

**NOTES TO THE FINANCIAL REPORT
FOR SIX MONTHS ENDED JUNE 30, 2013**

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. The Group's financial statements for the financial year ended December 31, 2012 have been prepared in accordance with MFRSs for the first time..

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	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)	January 1, 2014
MFRS 12	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)	January 1, 2014
MFRS 127	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)	January 1, 2014
MFRS 132	Financial Instruments: Presentation (Amendments relating to 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, 2012.

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	
	2013	2012
	RM'000	RM'000
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2011	-	18,472
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2012	18,472	-
	18,472	18,472

8. REVENUE

	6 months ended		6 months ended	
	June 30		June 30	
	2013	2012	2013	2012
	RM'000	RM'000	USD'000	USD'000
Revenue	49,682	39,987	16,159	12,981

	3 months ended		3 months ended	
	June 30		June 30	
	2013	2012	2013	2012
	RM'000	RM'000	USD'000	USD'000
Revenue	25,413	17,958	8,288	5,779

9. SEGMENT REPORTING

	Investment holding	Manufacturing	Trading	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended June 30, 2013						
Revenue						
External sales	-	49,676	6	-	-	49,682
Inter-segment sales	1,189	11,341	600	-	(13,130)	-
Total revenue	1,189	61,017	606	-	(13,130)	49,682
Results						
Profit/(loss) before tax	1,014	22,431	72	-	76	23,593
Income tax expense	(371)	(5,845)	(22)	-	(367)	(6,605)
Net profit/(loss) for the year	643	16,586	50	-	(291)	16,988
Other information						
Capital expenditure	-	8,718	-	-	-	8,718
Depreciation and amortization	7	2,942	-	-	(18)	2,931

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
6 months ended June 30, 2013						
Consolidated Balance Sheet						
Assets						
Segmental assets	150,497	155,625	10,236	2,641	(78,383)	240,616
Income tax asset	269	28	51	-	-	348
Consolidated total assets	<u>150,766</u>	<u>155,653</u>	<u>10,287</u>	<u>2,641</u>	<u>(78,383)</u>	<u>240,964</u>
Liabilities						
Segmental liabilities	26,655	45,185	3,004	-	(20,606)	54,238
Income tax liabilities	-	6,755	-	-	358	7,113
Consolidated total liabilities	<u>26,655</u>	<u>51,940</u>	<u>3,004</u>	<u>-</u>	<u>(20,248)</u>	<u>61,351</u>
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	<u>1,210</u>	<u>50,338</u>	<u>445</u>	<u>-</u>	<u>(12,006)</u>	<u>39,987</u>
Result						
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	<u>513</u>	<u>18,339</u>	<u>169</u>	<u>(1)</u>	<u>119</u>	<u>19,139</u>
Other information						
Capital expenditure	-	10,550	-	-	-	10,550
Depreciation and amortization	10	1,688	1	-	-	1,699
Consolidated Balance Sheet						
Assets						
Segmental assets	143,703	154,534	11,190	2,648	(87,467)	224,608
Income tax assets	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>

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 period.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets arising since December 31, 2012.

14. PERFORMANCE REVIEW

Revenue and Profit Before Tax for the quarter ended June 30, 2013 increased by 42% and 40% to RM25.4 million and RM11.8 million respectively as compared to the quarter ended June 30, 2012 (Revenue: RM17.9 million; Profit Before Tax: RM8.4 million) mainly due to increase in demand for the Group's products and services.

Pioneer status enjoyed by the subsidiary, Uchi Optoelectronic (M) Sdn. Bhd., had expired on December 31, 2012. The Group have submitted the application for pioneer status for our new products in September 2012 but, to date, have not received a reply from the relevant authorities. While awaiting for the reply, tax expenses for the income derived for the six months period ended June 30, 2013 is taken up at corporate tax rate of 25%. As such, Income Tax Expenses for the quarter ended June 30, 2013 increased to RM3.2 million as compared to RM0.2 million.

15. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

Despite of a 5% increase in revenue (June 30, 2013: RM25.4 million; March 31, 2013: RM24.3 million), the Group recorded a operating profit of RM10.4 million for the current quarter as compared to RM10.8 million in the immediate preceding quarter ended March 31, 2013 mainly due to change in product mix.

16. COMMENTARY ON CURRENT YEAR PROSPECT

Barring any unforeseen circumstances, the Group expects revenue in USD to remain flat for the year ending December 31, 2013.

Amidst the unfavourable economic climate, the Group continues to face numerous challenges. For one, the pioneer status previously enjoyed by the subsidiary, Uchi Optoelectronic (M) Sdn. Bhd., expired on December 31, 2012. This means that profit generated from such products commencing January 1, 2013 will be subject to a corporate tax of 25%.

The Group have submitted the application for pioneer status for our new products in September 2012 but, to date, have not received a reply from the relevant authorities. The Group is also experiencing a wage hike due to the implementation of minimum wage policies in Malaysia and China.

However, in light of the current economic condition, the Group is confident that we will remain profitable and maintain a strong balance sheet.

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

Not applicable.

Uchi Technologies Berhad

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18. INCOME TAX EXPENSES

	6 months ended June 30	
	2013 RM'000	2012 RM'000
Estimated tax expense:		
Current	<u>6,605</u>	<u>507</u>

The Group is operating in the jurisdictions of Malaysia and the People's Republic of China. The corporate income tax rate for Malaysia for the year of assessment 2013 is 25%.

The applicable statutory income tax rate of the foreign subsidiary company incorporate in the People's Republic of China is 25%.

The effective tax rate of the Group for the current corresponding quarters was higher than statutory tax rate of the respective year principally due to certain expenses which were not deductible for tax purposes.

19. PROFIT FOR THE QUARTER

Profit for the period is arrived at:

	3 months ended June 30		6 months ended June 30	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
After (charging)/ crediting:				
Interest on short-term deposits	841	1019	1,717	2250
Fair value (loss)/ gain on derivative financial instruments:				
Realised	223	60	85	1,307
Unrealised	(358)	(413)	(253)	(1,011)
Gain/ (loss) on disposal of property, plant and equipment	(9)	(5)	(25)	(26)
Impairment losses recognised on trade receivables	-	42	-	-
Gain/ (loss) on foreign exchange:				
Realised	342	1,070	597	366
Unrealised	361	(34)	277	(74)
Depreciation and amortization	(1,540)	(872)	(2,931)	(1,699)
Allowance for obsolete inventories	-	(199)	-	(199)

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 period ended June 30, 2013.

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 16, 2013.

21. GROUP BORROWINGS AND DEBT SECURITIES

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

22. FINANCIAL INSTRUMENTS

As of June 30, 2013, the forward exchange contracts, which the Group had entered into to sell and remain outstanding is USD13,150,000 at approximately RM3.1812 per United States Dollar. The settlement will complete in June 2014.

As of June 30, 2013, 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	13,150	41,833	(253)

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

Type of Financial Liabilities	Individual 3 months ended June 30 RM'000	Cumulative 6 months ended June 30 RM'000
Foreign Exchange Contracts		
- Realised gain / (loss)	223	85
- Unrealised gain / (loss)	(358)	(253)

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

A final dividend of 7 Sen per share of RM0.20 each, exempt from income tax for the year ended December 31, 2012, has been paid on July 25, 2013 to depositors registered in the Record of Depositors at the closed of business on June 28, 2013.

As of the date of this announcement, there were no dividends declared or payable for the year ending December 31, 2013.

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27. DEFERRED TAX ASSETS/ (LIABILITIES)

	Opening balance	Recognised in	Closing balance
	RM'000	profit or loss	RM'000
		RM'000	
6 months ended June 30, 2013			
Deferred tax assets			
Unused capital allowances	18	-	18
Unused tax losses	22	-	22
Provision for rework and warranty	205	-	205
Trade receivables	41	(6)	35
Inventories	2	61	63
Others	870	(189)	681
	<u>1,158</u>	<u>(134)</u>	<u>1,024</u>
Deferred tax liabilities			
Gain on revaluation of properties	(672)	(367)	(1,039)
Property, plant and equipment	<u>(1,462)</u>	<u>(1,890)</u>	<u>(3,352)</u>
	<u>(2,134)</u>	<u>(2,257)</u>	<u>(4,391)</u>
Net	<u>(976)</u>	<u>(2,391)</u>	<u>(3,367)</u>
6 months ended June 30, 2012			
Deferred tax assets			
Unused capital allowances	32	-	32
Unused tax losses	22	-	22
Provision for rework and warranty	89	-	89
Trade receivables	46	-	46
Inventories	39	-	39
Others	138	-	138
	<u>366</u>	<u>-</u>	<u>366</u>
Deferred tax liabilities			
Gain on revaluation of properties	(807)	-	(807)
Property, plant and equipment	<u>(229)</u>	<u>-</u>	<u>(229)</u>
	<u>(1,036)</u>	<u>-</u>	<u>(1,036)</u>
Net	<u>(670)</u>	<u>-</u>	<u>(670)</u>

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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 June 30, 2013 and March 31, 2013 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	As at June 30, 2013	As at March 31, 2013
	RM'000	RM'000
Total retained earnings/ (accumulated losses) of the Group		
- Realised	101,406	119,027
- Unrealised	(806)	(1,071)
	<u>100,600</u>	<u>117,956</u>
Less: Consolidation adjustments	(17,782)	(17,807)
Total retained profits as per statement of financial position	<u>82,818</u>	<u>100,149</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.