

UCHI TECHNOLOGIES BERHAD
(Company No.: 457890-A)

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED MARCH 31, 2004**

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with MASB 26, Interim Financial Reporting and Paragraph 9.22 and Appendix 9B of the Malaysia Securities Exchange Berhad Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2003.

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted by the Group in the audited financial statements for the year ended December 31, 2003.

2. AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements was not subject to any qualification.

3. SEASONAL OR CYCLICAL FACTORS

The Group serves a wide base of multi national companies in the consumer and industrial electrical and electronic appliances industries. As such, the demand for the Group's products in the normal course of event is seasonal with demand peaking during the third quarter of the year.

4. UNUSUAL MATERIAL EVENT

There was no unusual material event during the reporting quarter.

5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amount from either the prior interim period or prior financial years.

6. CHANGES IN DEBT AND EQUITY SECURITIES

There was no issuance and repayment of debt and equity securities, share buy-back or shares held as treasury shares during the reporting period except those disclosed in Note 25.

7. DIVIDENDS PAID

	3 months ended March 31	
	2004	2003
	RM'000	RM'000
Interim dividend of 6 sen per ordinary share, less tax, in respect of the financial year ended December 31, 2002	-	2,784
Special interim dividend of 16 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2002	-	10,312
Interim dividend of 6 sen per ordinary share, less tax, in respect of the financial year ended December 31, 2003	3,130	-
Special interim dividend of 26 sen per ordinary share, tax exempt, in respect of the financial year ended December 31, 2003	18,839	-
	21,969	13,096

8. SEGMENT REPORTING

March 31, 2004	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue						
External sales	-	26,478	231	-	-	26,709
Inter-segment sales	270	6,239	257	-	(6,766)	-
Total revenue	270	32,717	488	-	(6,766)	26,709
Results						
Profit/(Loss) before tax	19	14,646	239	(14)	(281)	14,609
Income tax expense	50	(509)	(14)	-	-	(473)
Net profit/(loss) for the period	69	14,137	225	(14)	(281)	14,136
Other information						
Capital additions	2	42	-	-	-	44
Depreciation and amortisation	3	321	91	11	-	426
Consolidated Balance Sheet						
Assets						
Segmental assets	115,596	159,404	32,097	2,013	(97,663)	211,447
Income tax asset	140	446	71	-	-	657
Consolidated total assets	115,736	159,850	32,168	2,013	(97,663)	212,104
Liabilities						
Segmental liabilities	342	59,776	25,951	286	(66,270)	20,085
Income tax liabilities	-	571	110	487	-	1,168
Consolidated total liabilities	342	60,347	26,061	773	(66,270)	21,253
March 31, 2003						
Revenue						
External sales	-	30,170	565	-	-	30,735
Inter-segment sales	270	4,126	376	-	(4,772)	-
Total revenue	270	34,296	941	-	(4,772)	30,735
Results						
Profit/(Loss) before tax	(64)	16,263	78	(15)	(1,034)	15,228
Income tax expense	(2)	(1,550)	(9)	-	-	(1,561)
Net profit/(loss) for the period	(66)	14,713	69	(15)	(1,034)	13,667
Other information						
Capital additions	27	1,191	-	-	-	1,218
Depreciation and amortisation	3	286	90	11	-	390

March 31, 2003	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Consolidated Balance Sheet						
Assets						
Segmental assets	103,020	134,771	30,948	2,058	(88,435)	182,362
Income tax asset	-	-	-	-	-	-
Consolidated total assets	<u>103,020</u>	<u>134,771</u>	<u>30,948</u>	<u>2,058</u>	<u>(88,435)</u>	<u>182,362</u>
Liabilities						
Segmental liabilities	283	48,939	24,532	267	(57,405)	16,616
Income tax liabilities	2	2,378	673	-	-	3,053
Consolidated total liabilities	<u>285</u>	<u>51,317</u>	<u>25,205</u>	<u>267</u>	<u>(57,405)</u>	<u>19,669</u>

9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The valuations of land and buildings have been brought forward, without amendment from the previous annual report.

10. MATERIAL SUBSEQUENT EVENT

There was no significant or material events subsequent to the end of the period reported on that have not been reflected in the financial statement for the said period, except that, as of May 11, 2004, upon completion of the Company's subdivision of shares into five new ordinary shares of RM0.20 each for every one existing ordinary share of RM1.00 each held, the issued and paid up share capital of the Company of RM72,562,560 now comprising of 362,812,800 ordinary shares of RM0.20 each.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets arising since December 31, 2003.

13. PERFORMANCE REVIEW

There was no material factor affecting the performance of the Group for the current quarter except those disclosed in Note 15.

14. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

There was no significant change in revenue as compared to immediate preceding quarter. Profit before tax margin improved to 55% mainly due to increase in sales mix of higher margin model and research and development projects.

15. COMMENTARY ON CURRENT YEAR PROSPECT

The re-tooling undertaken by one of the customers has been resolved in second quarter of year 2004.

The re-tooling will cause impact, to certain extent, to the growth in revenue for financial year 2004. However, the Group expects growth in the fully automatic coffee machines and weighing scale sector to mitigate this impact.

At present, fully automatic coffee machine penetration rate in Europe is still low and we believe that the significant growth potential is beneficial to the Group. Nonetheless, the Group will launch industrial weighing scale in the second half of year 2004.

16. VARIANCE OF ACTUAL AND FORECASTED PROFIT AND SHORTFALL IN PROFIT GUARANTEE

Not applicable.

17. INCOME TAX EXPENSES

	3 months ended March 31	
	2004 RM'000	2003 RM'000
Estimated tax expense:		
Current	554	1,561
Over provision in prior year	-	-
Deferred tax (Note 27):		
Transfer to deferred tax liabilities	(1)	-
(Increase)/decrease in deferred tax assets relating to origination and reversal of temporary differences in current period	(80)	-
	<u>473</u>	<u>1,561</u>

The Group's income tax for the quarter under review reflects an effective tax rate which is lower than the statutory income tax rate due mainly to:

- (a) The pioneer status granted by the Ministry of International Trade and Industry to one of its subsidiary companies for the production and sales of timer, printer, computing scale and industrial controllers.

Under this incentive, 70% of that subsidiary company's statutory income derived from the sales and production of the abovementioned products will be exempted from income tax for a period of five years commencing from the production day which has been fixed on May 1, 2000 by the Ministry of International Trade and Industry.

- (b) The pioneer status granted by the Ministry of International Trade and Industry to one of its subsidiary companies for the design, development and manufacture of microprocessor based application and system integration.

Under this incentive, 100% of the statutory income derived from the design, development and manufacture of the abovementioned products will be exempted from income tax for a period of five years commencing from the production day, which has been fixed on January 1, 2003 by the Ministry of International Trade and Industry.

18. PROFITS ON ANY SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investment and/or properties during the financial period under review.

19. OTHER INVESTMENT

- a. Summary of dealings in quoted securities for the current financial quarter ended March 31, 2004:

	3 months ended March 31	
	2004 RM'000	2003 RM'000
Purchase of Quoted Securities	-	-
Sales of Quoted Securities	-	-

- b. Summary of investment in quoted securities as at March 31, 2004

	RM'000
Total Quoted Investment at cost	15,594
Total Quoted Investment at carrying value / book value	13,787
Total Quoted Investment at market value	14,286

20. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT YET TO COMPLETED

There were no corporate proposals announced but yet to complete as of May 18, 2004

21. GROUP BORROWINGS AND DEBT SECURITIES

Group borrowings as of March 31, 2004 solely consists of bank overdraft of RM98,217.

22. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As of March 31, 2004, the forward exchange contracts, which the Group had entered into to sell and remain outstanding is USD27.7 million at approximately RM3.816 per United States Dollar.

As of May 18, 2004, the Group had contracted to sell USD25.8 million at approximately RM3.815 per United States Dollar and buy JPY1.5 million at approximately RM0.03446 per Japanese Yen under forward exchange contracts.

23. MATERIAL LITIGATION

There was no material litigation pending since December 31, 2003.

24. DIVIDENDS DECLARED OR PAYABLE

A final dividend of 2 Sen per share of RM0.20 each, less income tax and a special dividend of 5 Sen per share of RM0.20 each, exempt from income tax for the year ended December 31, 2003, if approved by the shareholders, will be paid on July 19, 2004 to depositors registered in the Records of Depositors at the close of business on June 30, 2004.

There were no dividends declared or payable for the year ending December 31, 2004.

25. SHARE CAPITAL

	3 months ended March 31	
	2004	2003
	RM'000	RM'000
Ordinary shares of RM1.00 each:		
Authorised:		
At beginning of the period	100,000	100,000
Created during the period	-	-
	<u>100,000</u>	<u>100,000</u>
Ordinary shares of RM1.00 each:		
Issued and fully paid:		
At beginning of the period	72,456	64,447
ESOS	107	363
	<u>72,563</u>	<u>64,810</u>

During the current interim period, the issued and paid up share capital of the Company was increased from RM72,455,560 to RM72,562,560 by way of issues of 107,000 ordinary shares of RM1.00 each for cash pursuant to the Employees Share Option Scheme (ESOS) of the Company at exercise prices ranging from RM3.36 to RM9.02 per ordinary share.

26. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the quarter is based on the net profit attributable to ordinary shareholders of RM14,136,000 divided by the weighted average number of ordinary shares outstanding during the quarter of 72,523,000 calculated as follows:

Weighted average number of ordinary shares

	March 31	
	2004	2003
	'000	'000
Issued ordinary shares at beginning of the period	72,456	64,447
Effect of the exercise of ESOS	67	132
Effect of bonus issue	-	6,501
Weighted average number of ordinary shares	<u>72,523</u>	<u>71,080</u>

Fully diluted earnings per share

The calculation of diluted earnings per share for the quarter is based on the net profit attributable to ordinary shareholders of RM14,136,000 divided by the weighted average number of ordinary share outstanding during the quarter of 73,695,000 calculated as follows:

Weighted average number of ordinary shares (diluted)

	March 31	
	2004	2003
	'000	'000
Weighted average number of ordinary shares	72,523	71,080
Effect of the exercise of ESOS	1,172	1,381
Weighted average number of ordinary shares (diluted)	<u>73,695</u>	<u>72,461</u>

Comparative figures of the basic and fully diluted earnings per ordinary share have been restated to reflect prior year adjustments as disclosed in Note 28 and the bonus issue of 6,500,960 new ordinary shares of RM1.00 each during the period.

27. DEREFFED TAX

	March 31	
	2004	2003
	RM'000	RM'000
Deferred tax liabilities	1,168	1,214
Deferred tax assets	(501)	-
	<u>667</u>	<u>1,214</u>

The movement for the period in the Group's deferred tax liabilities was as follows:

	March 31	
	2004	2003
	RM'000	RM'000
At beginning of period :		
As previously stated	1,169	-
Prior year adjustments (Note 28)	-	1,214
Restated balance	1,169	1,214
Transfer from income statement (Note 17)	(1)	-
At end of period	<u>1,168</u>	<u>1,214</u>

The deferred tax liabilities are in respect of the following:

	March 31	
	2004	2003
	RM'000	RM'000
Revaluation surplus of revalued properties	1,058	1,058
Temporary difference between tax capital allowances and book depreciation of property, plant and equipment	265	239
Unabsorbed capital allowance	(144)	(32)
Other timing differences	(11)	(51)
	<u>1,168</u>	<u>1,214</u>

The movement for the period in the Group's deferred tax assets was as follows:

	March 31	
	2004	2003
	RM'000	RM'000
At beginning of period :	(421)	-
Transfer (from)/to income statement (Note 17):		
Increase in deferred tax assets relating to origination and reversal of temporary differences in current period	(80)	-
At end of period	<u>(501)</u>	<u>-</u>

The deferred tax assets are in respect of the following:

	March 31	
	2004	2003
	RM'000	RM'000
Tax effect of timing differences between tax capital allowances and depreciation of property, plant and equipment	391	-
Tax effect in respect of:		
Allowance for doubtful debts	(324)	-
Allowance for obsolete inventories	(108)	-
Provision for rework and warranty	(443)	-
Unabsorbed capital allowance	(16)	-
Other timing differences	(1)	-
	(501)	-

28. PRIOR YEAR ADJUSTMENTS

During the year, the Group changed its accounting policy on the recognition of deferred tax liabilities on the revaluation surplus arising from the revaluation of property, plant and equipment to comply with MASB 25 Income Taxes.

Previously, the tax effect relating to the increase in the carrying values of the revalued properties was not provided for, as there is no intention to dispose of these assets in the foreseeable future. Upon adoption of MASB 25, the Group is required to recognise a deferred tax liabilities in respect of asset revaluation.

This accounting change has been accounted for retrospectively and the effects on prior years have been taken up as prior year adjustment in the financial statement. Accordingly, the following accounts in prior years have been restated to reflects of the accounting change

	As previously reported	Adjustments	As restated
	RM'000	RM'000	RM'000
As of December 31, 2002			
Deferred tax liabilities	-	1,214	1,214
Retained profit	87,812	(643)	87,169
Revaluation / merger reserve	(16,030)	(571)	(16,601)