

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

NOTES TO THE FINANCIAL REPORT
FOR SIX MONTHS ENDED JUNE 30, 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	<u>84,647</u>	<u>2,002</u>	<u>86,649</u>

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	<u>92,186</u>	<u>2,002</u>	<u>94,188</u>

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

	6 months ended June 30	
	2012	2011
	RM'000	RM'000
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2010	-	18,558
Interim tax exempt dividend of 7 Sen per ordinary share of RM0.20 each, for 2011	18,472	-
	18,472	18,558

8. REVENUE

	6 months ended June 30		6 months ended June 30	
	2012	2011	2012	2011
	RM'000	RM'000	USD'000	USD'000
Revenue	39,987	52,616	12,981	17,317

	3 months ended June 30		3 months ended June 30	
	2012	2011	2012	2011
	RM'000	RM'000	USD'000	USD'000
Revenue	17,958	27,650	5,779	9,185

9. SEGMENT REPORTING

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
6 months ended June 30, 2012						
Revenue						
External sales	-	39,984	3	-	-	39,987
Inter-segment sales	1,210	10,354	442	-	(12,006)	-
Total revenue	1,210	50,338	445	-	(12,006)	39,987
Results						
Profit/(loss) before tax	741	18,582	205	(1)	119	19,646
Income tax expense	(228)	(243)	(36)	-	-	(507)
Net profit/(loss) for the year	513	18,339	169	(1)	119	19,139
Other information						
Capital expenditure	-	10,550	-	-	-	10,550
Depreciation and amortization	10	1,688	1	-	-	1,699

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
6 months ended June 30, 2012						
Consolidated Balance Sheet						
Assets						
Segmental assets	143,703	154,534	11,190	2,648	(87,467)	224,608
Income tax asset	212	63	65	-	-	340
Consolidated total assets	<u>143,915</u>	<u>154,597</u>	<u>11,255</u>	<u>2,648</u>	<u>(87,467)</u>	<u>224,948</u>
Liabilities						
Segmental liabilities	26,529	42,353	4,071	-	(29,923)	43,030
Income tax liabilities	-	1,053	19	-	-	1,072
Consolidated total liabilities	<u>26,529</u>	<u>43,406</u>	<u>4,090</u>	<u>-</u>	<u>(29,923)</u>	<u>44,102</u>
6 months ended June 30, 2011						
Revenue						
External sales	-	52,609	7	-	-	52,616
Inter-segment sales	1,280	13,338	604	-	(15,222)	-
Total revenue	<u>1,280</u>	<u>65,947</u>	<u>611</u>	<u>-</u>	<u>(15,222)</u>	<u>52,616</u>
Result						
Profit/(Loss) before tax	(305)	26,052	175	(27)	(61)	25,834
Income tax expense	(51)	(440)	(19)	-	-	(510)
Net profit/(loss) for the year	<u>(356)</u>	<u>25,612</u>	<u>156</u>	<u>(27)</u>	<u>(61)</u>	<u>25,324</u>
Other information						
Capital expenditure	-	2,507	-	-	-	2,507
Depreciation and amortization	34	1,399	2	25	-	1,460
Consolidated Balance Sheet						
Assets						
Segmental assets	137,424	211,607	6,640	1,896	(138,169)	219,398
Income tax assets	79	163	120	-	-	362
Consolidated total assets	<u>137,503</u>	<u>211,770</u>	<u>6,760</u>	<u>1,896</u>	<u>(138,169)</u>	<u>219,760</u>
Liabilities						
Segmental liabilities	26,566	93,536	1,434	427	(82,627)	39,336
Income tax liabilities	(316)	1,166	-	429	-	1,279
Consolidated total liabilities	<u>26,250</u>	<u>94,702</u>	<u>1,434</u>	<u>856</u>	<u>(82,627)</u>	<u>40,615</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

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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 period ended June 30, 2012 decreased by 25% to USD13.0 million as compared to the period ended June 30, 2011 (USD17.3 million) mainly due to lower sales volume.

In view of the seasonal factor of the demand of the Group's products, the Group anticipates revenue in USD to increase in the second half of 2012 as compared to first half of 2012.

15. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group recorded a operating profit of RM6.7 million for the current quarter as compared to RM10.0 million in the immediate preceding quarter ended March 31, 2012 mainly due to the rise in average fixed cost as a consequence of 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

	6 months ended June 30	
	2012 RM'000	2011 RM'000
Estimated tax expense:		
Current	<u>507</u>	<u>510</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.

19. PROFIT FOR THE PERIOD

Profit for the period is arrived at:

	3 months ended June 30		6 months ended June 30	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
After (charging)/ crediting:				
Interest on short-term deposits	1,019	1,003	2,250	1,982
Fair value (loss)/ gain on derivative financial instruments:				
Realised	60	658	1,307	212
Unrealised	(413)	(12)	(1,011)	687
Allowance for obsolete inventories	(199)	-	(199)	-
Impairment losses recognised on trade receivables	42	(80)	-	(80)
Gain/ (loss) on foreign exchange:				
Realised	1,071	(85)	366	(526)
Unrealised	(34)	133	(74)	54
Gain/ (loss) on disposal of property, plant and equipment	(5)	(4)	(26)	(20)
Allowance for obsolete inventories no longer required	-	500	-	500
Depreciation and amortization	(872)	(741)	(1,699)	(1,460)

Other than the above, there were no interest expense, gain or loss on disposal of investment, impairment of assets, and exceptional items for current period ended June 30, 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 August 20, 2012.

21. GROUP BORROWINGS AND DEBT SECURITIES

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

22. FINANCIAL INSTRUMENTS

As of June 30, 2012, the forward exchange contracts, which the Group had entered into to sell and remain outstanding is USD18,000,000 at approximately RM3.1520 per United States Dollar. The settlement will complete in September 2013.

As of June 30, 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	17,800	56,086	(1,012)
- 1 year to 3 years	200	650	1

During the current interim period, the issued and paid up share capital of the Company was increased from RM75,300,640 to RM75,301,840 by way of issue of 6,000 ordinary shares of RM0.20 each for cash pursuant to the Employees Share Option Scheme (ESOS) of the Company at exercise prices of RM0.97 per ordinary share.

As of June 30, 2012, out of the total number of 376,509,200 of ordinary shares of RM0.20 each issued and paid-up, 7,070,000 are held as treasury shares. Hence, the number of outstanding ordinary shares of RM0.20 each in issue and fully paid is 369,439,200.

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 RM19.139 million divided by the weighted average number of ordinary shares outstanding during the quarter of 369,439,200 calculated as follows:

Weighted average number of ordinary shares

	6 months ended June 30	
	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	6	17
Effect of the shares bought back and held as treasury shares	(7,070)	(6,177)
Weighted average number of ordinary shares in issue	369,439	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 RM19.139 million divided by the diluted weighted average number of ordinary share outstanding during the quarter of 369,439,200 calculated as follows:

Weighted average number of ordinary shares (diluted)

	6 months ended June 30	
	2012	2011
	'000	'000
Weighted average number of ordinary shares	369,439	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	369,439	370,097

27. CAPITAL COMMITMENTS

As of June 30, 2012, the Group has the following commitments in respect of capital expenditure on property, plant and equipment:

	As at June 30, 2012 RM'000
Approved and contracted for	18,744
Approved but not contracted for	8,094

28. DEFERRED TAX ASSETS/ (LIABILITIES)

	Opening balance RM'000	Recognised in profit or loss RM'000	Closing balance RM'000
6 months ended June 30, 2012			
Deferred tax assets			
Unused capital allowances	32	-	32
Unused tax losses	22	-	22
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>
6 months ended June 30, 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>

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 June 30, 2012 and March 31, 2012 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	As at June 30, 2012 RM'000	As at March 31, 2012 RM'000
Total retained earnings/ (accumulated losses) of the Group		
- Realised	101,418	118,935
- Unrealised	809	843
	102,227	119,778
Less: Consolidation adjustments	(17,335)	(17,335)
Total retained profits as per statement of financial position	84,892	102,443

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.