

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

**NOTES TO THE FINANCIAL REPORT
FOR THREE MONTHS ENDED MARCH 31, 2012**

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements (Condensed Report) is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard (MFRS) 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. For the periods up to and including the financial year ended December 31, 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (FRSs).

This Condensed Report is the Group's first MFRS compliant Condensed Report and hence MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (MFRS) has been applied.

The date of transition to the MFRS framework is January 1, 2012. At the transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The adoption of MFRS has no significant impact on the financial statements except for the following:

Property, plant and equipment

The Group has previously adopted the transitional provisions available on the first application of the MASB Approved Accounting Standard IAS 16 (Revised), Property, Plant and Equipment which was effective for periods ending on or after September 1, 1998. By virtue of this transitional provisions, buildings were revalued in 1999, 2004 and 2009 and no later valuation has been recorded for these property, plant and equipment.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116, Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regard the revalued amounts of buildings in 1999, 2004 and 2009 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus was transferred to retained earnings on date of transition to MFRS.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS for those reported for those periods and at the date of transition under MFRS are provided below:

Reconciliation of equity as as January 1, 2011

	FRS as at January 1, 2011 RM'000	Reclassifications RM'000	MFRS as at January 1, 2011 RM'000
Revaluation reserve	2,002	(2,002)	-
Retained earnings	84,647	2,002	86,649

Reconciliation of equity as as March 31, 2011

	FRS as at March 31, 2011 RM'000	Reclassifications RM'000	MFRS as at March 31, 2011 RM'000
Revaluation reserve	2,002	(2,002)	-
Retained earnings	92,186	2,002	94,188

Reconciliation of equity as at December 31, 2011

	FRS as at December 31, 2011 RM'000	Reclassifications RM'000	MFRS as at December 31, 2011 RM'000
Revaluation reserve	2,096	(2,096)	-
Retained earnings	89,410	2,096	91,506

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

MFRSs and Amendments to MFRSs		Effective for annual period beginning on or after
MFRS 9	Financial Instruments (FRS 9 issued by IASB in November 2009 and October 2010)	January 1, 2015
MFRS 10	Consolidated Financial Statements	January 1, 2013
MFRS 13	Fair Value Measurement	January 1, 2013
MFRS 119	Employee Benefits	January 1, 2013
MFRS 127	Separate Financial Statements	January 1, 2013
MFRS 128	Investments in Associates and Joint Ventures	January 1, 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	January 1, 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	January 1, 2014

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2011.

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 25.

7. DIVIDENDS PAID

	3 months ended March 31	
	2012	2011
	RM'000	RM'000
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2010	-	18,527
Interim tax exempt dividend of 7 Sen per ordinary share of RM0.20 each, for 2011	18,472	-
	18,472	18,527

8. REVENUE

	3 months ended		3 months ended	
	March 31		March 31	
	2012	2011	2012	2011
	RM'000	RM'000	USD'000	USD'000
Revenue	<u>22,029</u>	<u>24,966</u>	<u>7,202</u>	<u>8,132</u>

9. SEGMENT REPORTING

	Investment holding	Manufacturing	Trading	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended March 31, 2012						
Revenue						
External sales	-	22,027	2	-	-	22,029
Inter-segment sales	616	4,350	247	-	(5,213)	-
Total revenue	<u>616</u>	<u>26,377</u>	<u>249</u>	<u>-</u>	<u>(5,213)</u>	<u>22,029</u>
Results						
Profit/(loss) before tax	292	10,770	123	-	29	11,214
Income tax expense	(124)	(137)	(18)	-	-	(279)
Net profit/(loss) for the year	<u>168</u>	<u>10,633</u>	<u>105</u>	<u>-</u>	<u>29</u>	<u>10,935</u>
Other information						
Capital expenditure	-	3,532	-	-	-	3,532
Depreciation and amortization	5	821	1	-	-	827
Consolidated Balance Sheet						
Assets						
Segmental assets	143,313	143,624	11,126	2,651	(88,529)	212,185
Income tax asset	281	61	65	-	-	407
Consolidated total assets	<u>143,594</u>	<u>143,685</u>	<u>11,191</u>	<u>2,651</u>	<u>(88,529)</u>	<u>212,592</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
3 months ended March 31, 2012						
Liabilities						
Segmental liabilities	622	39,868	4,081	1	(30,819)	13,753
Income tax liabilities	-	1,068	8	-	-	1,076
Consolidated total liabilities	<u>622</u>	<u>40,936</u>	<u>4,089</u>	<u>1</u>	<u>(30,819)</u>	<u>14,829</u>
3 months ended March 31, 2011						
Revenue						
External sales	-	24,963	3	-	-	24,966
Inter-segment sales	639	6,899	297	-	(7,835)	-
Total revenue	<u>639</u>	<u>31,862</u>	<u>300</u>	<u>-</u>	<u>(7,835)</u>	<u>24,966</u>
Result						
Profit/(Loss) before tax	(166)	12,310	81	(14)	(1)	12,210
Income tax expense	(20)	(222)	(8)	-	-	(250)
Net profit/(loss) for the year	<u>(186)</u>	<u>12,088</u>	<u>73</u>	<u>(14)</u>	<u>(1)</u>	<u>11,960</u>
Other information						
Capital expenditure	-	1,490	-	-	-	1,490
Depreciation and amortization	<u>23</u>	<u>682</u>	<u>1</u>	<u>13</u>	<u>-</u>	<u>719</u>
Consolidated Balance Sheet						
Assets						
Segmental assets	136,563	209,128	5,194	1,908	(150,222)	202,571
Income tax assets	404	9	113	-	-	526
Consolidated total assets	<u>136,967</u>	<u>209,137</u>	<u>5,307</u>	<u>1,908</u>	<u>(150,222)</u>	<u>203,097</u>
Liabilities						
Segmental liabilities	642	105,102	66	426	(94,691)	11,545
Income tax liabilities	-	828	-	429	-	1,257
Consolidated total liabilities	<u>642</u>	<u>105,930</u>	<u>66</u>	<u>855</u>	<u>(94,691)</u>	<u>12,802</u>

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the group have been brought forward without amendments from the financial statements for the year ended December 31, 2011.

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, 2011.

14. PERFORMANCE REVIEW

Revenue in USD for the quarter ended March 31, 2012 decreased by 11% to USD7.2million as compared to the quarter ended March 31, 2011 (USD8.1 million) mainly due to lower sales volume.

15. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group recorded a profit before taxation of RM11.2 million for the current quarter as compared to RM12.6 million in the immediate preceding quarter ended December 31, 2011 mainly due to reduction in revenue.

16. COMMENTARY ON CURRENT YEAR PROSPECT

To the best of our knowledge, in line with the volatile economic condition, the Group expects lower sales volume for the current financial year.

In consideration of lower sales volume, the Group's financial result for the current financial year is expected to be lower as compared to previous 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

	3 months ended March 31	
	2012 RM'000	2011 RM'000
Estimated tax expense:		
Current	<u>279</u>	<u>250</u>

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.

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19. PROFIT FOR THE QUARTER

Profit for the quarter is arrived at:

	3 months ended	
	March 31	
	2012	2011
	RM'000	RM'000
After (charging)/ crediting:		
Fair value (loss)/ gain on derivative financial instruments:		
Realised	1,247	(447)
Unrealised	(598)	700
Gain/ (loss) on disposal of property, plant and equipment	(21)	(16)
Impairment losses recognised on trade receivables	(42)	-
Gain/ (loss) on foreign exchange:		
Realised	(704)	(441)
Unrealised	(40)	(78)
Depreciation and amortization	(827)	(719)
Interest on short-term deposits	1,231	979

Other than the above, there were no interest expense, provision for and write off of inventories, gain or loss on disposal of investment, impairment of assets, and exceptional items for current quarter ended March 31, 2012.

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

There were no corporate proposals announced but yet to be completed as of May 16, 2012.

21. GROUP BORROWINGS AND DEBT SECURITIES

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

22. FINANCIAL INSTRUMENTS

As of March 31, 2012, the forward exchange contracts, which the Group had entered into to sell and remain outstanding is USD12,400,000 at approximately RM3.1307 per United States Dollar. The settlement will complete in March 2013.

As of March 31, 2012, 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	12,400	38,821	(598)

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

Type of Financial Liabilities	Individual 3 months ended March 31 RM'000	Cumulative 3 months ended March 31 RM'000
Foreign Exchange Contracts		
- Realised gain / (loss)	1,247	1,247
- Unrealised gain / (loss)	<u>(598)</u>	<u>(598)</u>

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, 2011.

24. DIVIDENDS DECLARED OR PAYABLE

A final dividend of 7 Sen per share of RM0.20 each, exempt from income tax for the year ended December 31, 2011, if approved by the shareholders, will be paid on July 26, 2012 to depositors registered in the Record of Depositors at the closed of business on June 29, 2012.

As of the date of this announcement, there were no dividends declared or payable for the year ending December 31, 2012.

25. SHARE CAPITAL

	3 months ended March 31 2012	
	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>-</u>	<u>-</u>
	<u>500,000,000</u>	<u>100,000</u>
	3 months ended March 31 2012	
	No. of shares	RM'000
Ordinary shares of RM0.20 each:		
Issued and fully paid:		
At beginning of the period	376,503,200	75,301
ESOS	<u>-</u>	<u>-</u>
	<u>376,503,200</u>	<u>75,301</u>

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

As of March 31, 2012, 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 quarter is based on the net profit attributable to ordinary shareholders of RM10.935 million divided by the weighted average number of ordinary shares outstanding during the quarter of 369,433,300 calculated as follows:

Weighted average number of ordinary shares

	3 months ended March 31	
	2012	2011
	'000	'000
Number of ordinary shares at beginning of the period	376,503	375,774
Effect of share options exercised during the period	-	17
Effect of the shares bought back and held as treasury shares	(7,070)	(6,177)
Weighted average number of ordinary shares in issue	369,433	369,614

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 RM10.935 million divided by the diluted weighted average number of ordinary share outstanding during the quarter of 369,433,300 calculated as follows:

Weighted average number of ordinary shares (diluted)

	3 months ended March 31	
	2012	2011
	'000	'000
Weighted average number of ordinary shares	369,433	369,614
Employee share options:		
Weighted average number of unissued shares	-	18,922
Weighted average number of shares that would have been issued at fair value	-	(18,439)
Adjusted weighted average number of shares in issue or issuable	369,433	370,097

27. CAPITAL COMMITMENTS

As of March 31, 2012, the Group has the following commitments in respect of capital expenditure on property, plant and equipment:

	As at March 31, 2012 RM'000
Approved and contracted for	23,403
Approved but not contracted for	9,101

28. DEFERRED TAX ASSETS/ (LIABILITIES)

	Opening balance RM'000	Recognised in profit or loss RM'000	Closing balance RM'000
3 months ended March 31, 2012			
Deferred tax assets			
Unused capital allowances	32	-	32
Unused tax losses	22	-	22
Provision for rework and warranty	-	-	-
Trade receivables	-	-	-
Property, plant and equipment	(10)	-	(10)
Inventories	39	-	39
Others	97	-	97
	<u>180</u>	<u>-</u>	<u>180</u>
Deferred tax liabilities			
Gain on revaluation of properties	(807)	-	(807)
Provision for rework and warranty	89	-	89
Trade receivables	46	-	46
Property, plant and equipment	(219)	-	(219)
Others	41	-	41
	<u>(850)</u>	<u>-</u>	<u>(850)</u>
	<u>(670)</u>	<u>-</u>	<u>(670)</u>
3 months ended March 31, 2011			
Deferred tax assets			
Unused capital allowances	89	-	89
Unused tax losses	22	-	22
Provision for rework and warranty	43	-	43
Trade receivables	5	-	5
Property, plant and equipment	(64)	-	(64)
Inventories	96	-	96
Others	170	-	170
	<u>361</u>	<u>-</u>	<u>361</u>
Deferred tax liabilities			
Gain on revaluation of properties	(1,257)	-	(1,257)
	<u>(896)</u>	<u>-</u>	<u>(896)</u>

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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 March 31, 2012 and December 31, 2011 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	As at March 31, 2012 RM'000	As at December 31, 2011 RM'000
Total retained earnings/ (accumulated losses) of the Group		
- Realised	118,935	107,608
- Unrealised	843	1,233
	<u>119,778</u>	<u>108,841</u>
Less: Consolidation adjustments	(17,335)	(17,335)
Total retained profits as per statement of financial position	<u><u>102,443</u></u>	<u><u>91,506</u></u>

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.