

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

**NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 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 Statement of Financial Position as as January 1, 2011

	As previously reported RM'000	Effect of transition to MFRSs RM'000	As restated RM'000
Prepaid lease payments	7,601	(512)	7,089
Deferred tax liabilities	1,257	(167)	1,090
Reserves	29,815	(2,002)	27,813
Retained earnings	84,647	1,657	86,304

Reconciliation of Statement of Financial Position as as December 31, 2011

	As previously reported RM'000	Effect of transition to MFRSs RM'000	As restated RM'000
Prepaid lease payments	7,755	(538)	7,217
Deferred tax liabilities	850	258	1,108
Reserves	34,166	(2,096)	32,070
Retained earnings	89,410	1,300	90,710

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.

Uchi Technologies Berhad

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Notes to Interim Financial Report

For The Year Ended December 31, 2012

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7. DIVIDENDS PAID

	12 months ended December 31	
	2012	2011
	RM'000	RM'000
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
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2011	18,472	-
Final tax exempt dividend of 7 Sen per ordinary share of RM0.20 each, for 2011	25,861	
	44,333	44,419

8. REVENUE

	12 months ended December 31		12 months ended December 31	
	2012	2011	2012	2011
	RM'000	RM'000	USD'000	USD'000
Revenue	92,295	103,306	29,843	33,837

	3 months ended December 31		3 months ended December 31	
	2012	2011	2012	2011
	RM'000	RM'000	USD'000	USD'000
Revenue	26,370	24,994	8,634	7,934

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, 2012						
Revenue						
External sales	-	92,289	6	-	-	92,295
Inter-segment sales	52,310	23,322	845	-	(76,477)	-
Total revenue	52,310	115,611	851	-	(76,477)	92,295
Results						
Profit/(loss) before tax	51,336	44,535	324	(9)	(49,927)	46,259
Income tax expense	(467)	(883)	(86)	-	8	(1,428)
Net profit/(loss) for the year	50,869	43,652	238	(9)	(49,919)	44,831
Other information						
Capital expenditure	-	33,730	-	-	-	33,730

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
12 months ended December 31, 2012						
Other information						
Depreciation and amortization	18	3,576	2	-	-	3,596
Consolidated Balance Sheet						
Assets						
Segmental assets	168,350	161,392	11,308	2,641	(109,626)	234,065
Income tax asset	349	76	51	-	-	476
Consolidated total assets	168,699	161,468	11,359	2,641	(109,626)	234,541
Liabilities						
Segmental liabilities	19,433	74,516	4,109	-	(51,804)	46,254
Income tax liabilities	-	1,173	16	-	358	1,547
Consolidated total liabilities	19,433	75,689	4,125	-	(51,446)	47,801
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
Result						
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
Consolidated Balance Sheet (Restated)						
Assets						
Segmental assets	161,914	166,703	11,053	2,651	(120,228)	222,093
Income tax assets	352	63	71	-	-	486
Consolidated total assets	162,266	166,766	11,124	2,651	(120,228)	222,579
Liabilities						
Segmental liabilities	19,473	73,258	4,128	1	(62,495)	34,365
Income tax liabilities	-	1,373	-	-	-	1,373
Consolidated total liabilities	19,473	74,631	4,128	1	(62,495)	35,738

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, 2012.

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, 2012.

14. PERFORMANCE REVIEW

Revenue in USD for the year ended December 31, 2012 decreased by 12% to USD29.8 million as compared to the year ended December 31, 2011 (USD33.8 million) mainly due to lower sales volume.

Nevertheless, the Group managed to achieved positive financial results and maintain a strong balance sheet.

15. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

Operating profit increased to RM12.2 million for the quarter ended December 31, 2012 as compared to RM11.6 million for the quarter ended September 30, 2012 mainly due to increase in sales 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 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	
	2012	2011
	RM'000	RM'000
Estimated tax expense:		
Current	<u>1,428</u>	<u>747</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 and expired on December 31, 2012.

19. PROFIT FOR THE YEAR

Profit for the year has been arrived at:

	3 months ended		12 months ended	
	December 31		December 31	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
After (charging)/ crediting:				
Interest on short-term deposits	867	924	4,058	3,733
Fair value (loss)/ gain on derivative financial instruments:				
Realised	927	(837)	2,172	(138)
Unrealised	930	1,799	506	(944)
Provision for rework and warranty no longer required	530	150	530	150
Reversal of allowance for obsolete inventories no longer required	282	603	282	1,006
Reversal of allowance for doubtful debts no longer required	54	-	54	-
Allowance for obsolete inventories	(173)	-	-	-
Allowance for doubtful debts	-	(17)	-	(17)
Gain/ (loss) on foreign exchange:				
Realised	(324)	876	(879)	1,779
Unrealised	177	(152)	(145)	224
Gain/ (loss) on disposal of property, plant and equipment	(22)	(6)	(51)	(47)
Depreciation and amortization	<u>(1,008)</u>	<u>(756)</u>	<u>(3,596)</u>	<u>(2,981)</u>

Other than the above, there were no interest expense, gain or loss on disposal of investment, impairment of assets, and exceptional items for current quarter and financial year ended December 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 February 22, 2013.

21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of December 31, 2012.

22. FINANCIAL INSTRUMENTS

As of December 31, 2012, the forward exchange contracts, which the Group had entered into to sell and remain outstanding is USD7,500,000 at approximately RM3.1474 per United States Dollar. The settlement will complete in December 2013.

As of December 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	7,500	23,605	506

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	927	2,172
- Unrealised gain	930	506

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, 2012.

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, 2012, has been paid on January 30, 2013 to depositors registered in the Record of Depositors at the closed of business on December 31, 2012.

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, 2012. 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 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>500,000,000</u>	<u>100,000</u>

	12 months ended December 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	6,000	1
	<u>376,509,200</u>	<u>75,302</u>

During the financial year, 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 December 31, 2012, out of the total number of 376,509,200 of ordinary shares of RM0.20 each issued and paid-up, 7,070,100 are held as treasury shares. Hence, the number of outstanding ordinary shares of RM0.20 each in issue and fully paid is 369,439,100.

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 RM44.831 million divided by the weighted average number of ordinary shares outstanding during the quarter of 369,439,100 calculated as follows:

Weighted average number of ordinary shares

	12 months ended December 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	6	483
Effect of the shares bought back and held as treasury shares	(7,070)	(6,850)
Weighted average number of ordinary shares in issue	<u>369,439</u>	<u>369,407</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 RM44.831 million divided by the diluted weighted average number of ordinary share outstanding during the quarter of 369,439,100 calculated as follows:

Weighted average number of ordinary shares (diluted)

	12 months ended December 31	
	2012	2011
	'000	'000
Weighted average number of ordinary shares	369,439	369,407
Employee share options:		
Weighted average number of unissued shares	-	146
Weighted average number of shares that would have been issued at fair value	-	(103)
Adjusted weighted average number of shares in issue or issuable	<u>369,439</u>	<u>369,450</u>

27. DEFERRED TAX ASSETS/ (LIABILITIES)

	Opening balance	Recognised in profit or loss	Closing balance
	RM'000	RM'000	RM'000
12 months ended December 31, 2012			
Deferred tax assets			
Unused capital allowances	32	(14)	18
Unused tax losses	22	-	22
Property, plant and equipment	(10)	9	(1)
Inventories	39	(38)	1
Others	97	51	148
	<u>180</u>	<u>8</u>	<u>188</u>
Deferred tax liabilities			
Gain on revaluation of properties	(807)	(232)	(1,039)
Provision for rework and warranty	89	116	205
Trade receivables	46	(11)	35
Property, plant and equipment	(219)	(1,296)	(1,515)
Others	41	742	783
	<u>(850)</u>	<u>(681)</u>	<u>(1,531)</u>
	<u>(670)</u>	<u>(673)</u>	<u>(1,343)</u>
12 months ended December 31, 2011			
Deferred tax assets			
Unused capital allowances	89	(57)	32
Unused tax losses	22	-	22
Provision for rework and warranty	43	(43)	-
Trade receivables	5	(5)	-
Property, plant and equipment	(64)	54	(10)
Inventories	96	(57)	39
Others	170	(73)	97
	<u>361</u>	<u>(181)</u>	<u>180</u>
Deferred tax liabilities			
Gain on revaluation of properties	(1,257)	192	(1,065)
Provision for rework and warranty	-	89	89
Trade receivables	-	46	46
Property, plant and equipment	-	(219)	(219)
Others	-	41	41
	<u>(1,257)</u>	<u>149</u>	<u>(1,108)</u>
	<u>(896)</u>	<u>(32)</u>	<u>(928)</u>

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

	As at December 31, 2012 RM'000	As at September 30, 2012 RM'000
Total retained earnings/ (accumulated losses) of the Group		
- Realised	107,845	113,233
- Unrealised	1,336	562
	<u>109,181</u>	<u>113,795</u>
Less: Consolidation adjustments	<u>(17,858)</u>	<u>(17,283)</u>
Total retained profits as per statement of financial position	<u><u>91,323</u></u>	<u><u>96,512</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.