

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

**NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011**

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, 2010 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, 2011 as follows:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from Comparative FRS Disclosures for First-time Adopters)
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemptions for first-time adopters)
FRS 2	Share-based Payment (Amendments relating to group cash-settled share-based payment transactions)
FRS 7	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)
FRS 128	Investments in Associates (revised)
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to additional consequential amendments arising from revised FRS 3 and revised FRS 127)
Improvements to FRSs 2010	
IC Interpretation 4	Determining whether an arrangement contains a lease
IC Interpretation 18	Transfer of Assets from Customers
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2010.

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.

However, for the financial year ending December 31, 2011, the declining sales in the third quarter were mainly due to global economic slow down.

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 25.

7. DIVIDENDS PAID

	12 months ended December 31	
	2011	2010
	RM'000	RM'000
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
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2010	18,559	-
Final tax exempt dividend of 7 Sen per ordinary share of RM0.20 each, for 2010	25,860	-
	44,419	22,281

8. REVENUE

	12 months ended December 31		12 months ended December 31	
	2011	2010	2011	2010
	RM'000	RM'000	USD'000	USD'000
Revenue	103,306	100,883	33,837	31,103

	3 months ended December 31		3 months ended December 31	
	2011	2010	2011	2010
	RM'000	RM'000	USD'000	USD'000
Revenue	24,994	21,599	7,934	6,906

9. SEGMENT REPORTING

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
12 months ended December 31, 2011						
Revenue						
External sales	-	103,296	10	-	-	103,306
Inter-segment sales	52,474	27,629	1,176	-	(81,279)	-
Total revenue	52,474	130,925	1,186	-	(81,279)	103,306
Results						
Profit/(loss) before tax	49,179	50,324	1,903	1,154	(52,870)	49,690
Income tax expense	(215)	(881)	(80)	429	-	(747)
Net profit/(loss) for the year	48,964	49,443	1,823	1,583	(52,870)	48,943
Other information						
Capital expenditure	-	11,596	-	-	-	11,596
Depreciation and amortization	45	2,931	5	-	-	2,981

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
12 months ended December 31, 2011						
Consolidated Balance Sheet						
Assets						
Segmental assets	161,914	167,241	11,053	2,651	(120,228)	222,631
Income tax asset	387	20	71	-	-	478
Consolidated total assets	<u>162,301</u>	<u>167,261</u>	<u>11,124</u>	<u>2,651</u>	<u>(120,228)</u>	<u>223,109</u>
Liabilities						
Segmental liabilities	19,473	73,258	4,128	1	(62,496)	34,364
Income tax liabilities	35	1,073	-	-	-	1,108
Consolidated total liabilities	<u>19,508</u>	<u>74,331</u>	<u>4,128</u>	<u>1</u>	<u>(62,496)</u>	<u>35,472</u>
12 months ended December 31, 2010						
Revenue						
External sales	-	100,869	14	-	-	100,883
Inter-segment sales	33,179	36,692	1,210	-	(71,081)	-
Total revenue	<u>33,179</u>	<u>137,561</u>	<u>1,224</u>	<u>-</u>	<u>(71,081)</u>	<u>100,883</u>
Result						
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	<u>29,924</u>	<u>53,352</u>	<u>304</u>	<u>(57)</u>	<u>(30,945)</u>	<u>52,578</u>
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	213,269	2,152	1,920	(162,144)	213,069
Income tax assets	396	168	105	-	-	669
Consolidated total assets	<u>158,268</u>	<u>213,437</u>	<u>2,257</u>	<u>1,920</u>	<u>(162,144)</u>	<u>213,738</u>
Liabilities						
Segmental liabilities	19,723	121,343	(2,911)	424	(106,806)	31,773
Income tax liabilities	-	828	-	429	-	1,257
Consolidated total liabilities	<u>19,723</u>	<u>122,171</u>	<u>(2,911)</u>	<u>853</u>	<u>(106,806)</u>	<u>33,030</u>

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, 2010.

14. PERFORMANCE REVIEW

Revenue in USD for the quarter ended December 31, 2011 increased by 14% to USD7.9million as compared to the quarter ended December 31, 2010 (USD6.9 million) mainly due to increase in demand for the Group's products and services.

For the year ended December 31, 2011, revenue in USD increased by 9% to USD33.8 million as compared to the year ended December 31, 2010 (USD31.1 million), mainly due to increase in demand for the Group's products and services. However, due to the appreciation of Ringgit Malaysia by 6% (2011: RM3.0530 : USD1; 2010: RM3.2435 : USD1), revenue in Ringgit Malaysia for the year ended December 31, 2011 increased by 2% while net profit for the year reduced by 7% as compared to 2010.

15. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

Operating profit for the quarter ended December 31, 2011 decreased by 9% to RM10.2 million from RM11.2 million for the quarter ended September 30, 2011 mainly due to recognition of fair value of those share options granted prior to August 2011 ("the said options") as equity-settled share-based payment, upon extension of the exercise period of the said options from August 9, 2011 to August 9, 2016. Total equity-settled share-based payment incurred for the quarter ended December 31, 2011 was RM1,089,517 as compared to RM453,705 for the quarter ended September 30, 2011.

The recognition of the fair value for the said options as equity-settled share-based payment was taken up in the quarter ended December 31, 2011 and shall not re-occur in the next 5 years.

16. COMMENTARY ON CURRENT YEAR PROSPECT

To the best of our knowledge, in line with the global economic slowdown, the Group expects lower sales volume for the next financial year.

In consideration of lower sales volume, the Group's financial result for the next financial year is expected to be lower as compared to current financial year. However, the Group expects to maintain a strong balance sheet and achieve tolerable financial results in light of current condition.

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

Not applicable.

18. INCOME TAX EXPENSES

	12 months ended December 31	
	2011 RM'000	2010 RM'000
Estimated tax expense:		
Current	<u>747</u>	<u>362</u>

Uchi Technologies Berhad

(Company No.: 457890-A)

Notes to Interim Financial Report

For the Year Ended December 31, 2011

Page 5 of 10

The Group's income tax for the year 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. PROFIT FOR THE YEAR

Profit for the quarter and the year are arrived at:

	3 months ended		12 months ended	
	December 31		December 31	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
After (charging)/ crediting:				
Net gain/ (loss) arising on financial assets carried at fair value through profit or loss	962	406	(1,083)	6,445
Gain/ (loss) on disposal of property, plant and equipment	(6)	71	(47)	109
Impairment losses recognised on trade receivables	(17)	(56)	(17)	(56)
Gain/ (loss) on foreign exchange:				
Realised	999	229	1,779	(2,421)
Unrealised	(149)	1,434	350	(463)
Depreciation and amortization	(756)	(723)	(2,981)	(2,667)
Allowance for obsolete inventories	-	-	-	(223)
Allowance for obsolete inventories no longer required	603	89	1,006	9
Interest on short-term deposits	924	888	3,733	2,990
Provision for rework and warranty no longer required	150	200	150	951

Other than the above, there were no interest expense, provision for and write off of receivables, gain or loss on disposal of investment, impairment of assets, and exceptional items for current quarter and financial year ended December 31, 2011.

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

There were no corporate proposals announced but yet to be completed as of February 21, 2012.

21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of December 31, 2011.

22. FINANCIAL INSTRUMENTS

As of December 31, 2011, the forward exchange contracts, which the Group had entered into to sell and remain outstanding is USD15,500,000 at approximately RM3.1266 per United States Dollar. The settlement will complete in December 2012.

As of December 31, 2011, 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	15,500	48,462	(944)

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)	(837)	(139)
- Unrealised gain / (loss)	1,799	(944)

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.

23. MATERIAL LITIGATION

There was no material litigation pending since December 31, 2010.

24. 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, 2011, has been paid on January 19, 2012 to depositors registered in the Record of Depositors at the closed of business on December 30, 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 ending December 31, 2011. The date of the 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.

25. SHARE CAPITAL

	12 months ended December 31 2011	
	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>
	12 months ended December 31 2011	
	No. of shares	RM'000
Ordinary shares of RM0.20 each:		
Issued and fully paid:		
At beginning of the period	375,774,200	75,155
ESOS	729,000	146
	<u>376,503,200</u>	<u>75,301</u>

During the financial year, the issued and paid up share capital of the Company was increased from RM75,154,840 to RM75,300,640 by way of issue of 729,000 ordinary shares of RM0.20 each for cash pursuant to the Employees Share Option Scheme (ESOS) of the Company at exercise prices ranging from RM0.91 to RM1.33 per ordinary share.

As of December 31, 2011, out of the total number of 376,503,200 of ordinary shares of RM0.20 each issued and paid-up, 7,069,900 are held as treasury shares. Hence, the number of outstanding ordinary shares of RM0.20 each in issue and fully paid is 369,433,300.

26. EARNINGS PER SHARE***Basic earnings per share***

The calculation of basic earnings per share for the year is based on the net profit attributable to ordinary shareholders of RM48.943 million divided by the weighted average number of ordinary shares outstanding during the financial year of 369,408,000 calculated as follows:

Weighted average number of ordinary shares

	12 months ended December 31	
	2011	2010
	'000	'000
Number of ordinary shares at beginning of the year	370,517	371,008
Effect of share options exercised during the year	473	229
Effect of the shares bought back and held as treasury shares	(1,582)	(487)
Weighted average number of ordinary shares in issue	<u>369,408</u>	<u>370,750</u>

Fully diluted earnings per share

The calculation of diluted earnings per share for the year is based on the net profit attributable to ordinary shareholders of RM48.943 million divided by the diluted weighted average number of ordinary share outstanding during the quarter of 369,451,000 calculated as follows:

Uchi Technologies Berhad

(Company No.: 457890-A)

Notes to Interim Financial Report

For the Year Ended December 31, 2011

Page 8 of 10

Weighted average number of ordinary shares (diluted)

	12 months ended December 31	
	2011	2010
	'000	'000
Weighted average number of ordinary shares	369,408	370,750
Employee share options:		
Weighted average number of unissued shares	146	17,781
Weighted average number of shares that would have been issued at fair value	(103)	(17,340)
Adjusted weighted average number of shares in issue or issuable	369,451	371,191

27. DEFERRED TAX

	December 31	
	2011	2010
	RM'000	RM'000
Deferred tax liabilities	807	1,257
Deferred tax assets	(137)	(361)
	670	896

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

	12 months ended December 31	
	2011	2010
	RM'000	RM'000
Balance at beginning of year	1,257	1,290
Transfer to income statement	(450)	(33)
Balance at end of year	807	1,257

The deferred tax liabilities are in respect of the following:

	December 31	
	2011	2010
	RM'000	RM'000
Revaluation surplus of revalued properties	807	1,257

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

	12 months ended December 31	
	2011	2010
	RM'000	RM'000
At beginning of year:	361	233
Transfer from/(to) income statement:		
Increase/(decrease) in deferred tax assets relating to origination and reversal of temporary differences in current year	(224)	128
At end of year	137	361

Uchi Technologies Berhad

(Company No.: 457890-A)

Notes to Interim Financial Report

For the Year Ended December 31, 2011

Page 9 of 10

The deferred tax assets are in respect of the following:

	December 31	
	2011	2010
	RM'000	RM'000
Tax effect of temporary differences arising from:		
Property, plant and equipment	(233)	(226)
Provision for rework and warranty	89	91
Receivables	46	46
Unused tax capital allowances	31	85
Unused tax losses	22	22
Others	182	343
	137	361

28. 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, 2011 and September 30, 2011 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	As at December 31, 2011 RM'000	As at September 30, 2011 RM'000
Total retained earnings/ (accumulated losses) of the Group		
- Realised	108,558	112,094
- Unrealised	(1,813)	(3,380)
	106,745	108,714
Less: Consolidation adjustments	(17,335)	(13,540)
Total retained profits as per statement of financial position	89,410	95,174

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.