

UCHI TECHNOLOGIES BERHAD

(Company No.: 457890-A)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2010

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) 134₂₀₀₄, *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, 2009 except for the mandatory adoption of the following new and revised Financial Reporting Standards (“FRSs”) and Issues Committee Interpretations (“IC Int.”) effective for the financial period beginning on January 1, 2010:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)
FRS 2	Share-based Payment (Amendments relating to vesting conditions and cancellations)
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 7	Financial Instruments: Disclosures (Amendments relating to reclassification of financial assets and reclassification of financial assets – effective date and transition)
FRS 101	Presentation of Financial Statements (Revised in 2009)
FRS 123	Borrowing Costs (Revised)
FRS 127	Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)
FRS 132	Financial Instruments: Presentation (Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation and Transitional Provision Relating to Compound Instruments)
FRS 139	Financial Instruments: Recognition and Measurement
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets – effective date and transition and embedded derivatives and revised FRS 3 and revised FRS 127)

Improvements to FRSs (2009)

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 9	Reassessment of Embedded Derivatives (Amendments relating to embedded derivatives)
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of the above did not have any material impact on the financial reports of the Group in the period of initial application, other than the followings:

(a) FRS 7 Financial Instruments: Disclosures

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group’s and the Company’s financial position and performance, the nature and extent of risks arising from financial instruments, and the objectives, policies and processes for managing capital. Detail of financial instruments is disclosed in Note 23 of the Notes to the Interim Financial Report.

(b) FRS 101 Presentation of Financial Statements (Revised in 2009)

FRS 101 introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position in the event that the entity has applied new accounting policies retrospectively. There is no impact on the Group's and the Company's financial statements as this change affects only the presentation of the Group's and the Company's financial statements.

(c) FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. There were no significant changes to the interim financial report other than the inclusion of off-balance sheet derivatives at their fair values, in the interim financial report, in line with the accounting policy disclosed under Note 23.

For the financial period ended March 31, 2010, this standard did not have any significant impact on the financial position and result of the Group.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2009.

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

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the reporting period except those disclosed in Note 26.

7. DIVIDENDS PAID

	6 months ended June 30	
	2010	2009
	RM'000	RM'000
Interim tax exempt dividend of 6 Sen per ordinary share of RM0.20 each, for 2008	-	22,213
Interim tax exempt dividend of 3 Sen per ordinary share of RM0.20 each, for 2009	<u>11,147</u>	-
	<u>11,147</u>	<u>22,213</u>

8. REVENUE

	6 months ended June 30		6 months ended June 30	
	2010 RM'000	2009 RM'000	2010 USD'000	2009 USD'000
Revenue	<u>48,982</u>	<u>40,500</u>	<u>14,731</u>	<u>11,337</u>

9. SEGMENT REPORTING

June 30, 2010	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue						
External sales	-	48,975	7	-	-	48,982
Inter-segment sales	1,269	17,391	711	-	(19,371)	-
Total revenue	<u>1,269</u>	<u>66,366</u>	<u>718</u>	<u>-</u>	<u>(19,371)</u>	<u>48,982</u>
Results						
Profit/(loss) before tax	(36)	24,363	450	(40)	(408)	24,329
Income tax expense	(129)	(283)	(37)	-	-	(449)
Net profit/(loss) for the year	<u>(165)</u>	<u>24,080</u>	<u>413</u>	<u>(40)</u>	<u>(408)</u>	<u>23,880</u>
Other information						
Capital expenditure	-	817	-	-	-	817
Depreciation and amortization	47	1,228	23	25	-	1,323
Consolidated Balance Sheet						
Assets						
Segmental assets	139,147	159,928	25,452	1,945	(124,790)	201,682
Income tax asset	265	94	231	-	-	590
Consolidated total assets	<u>139,412</u>	<u>160,022</u>	<u>25,683</u>	<u>1,945</u>	<u>(124,790)</u>	<u>202,272</u>
Liabilities						
Segmental liabilities	11,967	61,760	20,409	420	(69,345)	25,211
Income tax liabilities	-	850	-	440	-	1,290
Consolidated total liabilities	<u>11,967</u>	<u>62,610</u>	<u>20,409</u>	<u>860</u>	<u>(69,345)</u>	<u>26,501</u>
June 30, 2009						
Revenue						
External sales	-	40,495	5	-	-	40,500
Inter-segment sales	660	10,999	538	-	(12,197)	-
Total revenue	<u>660</u>	<u>51,494</u>	<u>543</u>	<u>-</u>	<u>(12,197)</u>	<u>40,500</u>
Results						
Profit/(Loss) before tax	(1,054)	7,549	(111)	(42)	1,758	8,100
Income tax expense	(31)	(597)	(36)	-	-	(664)
Net profit/(loss) for the year	<u>(1,085)</u>	<u>6,952</u>	<u>(147)</u>	<u>(42)</u>	<u>1,758</u>	<u>7,436</u>
Other information						
Capital expenditure	-	4,792	-	-	-	4,792

March 31, 2009	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Depreciation and amortization	47	730	109	25	-	911
Consolidated Balance Sheet						
Assets						
Segmental assets	121,425	188,331	8,608	1,994	(129,618)	190,740
Income tax assets	294	200	96	-	-	590
Consolidated total assets	121,719	188,531	8,704	1,994	(129,618)	191,330
Liabilities						
Segmental liabilities	23,058	82,055	4,334	400	(74,863)	34,984
Income tax liabilities	-	921	-	451	-	1,372
Consolidated total liabilities	23,058	82,976	4,334	851	(74,863)	36,356

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The buildings of the group were revalued during the financial year ended December 31, 2009, 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, 2009.

14. PERFORMANCE REVIEW

Revenue in United States Dollar for the period ended June 30, 2010 increased by 30% to USD14.7 mil as compared to June 30, 2009 (USD11.3 mil), mainly due to increase in demand for the Group's products & services. However, in consequence of the appreciation of Ringgit Malaysia by 7% (2010: 3.3251: USD1; 2009: 3.5724: USD1), revenue in Ringgit Malaysia for the 6 months period ended June 30, 2010 increased by 21% as compared to June 30, 2009.

15. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

Operating profit for the quarter ended June 30, 2010 increased by 25% to RM12.5 mil from RM10.0 mil for the quarter ended March 31, 2010 mainly due to increase in research and development projects.

16. COMMENTARY ON CURRENT YEAR PROSPECT

Barring any unforeseen circumstances, the Group expects to grow in its revenue in year 2010.

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

Not applicable.

18. INCOME TAX EXPENSES

	6 months ended June 30	
	2010	2009
	RM'000	RM'000
Estimated tax expense:		
Current	<u>449</u>	<u>664</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 was for the design, development and manufacture of mixed signal microprocessor based application and system integration.

Under this incentive, upon certain terms and conditions fulfilled, 100% of the statutory income derived from the design, development and manufacture of the abovementioned products will be exempted from income tax for a period of five years commencing from the production day, 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

Summary of dealings in quoted securities for the financial period ended June 30, 2010:

	6 months ended June 30	
	2010	2009
	RM'000	RM'000
Sales of Quoted Securities	424	-
Carrying Amount of Quoted Securities	<u>400</u>	<u>-</u>
Gain on Sales of Quoted Securities	<u>24</u>	<u>-</u>

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

There were no corporate proposals announced but yet to be completed as of August 12, 2010.

22. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of June 30, 2010

23. FINANCIAL INSTRUMENTS

As of June 30, 2010:

- The Group has entered into foreign exchange derivative with a monthly settlement of USD1,000,000, which the last settlement will complete in April 2011. The foreign exchange derivative is subject to the termination at the contracting bank's discretion, upon certain terms and condition being met; and
- The forward exchange contracts, which the Group had entered into sell and remain outstanding is USD100,000 at approximately RM3.3706 per United States Dollar. The settlement will complete in May 2011.

As of June 30, 2010, the outstanding forward derivatives are as follows:

Type of Derivatives	Contract Value USD'000	Notional Value RM'000	Fair Value RM'000
Foreign Exchange Contracts			
- Less than 1 year	6,000	19,920	290
- 1 year to 3 years	4,100	13,617	201

Summary of the losses arising from the fair value changes of financial liabilities was as follow:

Type of Financial Liabilities	Individual 3 months ended June 30 RM'000	Cummulative 6 months ended June 30 RM'000
Foreign Exchange Contracts		
- Realised gain/ (loss)	46	(505)
- Unrealised gain	855	491

The above foreign exchange contracts were entered into by the Group to minimize its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities. In line with the Group's Forward Foreign Exchange Management Policy, hedging is only considered for firm commitments and highly probable transactions of which hedging shall not exceed the net exposure value. The cash requirement for settling these foreign exchange contracts is solely from the Group's working capital. These derivatives and their underlying exposures will be monitored on an on-going basis.

Derivative financial instruments are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rate. Derivatives with positive market values (unrealized gain) are included under current assets and derivatives with negative market values (unrealized losses) are included under current liabilities in the statement of financial position.

24. MATERIAL LITIGATION

There was no material litigation pending since December 31, 2009.

25. DIVIDENDS DECLARED OR PAYABLE

A final dividend of 3 Sen per share of RM0.20 each, exempt from income tax for the year ended December 31, 2009, has been paid on July 19, 2010 to depositors registered in the Record of Depositors at the closed of business on June 30, 2010.

As of the date of this announcement, there were no dividends declared or payable for the year ending December 31, 2010.

26. SHARE CAPITAL

	6 months ended June 30 2010	
	No. of shares	RM'000
Ordinary shares of RM0.20 each:		
Authorised:		
At beginning of the period	500,000,000	100,000
Created during the period	-	-
	<u>500,000,000</u>	<u>100,000</u>

	6 months ended June 30 2010	
	No. of shares	RM'000
Ordinary shares of RM0.20 each: Issued and fully paid:		
At beginning of the period	375,239,800	75,048
ESOS	<u>315,000</u>	<u>63</u>
	<u>375,554,800</u>	<u>75,111</u>

During the current interim period, the issued and paid up share capital of the Company was increased from RM75,047,960 to RM75,110,960 by way of issue of 315,000 ordinary shares of RM0.20 each for cash pursuant to the Employees Share Option Scheme (ESOS) of the Company at exercise prices ranging from RM0.97 to RM1.33 per ordinary share.

As of March 31, 2010, out of the total number of 375,554,800 of ordinary shares of RM0.20 each issued and paid-up, 4,327,000 are held as treasury shares. Hence, the number of outstanding ordinary shares of RM0.20 each in issue and fully paid is 371,227,800.

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 RM23.880 million divided by the weighted average number of ordinary shares outstanding during the quarter of 371,072,000 calculated as follows:

Weighted average number of ordinary shares

	June 30	
	2010 '000	2009 '000
Number of ordinary shares at beginning of the period	371,008	375,077
Effect of share options exercised during the period	79	-
Effect of the shares bought back and held as treasury shares	(15)	(3,383)
Weighted average number of ordinary shares in issue	<u>371,072</u>	<u>371,694</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 RM23.880 million divided by the diluted weighted average number of ordinary share outstanding during the quarter of 371,157,000 calculated as follows:

Weighted average number of ordinary shares (diluted)

	June 30	
	2010 '000	2009 '000
Weighted average number of ordinary shares	371,072	371,694
Employee share options:		
Weighted average number of unissued shares	12,042	-
Weighted average number of shares that would have been issued at fair value	(11,957)	-
Adjusted weighted average number of shares in issue or issuable	<u>371,157</u>	<u>371,694</u>

28. DEFERRED TAX

	June 30	
	2010	2009
	RM'000	RM'000
Deferred tax liabilities	1,290	1,272
Deferred tax assets	(233)	(237)
	<u>1,057</u>	<u>1,035</u>

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

	6 months ended June 30	
	2010	2009
	RM'000	RM'000
Balance at beginning of period	1,272	1,303
Transfer to income statement	(32)	(31)
Transfer from revaluation reserve	50	-
Balance at end of period	<u>1,290</u>	<u>1,272</u>

The deferred tax liabilities are in respect of the following:

	June 30	
	2010	2009
	RM'000	RM'000
Revaluation surplus of revalued properties	<u>1,290</u>	<u>1,272</u>

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

	6 months ended June 30	
	2010	2009
	RM'000	RM'000
At beginning of period:	(233)	(237)
Transfer (from)/to income statement:		
(Increase)/decrease in deferred tax assets relating to origination and reversal of temporary differences in current year	-	-
At end of period	<u>(233)</u>	<u>(237)</u>

The deferred tax assets are in respect of the following:

	June 30	
	2010	2009
	RM'000	RM'000
Tax effect of temporary differences arising from:		
Property, plant and equipment	197	199
Provision for rework and warranty	(126)	(119)
Receivables	(44)	(51)
Others	(45)	(266)
Unused tax capital allowances	(215)	-
	<u>(233)</u>	<u>(237)</u>