

**NOTES TO THE FINANCIAL REPORT  
FOR NINE MONTHS ENDED SEPTEMBER 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:

<b>MFRSs and Amendments to MFRSs</b>		<b>Effective for annual period beginning on or after</b>
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.

However, for the financial year ending December 31, 2013, 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**

	<b>9 months ended September 30</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
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
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2012	<b>18,472</b>	-
Final tax exempt dividend of 7 Sen per ordinary share of RM0.20 each, for 2012	<b>25,862</b>	-
	<b>44,334</b>	<b>44,333</b>

**8. REVENUE**

	<b>9 months ended September 30</b>		<b>9 months ended September 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>USD'000</b>
Revenue	<u>72,611</u>	<u>65,925</u>	<u>23,230</u>	<u>21,209</u>

  

	<b>3 months ended September 30</b>		<b>3 months ended September 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>USD'000</b>
Revenue	<u>22,929</u>	<u>25,938</u>	<u>7,071</u>	<u>8,228</u>

**9. SEGMENT REPORTING**

	<b>Investment holding RM'000</b>	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>9 months ended September 30, 2013</b>						
<b>Revenue</b>						
External sales	-	72,602	9	-	-	72,611
Inter-segment sales	1,793	17,513	898	-	(20,204)	-
Total revenue	<u>1,793</u>	<u>90,115</u>	<u>907</u>	<u>-</u>	<u>(20,204)</u>	<u>72,611</u>
<b>Results</b>						
Profit/(loss) before tax	1,377	31,227	164	-	14	32,782
Income tax expense	(474)	(8,173)	(44)	-	(367)	(9,058)
Net profit/(loss) for the year	<u>903</u>	<u>23,054</u>	<u>120</u>	<u>-</u>	<u>(353)</u>	<u>23,724</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
<b>9 months ended September 30, 2013</b>						
<b>Other information</b>						
Capital expenditure	-	8,751	-	-	-	8,751
Depreciation and amortization	10	4,500	-	-	(28)	4,482

**Consolidated Balance Sheet****Assets**

Segmental assets	125,128	164,045	7,647	-	(72,310)	224,510
Income tax asset	283	28	57	-	-	368
Consolidated total assets	125,411	164,073	7,704	-	(72,310)	224,878

**Liabilities**

Segmental liabilities	1,041	44,082	339	-	(17,131)	28,331
Income tax liabilities	-	9,058	10	-	358	9,426
Consolidated total liabilities	1,041	53,140	349	-	(16,773)	37,757

**9 months ended September 30, 2012****Revenue**

External sales	-	65,920	5	-	-	65,925
Inter-segment sales	1,809	17,651	610	-	(20,070)	-
Total revenue	1,809	83,571	615	-	(20,070)	65,925

**Result**

Profit/(Loss) before tax	976	30,251	251	(3)	52	31,527
Income tax expense	(398)	(332)	(54)	-	-	(784)
Net profit/(loss) for the year	578	29,919	197	(3)	52	30,743

**Other information**

Capital expenditure	-	17,640	-	-	-	17,640
Depreciation and amortization	14	2,572	2	-	-	2,588

**Consolidated Balance Sheet****Assets**

Segmental assets	118,436	151,005	11,276	2,647	(73,016)	210,348
Income tax assets	78	61	65	-	-	204
Consolidated total assets	118,514	151,066	11,341	2,647	(73,016)	210,552

**Liabilities**

Segmental liabilities	1,063	28,163	4,111	-	(15,412)	17,925
Income tax liabilities	-	850	37	-	-	887
Consolidated total liabilities	1,063	29,013	4,148	-	(15,412)	18,812

#### **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 September 30, 2013 decreased by 12% and 23% to RM22.9 million and RM9.2 million respectively as compared to the quarter ended September 30, 2012 (Revenue: RM25.9 million; Profit Before Tax: RM11.9 million) mainly due to lower sales volume and the rise in average fixed cost.

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 nine months period ended September 30, 2013 is taken up at corporate tax rate of 25%. As such, Income Tax Expenses for the period ended September 30, 2013 increased to RM9.1 million as compared to RM0.8 million for the period ended September 30, 2012.

#### **15. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS**

The Group recorded a operating profit of RM9.2 million for the current quarter as compared to RM10.4 million for the immediate preceding quarter ended June 30, 2013 mainly due to the rise in average fixed cost as a consequence of reduction in revenue.

#### **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

(Company No.: 457890-A)

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For Nine Months Ended September 30, 2013

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## 18. INCOME TAX EXPENSES

	9 months ended	
	September 30	
	2013	2012
	RM'000	RM'000
Estimated tax expense:		
Current	<u>9,058</u>	<u>784</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		9 months ended	
	September 30		September 30	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
After (charging)/ crediting:				
Interest on short-term deposits	829	941	2,546	3,191
Fair value (loss)/ gain on derivative financial instruments:				
Realised	(110)	(62)	(25)	1,245
Unrealised	(1,315)	587	(1,568)	(424)
Gain/ (loss) on disposal of property, plant and equipment	11	(3)	(14)	(29)
Gain/ (loss) on foreign exchange:				
Realised	1,164	(921)	1,761	(555)
Unrealised	(561)	(248)	(284)	(321)
Depreciation and amortization	(1,551)	(889)	(4,482)	(2,588)
Allowance for obsolete inventories	-	26	-	(173)

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 September 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 November 12, 2013.

**21. GROUP BORROWINGS AND DEBT SECURITIES**

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

**22. FINANCIAL INSTRUMENTS**

As of September 30, 2013, the foreign exchange forward contracts, which the Group had entered into to sell and remain outstanding is USD18,750,000 at approximately RM3.2110 per United States Dollar. The settlement will complete in September 2014.

As of September 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 Forward Contracts			
- Less than 1 year	18,750	60,205	(1,568)

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

Type of Financial Liabilities	Individual 3 months ended September 30 RM'000	Cumulative 9 months ended September 30 RM'000
Foreign Exchange Contracts		
- Realised gain / (loss)	(110)	(25)
- Unrealised gain / (loss)	<u>(1,315)</u>	<u>(1,568)</u>

The above foreign exchange forward 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 forward contracts is solely from the Group's working capital. These derivatives and their underlying exposures will be monitored on an on-going basis.

Foreign Exchange Forward Contracts are stated at fair value, which is equivalent to the marking of the Foreign Exchange Forward Contracts to market, using prevailing market rate. Foreign Exchange Forward Contracts with positive market values (unrealized gain) are included under current assets and Foreign Exchange Forward Contracts 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, was paid on July 25, 2013 to depositors registered in the Record of Depositors at the closed of business on June 28, 2013.

While still pending reply from relevant authorities on the application for pioneer status, based on the financial performance for the nine months period ended September 30, 2013 at corporate tax rate of 25%, the Board of Directors proposed an interim dividend I of 2.52 Sen per share of RM0.20 each, exempt from income tax and interim dividend II of 1.48 Sen per share of RM0.20 each, less income tax for the year ending December 31, 2013. The dates

of the entitlement and payment for the aforesaid dividend shall be determined by the Board of Directors at a later date.

In line with the Group's dividend policy whereby a minimum of 70% of net profit is allocated, the Board of Directors shall make further adjustment in the final dividend, if necessary, upon finalization of the Group's pioneer status application.

## 25. SHARE CAPITAL

	<b>9 months ended September 30 2013</b>	
	<b>No. of shares</b>	<b>RM'000</b>
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>
	<b>9 months ended September 30 2013</b>	
	<b>No. of shares</b>	<b>RM'000</b>
Ordinary shares of RM0.20 each:		
Issued and fully paid:		
At beginning of the period	376,509,200	75,302
ESOS	<u>33,700</u>	<u>7</u>
	<u>376,542,900</u>	<u>75,309</u>

During the current interim period, the issued and paid up share capital of the Company was increased from RM75,301,840 to RM75,308,580 by way of issue of 33,700 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 RM1.31 per ordinary share.

As of September 30, 2013, out of the total number of 376,542,900 of ordinary shares of RM0.20 each issued and paid-up, 7,070,200 are held as treasury shares. Hence, the number of outstanding ordinary shares of RM0.20 each in issue and fully paid is 369,472,700.

## 26. EARNINGS PER SHARE

### *Basic earnings per share*

The calculation of basic earnings per ordinary share for the quarter is based on the net profit attributable to ordinary shareholders of RM23.726 million divided by the weighted average number of ordinary shares outstanding during the quarter of 369,444,224 calculated as follows:

### *Weighted average number of ordinary shares*

	<b>9 months ended September 30</b>	
	<b>2013</b>	<b>2012</b>
	<b>'000</b>	<b>'000</b>
Number of ordinary shares at beginning of the period	<b>376,509</b>	376,503
Effect of share options exercised during the period	<b>5</b>	-
Effect of the shares bought back and held as treasury shares	<b>(7,070)</b>	(7,070)
Weighted average number of ordinary shares in issue	<u><b>369,444</b></u>	<u>369,433</u>

**Fully diluted earnings per share**

The diluted earnings per ordinary share for the quarter ended September 30, 2013 and 2012 are similar to basic earning per share as the effect of the conversions of employee share option to ordinary shares would be anti-dilutive due to the fair value of the ordinary shares is currently lower than the subscription price.

**27. DEFERRED TAX ASSETS/ (LIABILITIES)**

	Opening balance RM'000	Recognised in profit or loss RM'000	Closing balance RM'000
<b>9 months ended September 30, 2013</b>			
<b>Deferred tax assets</b>			
Unused capital allowances	18	(11)	7
Unused tax losses	22	-	22
Provision for rework and warranty	205	-	205
Trade receivables	41	(6)	35
Inventories	2	61	63
Others	870	(204)	666
	<u>1,158</u>	<u>(160)</u>	<u>998</u>
<b>Deferred tax liabilities</b>			
Gain on revaluation of properties	(672)	(367)	(1,039)
Property, plant and equipment	(1,462)	(1,547)	(3,009)
	<u>(2,134)</u>	<u>(1,914)</u>	<u>(4,048)</u>
<b>Net</b>	<u>(976)</u>	<u>(2,074)</u>	<u>(3,050)</u>
<b>9 months ended September 30, 2012</b>			
<b>Deferred tax assets</b>			
Unused capital allowances	32	-	32
Unused tax losses	22	-	22
Provision for rework and warranty	89	-	89
Trade receivables	46	-	46
Inventories	39	(2)	37
Others	138	-	138
	<u>366</u>	<u>(2)</u>	<u>364</u>
<b>Deferred tax liabilities</b>			
Gain on revaluation of properties	(807)	-	(807)
Property, plant and equipment	(229)	-	(229)
	<u>(1,036)</u>	<u>-</u>	<u>(1,036)</u>
<b>Net</b>	<u>(670)</u>	<u>(2)</u>	<u>(672)</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 September 30, 2013 and June 30, 2013 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	<b>As at September 30, 2013</b>	<b>As at June 30, 2013</b>
	RM'000	RM'000
Total retained earnings/ (accumulated losses) of the Group		
- Realised	106,742	101,406
- Unrealised	(1,389)	(806)
	105,353	100,600
Less: Consolidation adjustments	(15,613)	(17,782)
Total retained profits as per statement of financial position	89,740	82,818

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.