

## **UCHI TECHNOLOGIES BERHAD**

(Company No.: 457890-A)

### **NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED JUNE 30, 2008**

#### **1. BASIS OF PREPARATION**

The interim financial report is unaudited and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad (Bursa Securities), including compliance with the Financial Reporting Standard (FRS) 134<sub>2004</sub>, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (MASB).

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, 2007.

The preparation of an interim financial report in conformity with FRS134<sub>2004</sub>, *Interim Financial Reporting* requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2007.

#### **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. 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**

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the six months ended June 30, 2008:

- (a) During the six months ended June 30, 2008, the Company purchased 4,232,300 of its issued share capital from the open market for an average price of RM1.80 per share. The purchased transactions were financed by the internally generated funds. The shares purchases are being held as treasury shares in accordance with the requirements of Section 67A of the Companies Act 1965.
- (b) Of the total 375,076,800 issued and fully paid ordinary shares, 4,232,300 are held as treasury shares by the Company. As at June 30, 2008, the number of outstanding shares in issue and fully paid is 370,844,500 ordinary shares of RM0.20 each.

## 7. DIVIDENDS PAID

	<b>6 months ended June 30</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Interim tax exempt dividend of 6 Sen per ordinary share of RM0.20 each, for 2006	-	22,436
Special interim dividend I of 1 Sen gross per ordinary share of RM0.20 each, less tax, for 2006	-	2,730
Special tax exempt interim dividend II of 3 Sen per ordinary share of RM0.20 each, for 2006	-	11,218
Interim tax exempt dividend of 6 Sen per ordinary share of RM0.20 each, for 2007	<b>22,505</b>	-
Special tax exempt interim dividend of 4 Sen per ordinary share of RM0.20 each, for 2007	<b>15,003</b>	-
	<b>37,508</b>	<b>36,384</b>

## 8. REVENUE

	<b>6 months ended</b>		<b>6 months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>USD'000</b>
Revenue	<b>70,361</b>	79,128	<b>21,850</b>	22,809

## 9. SEGMENT REPORTING

<b>June 30, 2008</b>	<b>Investment holding</b>	<b>Manufacturing</b>	<b>Trading</b>	<b>Others</b>	<b>Eliminations</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>						
External sales	-	70,355	6	-	-	70,361
Inter-segment sales	70,660	8,251	522	-	(79,433)	-
Total revenue	70,660	78,606	528	-	(79,433)	70,361
<b>Results</b>						
Profit/(loss) before tax	68,464	37,835	105	(42)	(69,956)	36,406
Income tax expense	(363)	(1,027)	(46)	-	-	(1,436)
Net profit/(loss) for the year	68,101	36,808	59	(42)	(69,956)	34,970
<b>Other information</b>						
Capital additions	46	3,693	-	-	-	3,739
Depreciation and amortization	47	743	109	25	-	924
<b>Consolidated Balance Sheet</b>						
<b>Assets</b>						
Segmental assets	182,395	239,620	4,310	2,044	(208,312)	220,057
Income tax asset	548	200	221	-	-	969
Consolidated total assets	182,943	239,820	4,531	2,044	(208,312)	221,026

<b>June 30, 2008</b>	<b>Investment holding RM'000</b>	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>Results</b>						
<b>Liabilities</b>						
Segmental liabilities	37,811	176,215	(326)	380	(161,432)	52,648
Income tax liabilities	-	1,081	-	462	-	1,543
Consolidated total liabilities	<u>37,811</u>	<u>177,296</u>	<u>(326)</u>	<u>842</u>	<u>(161,432)</u>	<u>54,191</u>
<b>June 30, 2007</b>						
<b>Revenue</b>						
External sales	-	79,060	68	-	-	79,128
Inter-segment sales	83,540	25,642	500	-	(109,682)	-
Total revenue	<u>83,540</u>	<u>104,702</u>	<u>568</u>	<u>-</u>	<u>(109,682)</u>	<u>79,128</u>
<b>Results</b>						
Profit/(Loss) before tax	82,054	42,839	(190)	(41)	(81,757)	42,905
Income tax expense	(645)	(339)	23	-	810	(151)
Net profit/(loss) for the year	<u>81,409</u>	<u>42,500</u>	<u>(167)</u>	<u>(41)</u>	<u>(80,947)</u>	<u>42,754</u>
<b>Other information</b>						
Capital additions	-	1,735	-	-	-	1,735
Depreciation and amortisation	46	574	149	25	-	794
<b>Consolidated Balance Sheet</b>						
<b>Assets</b>						
Segmental assets	214,407	250,157	7,548	2,093	(211,535)	262,670
Income tax assets	712	996	300	-	-	2,008
Consolidated total assets	<u>215,119</u>	<u>251,153</u>	<u>7,848</u>	<u>2,093</u>	<u>(211,535)</u>	<u>264,678</u>
<b>Liabilities</b>						
Segmental liabilities	62,313	199,552	2,943	359	(179,064)	86,103
Income tax liabilities	-	861	-	473	-	1,334
Consolidated total liabilities	<u>62,313</u>	<u>200,413</u>	<u>2,943</u>	<u>832</u>	<u>(179,064)</u>	<u>87,437</u>

## 10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The short leasehold land and buildings were revalued during the financial year ended December 31, 2004, and have been brought forward without amendment from the previous annual report.

## 11. 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 statements for the said period.

## 12. CHANGES IN THE COMPOSITION OF THE GROUP

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

### 13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets arising since December 31, 2007.

### 14. PERFORMANCE REVIEW

Revenue in Ringgit Malaysia for the period ended June 30, 2008 (RM70.361 million which equivalent to USD21.850 million), decreased by 11% as compared to June 30, 2007 (RM79.128 million which equivalent to USD22.808 million), mainly due to:

- (a) Appreciation of Ringgit Malaysia against US Dollar (6 months ended June 30, 2008: RM3.22:USD1; 6 months ended June 30, 2007: RM3.47:USD1).
- (b) Deferment of sales order in consequence of customer's logistic planning restructuring.

### 15. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group recorded a profit before taxation of RM17 million for the current quarter as compared to RM19 million, the immediate preceding quarter ended March 31, 2008 mainly due to reduce in revenue.

### 16. COMMENTARY ON CURRENT YEAR PROSPECT

Barring any unforeseen circumstances and to the best of our knowledge at this juncture, the Group anticipates a reduction in revenue for the year ending 2008 due to deferment of sales order in consequence of customer's logistic plan restructuring, which stems from energy-saving directive issued by Switzerland with effect from January 1, 2010.

### 17. VARIANCE OF ACTUAL AND FORECASTED PROFIT AND SHORTFALL IN PROFIT GUARANTEE

Not applicable.

### 18. INCOME TAX EXPENSES

	6 months ended June 30	
	2008	2007
	RM'000	RM'000
Estimated tax expense:		
Current	<u>1,436</u>	<u>151</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:

The pioneer status granted by the Malaysian Industrial Development Authority to one of its subsidiary companies for the design, development and manufacture of mixed signal 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, 2008 by the Malaysian Industrial Development Authority.

### 19. 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.

## 20. OTHER INVESTMENT

- a. Summary of dealings in quoted securities for the current financial quarter ended June 30, 2008:

	<b>6 months ended June 30</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Purchase of Quoted Securities	-	-
	<hr/>	<hr/>
	<b>6 months ended June 30</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Sales of Quoted Securities	8,412	-
Carrying Amount of Quoted Securities	7,718	-
	<hr/>	<hr/>
Gain on Sales of Quoted Securities	694	-
	<hr/>	<hr/>

- b. Summary of investment in quoted securities as at June 30, 2008

	<b>RM'000</b>
Total Quoted Investment at cost	<b>4,700</b>
Total Quoted Investment at carrying value / book value	<b>4,632</b>
Total Quoted Investment at market value	<b>4,666</b>

## 21. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT YET TO COMPLETED

There were no corporate proposals announced but yet to complete as of August 21, 2008.

## 22. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of June 30, 2008.

## 23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As of June 30, 2008:

- (a) The forward exchange contracts, which the Group had entered into to sell and remain outstanding is USD4,100,000 at approximately RM3.2368 per United States Dollar.
- (b) The Group has entered into the followings with foreign banks:
- (i) Foreign exchange derivative with a monthly settlement of USD1,000,000, which the last settlement will complete in the second quarter of 2011.
  - (ii) Foreign exchange derivative with monthly settlement of USD1,000,000 and USD500,000 each, which the last settlement will complete in the second quarter of 2009 and 2010 respectively. The foreign exchange derivative is subject to the termination at the contracting bank's discretion, upon certain terms and condition being met

As of August 21, 2008:

- (a) The forward exchange contracts, which the Group had entered into to sell and remain outstanding is USD4,100,000 at approximately RM3.2368 per United States Dollar.
- (b) The Group has entered into the followings with foreign banks:
- (i) Foreign exchange derivative with a monthly settlement of USD1,000,000, which the last settlement will complete in the second quarter of 2011.
  - (ii) Foreign exchange derivative with monthly settlement of USD1,000,000 and USD500,000 each, which the last settlement will complete in the second quarter of 2009 and 2010 respectively. The foreign exchange derivative is subject to the termination at the contracting bank's discretion, upon certain terms and condition being met.

#### 24. MATERIAL LITIGATION

There was no material litigation pending since December 31, 2007.

#### 25. DIVIDENDS DECLARED OR PAYABLE

A final dividend of 6 Sen per share of RM0.20 each, exempt from income tax and a special final dividend of 4 Sen per share of RM0.20 each, exempt from income tax for the year ended December 31, 2007, has been paid on July 18, 2008 to depositors registered in the Records of Depositors at the closed of business on June 30, 2008.

There were no dividends declared or payable for the year ending December 31, 2008.

#### 26. SHARE CAPITAL

	<b>6 months ended June 30</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Ordinary shares of RM0.20 each:		
Authorised:		
At beginning of the period	<b>100,000</b>	100,000
Created during the period	-	-
	<b>100,000</b>	100,000

	<b>6 months ended June 30</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Ordinary shares of RM0.20 each:		
Issued and fully paid:		
At beginning of the period	<b>75,015</b>	75,015
ESOS	-	-
	<b>75,015</b>	75,015

During the current interim period, the issued and paid up share capital of the Company remain unchanged.

At an Extraordinary General Meeting held on August 27, 2008, the Company's shareholders approved the Company's plan to repurchase its own shares. Under the share buy-back exercise, the Company is authorised to purchase up to maximum of 10% of the total issued and paid-up share capital.

During the financial period, the Company repurchased 4,232,300 (2007: Nil) of its issued and fully paid-up ordinary shares from the open market. The average price paid for the shares repurchased was approximately RM1.80 (2007: Nil) per ordinary share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. The Company has the right to reissue the shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

As of June 30, 2008, out of the total 375,076,800 (2007: 373,940,800) issued and paid-up share capital, 4,232,300 (2007: Nil) are held as treasury shares. Hence, the number of outstanding ordinary shares in issue and fully paid-up is 370,844,500 (2007: 373,940,800) ordinary shares of RM0.20 each.

## 27. 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 RM16.398 million divided by the weighted average number of ordinary shares outstanding during the quarter of 374,260,000 calculated as follows:

### *Weighted average number of ordinary shares*

	June 30	
	2008 '000	2007 '000
Issued ordinary shares at beginning of the period	375,077	373,941
Effect of the exercise of ESOS	-	-
Effect of the shares buy-back	(2,525)	-
Weighted average number of ordinary shares	<u>372,552</u>	<u>373,941</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 RM16.398 million divided by the diluted weighted average number of ordinary share outstanding during the quarter of 374,260,000 calculated as follows:

### *Weighted average number of ordinary shares (diluted)*

	June 30	
	2008 '000	2007 '000
Weighted average number of ordinary shares	372,552	373,941
Effect of the exercise of ESOS	-	-
Weighted average number of ordinary shares (diluted)	<u>372,552</u>	<u>373,941</u>

The diluted earnings per ordinary share in 2007 and 2006 has not been presented as the effect of the conversions of employee share option to ordinary shares would be anti-dilutive due to the fair value of the ordinary shares is currently lower than the subscription price.

## 28. DEFERRED TAX

	<b>June 30</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Deferred tax liabilities	<b>1,303</b>	1,334
Deferred tax assets	<b>(365)</b>	(273)
	<u><b>938</b></u>	<u>1,061</u>

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

	<b>6 months ended June 30</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Balance at beginning of period	<b>1,303</b>	1,334
Transfer to income statement	-	-
Balance at end of period	<u><b>1,303</b></u>	<u>1,334</u>

The deferred tax liabilities are in respect of the following:

	<b>June 30</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Revaluation surplus of revalued properties	<u><b>1,303</b></u>	<u>1,334</u>

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

	<b>6 months ended June 30</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
At beginning of period:	<b>(365)</b>	(298)
Transfer (from)/to income statement:		
(Increase)/decrease in deferred tax assets relating to origination and reversal of temporary differences in current year	-	25
At end of period	<u><b>(365)</b></u>	<u>(273)</u>

The deferred tax assets are in respect of the following:

	<b>June 30</b>	
	<b>2008</b>	2007
	<b>RM'000</b>	RM'000
Tax effect of timing differences between tax capital allowances and depreciation of property, plant and equipment	<b>276</b>	340
Tax effect in respect of:		
Allowance for doubtful debts	<b>(100)</b>	(100)
Allowance for obsolete inventories	-	-
Provision for rework and warranty	<b>(128)</b>	(148)
Unabsorbed capital allowance	<b>(236)</b>	(236)
Other timing differences	<b>(177)</b>	(129)
	<u><b>(365)</b></u>	<u>(273)</u>