsan @ Ted Kao	2,525,000	0.56
26	Kao, Te-Pei @ Edward Kao	2,525,000	0.56
27	Cartaban Nominees (Tempatan) Sdn Bhd [PAMB for Prulink Equity Income Fund]	2,500,000	0.56
28	CITIGroup Nominees (Asing) Sdn Bhd [CBLDN for Pohjola Bank Plc (Client Ac- Eur)]	2,500,000	0.56
29	CITIGroup Nominees (Tempatan) Sdn Bhd [Kumpulan Wang Persaraan (Diperbadankan) (NOMURA)]	2,392,900	0.53
30	HSBC Nominees (Tempatan) Sdn Bhd [HSBC (M) Trustee Bhd for MayBank Malaysia Value Fund]	2,368,900	0.53
	Total	**260,137,712**	**57.92**

UCHI TECHNOLOGIES BERHAD

(199801001764) (457890-A)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.	
No. of shares held	

I/We ____ Tel: ____________________

[Full name in block, NRIC/Passport/Company No.]

of ____

____

being member(s) of Uchi Technologies Berhad, hereby appoint:

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or* (*delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairperson of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held at Sri Mas Ballroom, Level 4, Bayview Hotel Georgetown Penang, 25-A, Farquhar Street, 10200 Penang on Tuesday, July 28, 2020 at 3.00 p.m. or any adjournment thereof, and to vote as indicated below:

Description of Resolution	**Resolution**	**For**	**Against**
Approval of Directors' Fees	Ordinary Resolution 1		
Re-election of Mr. Chin Yau Meng	Ordinary Resolution 2		
Re-election of Mr. Lim Tian How	Ordinary Resolution 3		
Re-election of Mr. Huang, Yen-Chang also known as Stanley Huang	Ordinary Resolution 4		
Re-appointment of Messrs. Deloitte PLT as Auditors	Ordinary Resolution 5		
Continuing in office for Mr. Charlie Ong Chye Lee	Ordinary Resolution 6		
Renewal of Share Buy-Back Authority	Ordinary Resolution 7		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this ____________ day of ____________________ 2020.

____
Signature*
Member

* *Manner of execution:*
- (a) *If you are an individual member, please sign where indicated.*
- (b) *If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.*
- (c) *If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:*
  - (i) *at least two (2) authorised officers, of whom one shall be a director; or*
  - (ii) *any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.*

Notes:

1. *For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at July 16, 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.*
2. *A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*
3. *A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.*
4. *If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.*
5. *Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, 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.*
6. *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. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
7. *Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*

Notes: (cont'd)

8. *The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the proxy form must be deposited at the registered office of the Company situated at Suite A, Level 9, Wawasan Open University, 54 Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang. In the case of electronic appointment, the proxy form must be deposited via TIIH Online at https://tiih.online. Please refer to the Annexure to the Form of Proxy for further information on electronic submission. All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding this General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote.*
9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the registered office of the Company situated at Suite A, Level 9, Wawasan Open University, 54 Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
10. *Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.*
11. *Last date and time for lodging this proxy form is 3.00 p.m., Sunday, July 26, 2020.*
12. *Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:*
    a. *Identity card (NRIC) (Malaysian), or*
    b. *Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or*
    c. *Passport (Foreigner).*
13. *For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.*
14. *Those proxy forms which are indicated with "√" in the spaces provided to show how the votes are to be cast will also be accepted.*

(1) fold here

STAMP
HERE

The Secretaries

UCHI TECHNOLOGIES BERHAD

(199801001764) (457890-A)

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

(2) fold here

tricor | TIIH online

ANNEXURE

ELECTRONIC SUBMISSION OF PROXY FORM VIA TIIH ONLINE

Dear shareholders,

We are pleased to inform that you as a shareholder can have the option to submit your proxy forms by electronic means through our system, TIIH Online (“**e-Proxy**”).

TIIH Online is an application that provides an online platform for shareholders *(individuals only)* to submit document/form electronically which includes proxy form in paperless form (“e-Submission”). Once you have successfully submitted your e-proxy form, you are no longer required to complete and submit the physical proxy form to the company or Tricor office.

To assist you on how to engage with e-Proxy, kindly read and follow the guidance notes which are detailed below:

1. Sign up as user of TIIH Online

- Using your computer, access our website at https://tiih.online
- Sign up as a user by completing the registration form, registration is free
- Upload a softcopy of your MyKad (front and back) or your passport
- Administrator will approve your registration within one working day and notify you via email
- Activate your account by re-setting your password

Notes:
(i) *If you are already a user of TIIH Online, you are not required to sign up again*
(ii) *An email address is allowed to be used once to register as a new user account, and the same email cannot be used to register another user account*
(iii) *At this juncture, only individual security holders are offered to register as user and participate in e-Proxy*

2. Proceed with submission of e-Proxy

- After the release of the Notice of Meeting by the Company, login with your user name (i.e. e-mail address) and password
- Select the corporate event: **“Submission of Proxy Form”**
- Read and agree to the Terms & Conditions and confirm the Declaration
- Select/insert the CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf
- Appoint your proxy(s) or chairman and insert the required details of your proxy(s)
- Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote
- Review & confirm your proxy(s) appointment
- Print e-proxy for your record

Should you need assistance on our e-Submission, please contact us. Thank you.

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

Telephone No: 03-27839299
Fax No: 03-27839222
E-mail: is.enquiry@my.tricorglobal.com

This page is intentionally left blank.

UCHI TECHNOLOGIES BERHAD
(199801001764) (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