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

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 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) 134_{2004}, *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 8	Operating Segments
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 8 Operating Segments

FRS 8, which replaces FRS 114_{2004} Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. The adoption of this standard does not have any impact on the financial position and results of the Group.

(c) 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.

(d) 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.

The Group has applied the new policies in relation to the financial instruments in accordance with the transitional provisions in FRS 139 by recognising and re-measuring all financial assets and financial liabilities as at January 1, 2010 as appropriate. The related adjustments to the previous carrying amounts are made to the opening retained earnings.

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

	12 months ended December 31	
	2010	2009
	RM'000	RM'000
Interim tax exempt dividend of 6 Sen per ordinary share of RM0.20 each, for 2008	**-**	22,213

Final tax exempt dividend of 6 Sen per ordinary share of RM0.20 each, for 2008	**-**	22,235
Interim tax exempt dividend of 3 Sen per ordinary share of RM0.20 each, for 2009	**11,147**	-
Final tax exempt dividend of 3 Sen per ordinary share of RM0.20 each, for 2009	**11,134**	-
	22,281	44,448

8. REVENUE

	12 months ended December 31		12 months ended December 31	
	2010	2009	**2010**	2009
	RM'000	RM'000	**USD'000**	USD'000
Revenue	**100,883**	83,139	**31,103**	23,714

9. SEGMENT REPORTING

December 31, 2010	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue						
External sales	-	100,869	14	-	-	100,883
Inter-segment sales	33,179	36,692	1,210	-	(71,081)	-
Total revenue	33,179	137,561	1,224	-	(71,081)	100,883
Results						
Profit/(loss) before tax	30,065	53,584	424	(68)	(31,065)	52,940
Income tax expense	(141)	(232)	(120)	11	120	(362)
Net profit/(loss) for the year	29,924	53,352	304	(57)	(30,945)	52,578
Other information						
Capital expenditure	-	1,996	-	-	-	1,996
Depreciation and amortization	94	2,499	25	49	-	2,667
Consolidated Balance Sheet						
Assets						
Segmental assets	157,872	213,186	2,152	1,920	(162,144)	212,986
Income tax asset	396	168	105	-	-	669
Consolidated total assets	158,268	213,354	2,257	1,920	(162,144)	213,655
Liabilities						
Segmental liabilities	19,723	121,260	(2,911)	424	(106,806)	31,690
Income tax liabilities	-	828	-	429	-	1,257
Consolidated total liabilities	19,723	122,088	(2,911)	853	(106,806)	32,947
December 31, 2009						
Revenue						
External sales	-	83,129	10	-	-	83,139
Inter-segment sales	52,357	21,716	1,107	-	(75,180)	-
Total revenue	52,357	104,845	1,117	-	(75,180)	83,139
Results						

December 31, 2009	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Profit/(Loss) before tax	49,055	27,070	213	(72)	(48,556)	27,710
Income tax expense	(23)	(911)	127	11	38	(758)
Net profit/(loss) for the year	49,032	26,159	340	(61)	(48,518)	26,952
Other information						
Capital expenditure	-	5,160	-	-	-	5,160
Depreciation and amortization	95	1,746	219	49	-	2,109
Consolidated Balance Sheet						
Assets						
Segmental assets	149,860	157,594	11,391	1,970	(131,967)	188,848
Income tax assets	371	46	259	-	-	676
Consolidated total assets	150,231	157,640	11,650	1,970	(131,967)	189,524
Liabilities						
Segmental liabilities	12,113	82,583	6,791	405	(76,936)	24,956
Income tax liabilities	-	850	-	440	-	1,290
Consolidated total liabilities	12,113	83,433	6,791	845	(76,936)	26,246

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 year ended December 31, 2010 increased by 31% to USD31.1 million as compared to December 31, 2009 (USD23.7 million), mainly due to increase in demand for the Group's products & services. However, in consequence of the appreciation of Ringgit Malaysia by 7% (2010: RM 3.2447: USD1; 2009: RM3.5059: USD1), revenue in Ringgit Malaysia for the year ended December 31, 2010 increased by 21% as compared to December 31, 2009.

15. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

Operating profit for the quarter ended December 31, 2010 decreased by 33% to RM9.1 million from RM13.6 million for the quarter ended September 30, 2010 mainly due to decrease in revenue.

16. COMMENTARY ON CURRENT YEAR PROSPECT

Barring any unforeseen circumstances, the Group expects to grow in its revenue in year 2011.

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

Not applicable.

18. INCOME TAX EXPENSES

	12 months ended December 31	
	2010	2009
	RM'000	RM'000
Estimated tax expense:		
Current	**362**	758

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. AVAILABLE-FOR-SALE INVESTMENTS

Summary of dealings in quoted securities for the financial period ended December 31, 2010:

	12 months ended December 31	
	2010	2009
	RM'000	RM'000
Sales of Quoted Securities	**424**	-
Carrying Amount of Quoted Securities	**400**	-
Gain on Sales of Quoted Securities	**24**	-

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

There were no corporate proposals announced but yet to be completed as of February 18, 2011.

22. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of December 31, 2010

23. FINANCIAL INSTRUMENTS

As of December 31, 2010:

(a) The Group has entered into foreign exchange derivative with a monthly settlement of USD1,000,000 at approximately RM3.3200 per United States Dollar, 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

(b) The forward exchange contracts, which the Group had entered into sell and remain outstanding is USD6,000,000 at approximately RM3.1695 per United States Dollar. The settlement will complete in September 2011.

As of December 31, 2010, the outstanding forward contracts are as follows:

Type of Derivatives	Contract Value USD'000	Notional Value RM'000	Fair Value (favourable) RM'000
Foreign Exchange Contracts			
- Less than 1 year	10,000	32,297	1,305

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

Type of Financial Liabilities	Individual 3 months ended December 31 RM'000	Cumulative 12 months ended December 31 RM'000
Foreign Exchange Contracts		
- Realised gain/ (loss)	613	5,140
- Unrealised gain/ (loss)	(207)	1,305

The above foreign exchange contracts were entered into by the Group to minimize is 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

An interim dividend of 5 Sen per share of RM0.20 each, exempt from income tax for the year ended December 31, 2010, has been paid on January 25, 2011 to depositors registered in the Record of Depositors at the closed of business on January 3, 2011.

As of the date of this announcement, the Board of Directors proposed a final dividend of 7 Sen per share of RM0.20 each, exempt from income tax for the year ended December 31, 2010. The date of entitlement and payment for the aforesaid Dividend shall be determined by the Board of Directors at a later date. The final dividend will be tabled at the forthcoming Annual General Meeting for the shareholders' approval.

26. SHARE CAPITAL

	12 months ended December 31 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	**-**	**-**
	500,000,000	**100,000**

	12 months ended December 31 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	**534,400**	**107**
	375,774,200	**75,155**

During the current interim period, the issued and paid up share capital of the Company was increased from RM75,047,960 to RM75,154,840 by way of issue of 534,400 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 December 31, 2010, out of the total number of 375,774,200 of ordinary shares of RM0.20 each issued and paid-up, 5,257,700 are held as treasury shares. Hence, the number of outstanding ordinary shares of RM0.20 each in issue and fully paid is 370,516,500.

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 RM52.578 million divided by the weighted average number of ordinary shares outstanding during the quarter of 370,750,000 calculated as follows:

Weighted average number of ordinary shares

	12 months ended December 31 **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	**229**	86
Effect of the shares bought back and held as treasury shares	**(487)**	(4,232)
Weighted average number of ordinary shares in issue	**370,750**	370,931

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 RM52.578 million divided by the diluted weighted average number of ordinary share outstanding during the quarter of 371,191,000 calculated as follows:

Weighted average number of ordinary shares (diluted)

	12 months ended December 31	
	2010	2009
	'000	'000
Weighted average number of ordinary shares	**370,750**	370,931
Employee share options:		
Weighted average number of unissued shares	**17,781**	431
Weighted average number of shares that would have been issued at fair value	**(17,340)**	(352)
Adjusted weighted average number of shares in issue or issuable	**371,191**	371,010

28. DEFERRED TAX

	December 31	
	2010	2009
	RM'000	RM'000
Deferred tax liabilities	**1,257**	1,290
Deferred tax assets	**(361)**	(233)
	896	1,057

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

	12 months ended December 31	
	2010	2009
	RM'000	RM'000
Balance at beginning of period	**1,290**	1,272
Transfer to income statement	**(33)**	(32)
Transfer from revaluation reserve	**-**	50
Balance at end of period	**1,257**	1,290

The deferred tax liabilities are in respect of the following:

	December 31	
	2010	2009
	RM'000	RM'000
Revaluation surplus of revalued properties	**1,257**	1,290

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

	12 months ended December 31	
	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	**128**	(4)
At end of period	**361**	233

The deferred tax assets are in respect of the following:

	December 31	
	2010	2009
	RM'000	RM'000
Tax effect of temporary differences arising from:		
Property, plant and equipment	(226)	(227)
Provision for rework and warranty	91	126
Receivables	46	45
Unused tax capital allowances	85	155
Unused tax losses	22	22
Others	343	112
	361	233

29. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

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

The breakdown of the retained earnings of the Group as at December 31, 2010 and September 30, 2010 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	As at December 31, 2010 RM'000	**As at September 30, 2010 RM'000**
Total retained earnings/ (accumulated losses) of the Group		
- Realised	98,306	105,803
- Unrealised	(297)	(1,953)
	98,009	103,850
Less: Consolidation adjustments	(13,362)	(13,350)
Total retained profits/ (accumulated losses) as per statement of financial position	**84,647**	**90,500**

Comparative information is not presented in the first financial year of application pursuant to the directive issued by Bursa Malaysia on March 25, 2010.

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

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