

**NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 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 1 January 2014 and MFRS 127	
MFRS 12	Investment Entities (Amendments to MFRS 10, MFRS 12 1 January 2014 and MFRS 127	
MFRS 127	Investment Entities (Amendments to MFRS 10, MFRS 12 1 January 2014 and MFRS 127	
MFRS 132	Financial Instruments: Presentation (Amendments relating 1 January 2014 to Offsetting Financial Assets and Financial Liabilities)	

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 ended December 31, 2013, the declining sales in the second half 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.

Uchi Technologies Berhad

(Company No.: 457890-A)

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7. DIVIDENDS PAID

	12 months ended December 31	
	2013	2012
	RM'000	RM'000
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	18,472	-
Final tax exempt dividend of 7 Sen per ordinary share of RM0.20 each, for 2012	25,862	-
Interim tax exempt dividend I of 2.52 Sen per ordinary share of RM0.20 each, for 2013	9,337	-
Interim dividend II of 1.48 Sen gross per ordinary share of RM0.20 each, less tax, for 2013	4,113	-
	57,784	44,333

8. REVENUE

	12 months ended December 31		12 months ended December 31	
	2013	2012	2013	2012
	RM'000	RM'000	USD'000	USD'000
Revenue	<u>93,961</u>	<u>92,295</u>	<u>29,903</u>	<u>29,843</u>

	3 months ended December 31		3 months ended December 31	
	2013	2012	2013	2012
	RM'000	RM'000	USD'000	USD'000
Revenue	<u>21,350</u>	<u>26,370</u>	<u>6,673</u>	<u>8,634</u>

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, 2013						
Revenue						
External sales	-	93,952	9	-	-	93,961
Inter-segment sales	42,393	23,095	1,123	-	(66,611)	-
Total revenue	<u>42,393</u>	<u>117,047</u>	<u>1,132</u>	<u>-</u>	<u>(66,611)</u>	<u>93,961</u>
Results						
Profit/(loss) before tax	41,840	39,519	267	-	(39,862)	41,764
Income tax expense	(622)	(1,642)	(68)	-	(358)	(2,690)

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
12 months ended December 31, 2013						
Other information						
Net profit/(loss) for the year	41,218	37,877	199	-	(40,220)	39,074
Capital expenditure	-	8,830	-	-	-	8,830
Depreciation and amortization	11	6,018	-	-	(36)	5,993
Consolidated Balance Sheet						
Assets						
Segmental assets	153,538	134,773	7,714	-	(81,466)	214,559
Income tax asset	96	3,922	49	-	-	4,067
Consolidated total assets	153,634	138,695	7,763	-	(81,466)	218,626
Liabilities						
Segmental liabilities	949	51,495	318	-	(26,410)	26,352
Income tax liabilities	89	919	12	-	350	1,370
Consolidated total liabilities	1,038	52,414	330	-	(26,060)	27,722
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
Result						
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
Depreciation and amortization	18	3,576	2	-	-	3,596
Consolidated Balance Sheet						
Assets						
Segmental assets	168,350	161,392	11,308	2,641	(109,625)	234,066
Income tax assets	349	76	51	-	-	476
Consolidated total assets	168,699	161,468	11,359	2,641	(109,625)	234,542
Liabilities						
Segmental liabilities	19,433	74,516	4,109	-	(51,803)	46,255
Income tax liabilities	-	1,173	16	-	(9)	1,180
Consolidated total liabilities	19,433	75,689	4,125	-	(51,812)	47,435

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 December 31, 2013 decreased by 19% and 39% to RM21.4 million and RM9.0million respectively as compared to the quarter ended December 31, 2012 (Revenue: RM26.4 million; Profit Before Tax: RM14.7 million) mainly due to lower sales volume, rise in average fixed cost and fair value loss on derivative financial instruments.

Uchi Optoelectronic (M) Sdn. Bhd.'s application for pioneer status for our new products namely Touch Screen Advance Display, High Precision Light Measurement (Optoelectronic) Equipment and Mix Signal Control System for Centrifuge / Laboratory Equipment has been approved by Malaysian Investment Development Authority. Under this incentive, upon certain terms and conditions being 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 MIDA defined as the day its production level reaches 30% of its capacity.

In January 2013, the production level of the abovementioned products has exceeded 30% of its capacity. Therefore, the Group assumes production day shall be fixed on January 1, 2013 although the application to fix the production day is still pending approval from the relevant authorities.

Based on the above assumption, income tax expenses provided for the period ended September 30, 2013 was reversed in the current quarter to reflect the pioneer status enjoyed by the Company commencing January 1, 2013. As a result, Profit After Tax for the quarter ended December 31, 2013 increased to RM15.4 million as compared to RM14.1 million for the quarter ended December 31, 2012.

15. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group recorded an Operating Profit of RM8.3million for the quarter ended December 31, 2013 as compared to RM9.2 million for the immediate preceding quarter ended September 30, 2013 mainly due to the rise in average fixed cost as a consequence of reduction in revenue (December 31, 2013: USD6.7 million; September 30, 2013: USD7.1 million) .

16. COMMENTARY ON CURRENT YEAR PROSPECT

To the best of our knowledge, in line with the volatile economic condition, the Group expects sales volume to remain flat for the next financial year.

Nevertheless, 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.

18. INCOME TAX EXPENSES

	12 months ended	
	December 31	
	2013	2012
	RM'000	RM'000
Estimated tax expense:		
Current	<u>2,690</u>	<u>1,482</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:

One of its subsidiary companies, Uchi Optoelectronic (M) Sdn. Bhd. was granted pioneer status by the Malaysian Investment Development Authority (MIDA) for the design, development and manufacture of touch screen advance display, high precision light measurement (optoelectronic) equipment & mix signal control system for centrifuge / laboratory equipment.

Under this incentive, upon certain terms and conditions being 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 MIDA defined as the day its production level reaches 30% of its capacity.

In January 2013, the production level of the abovementioned products has exceeded 30% of its capacity. Therefore, tax expenses for the year ended December 31, 2013 was provided assuming that the production day shall be fixed on January 1, 2013 although the application to fix the production day is still pending approval from the relevant authorities.

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

19. PROFIT FOR THE YEAR

Profit for the year is arrived at:

	3 months ended		12 months ended	
	December 31		December 31	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
After (charging)/ crediting:				
Interest on short-term deposits	793	867	3,339	4,058
Fair value (loss)/ gain on derivative financial instruments:				
Realised	(507)	927	(532)	2,172
Unrealised	673	930	(895)	506
Gain/ (loss) on disposal of property, plant and equipment	(18)	(22)	(32)	(51)
Provision for rework and warranty no longer required	-	530	-	530
Provision for rework and warranty	(30)	-	(30)	-

	3 months ended December 31		12 months ended December 31	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Reversal of allowance for obsolete inventories no longer required	28	282	28	282
Reversal of allowance for doubtful debts no longer required	110	54	110	54
Gain/ (loss) on foreign exchange:				
Realised	(187)	(324)	1,574	(879)
Unrealised	(29)	177	(313)	(145)
Depreciation and amortization	(1,511)	(1,008)	(5,993)	(3,596)
Allowance for obsolete inventories	-	(173)	-	-

Other than the above, there were no interest expense, gain or loss on disposal of investment, impairment of assets, and exceptional items for the year ended December 31, 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 February 19, 2014.

21. GROUP BORROWINGS AND DEBT SECURITIES

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

22. FINANCIAL INSTRUMENTS

As of December 31, 2013, the foreign exchange forward contracts, which the Group had entered into to sell and remain outstanding is USD17,600,000 at approximately RM3.2693 per United States Dollar. The settlement will complete in December 2014.

As of December 31, 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	17,600	57,540	(895)

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 / (loss)	(507)	(532)
- Unrealised gain / (loss)	673	(895)

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

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, was paid on December 31, 2013 to depositors registered in the Record of Depositors at the closed of business on December 13, 2013.

As of the date of this announcement, the Board of Directors proposed a final dividend of 6 Sen per share of RM0.20 each, exempt from income tax for the year ended December 31, 2013. 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 2013	
	No. of shares	RM'000
Ordinary shares of RM0.20 each:		
Authorised:		
At beginning of the year	500,000,000	100,000
Created during the year	-	-
	<u>500,000,000</u>	<u>100,000</u>
	12 months ended December 31 2013	
	No. of shares	RM'000
Ordinary shares of RM0.20 each:		
Issued and fully paid:		
At beginning of the year	376,509,200	75,302
ESOS	1,091,400	218
	<u>377,600,600</u>	<u>75,520</u>

During the financial year, the issued and paid up share capital of the Company was increased from RM75,301,840 to RM75,520,120 by way of issue of 1,091,400 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 RM1.33 per ordinary share.

As of December 31, 2013, out of the total number of 377,600,600 of ordinary shares of RM0.20 each issued and paid-up, 7,070,300 are held as treasury shares. Hence, the number of outstanding ordinary shares of RM0.20 each in issue and fully paid is 370,530,300.

26. EARNINGS PER SHARE***Basic earnings per share***

The calculation of basic earnings per ordinary share for the year is based on the net profit attributable to ordinary shareholders of RM39.074 million divided by the weighted average number of ordinary shares outstanding during the year of 369,587,905 calculated as follows:

Weighted average number of ordinary shares

	12 months ended December 31	
	2013	2012
	'000	'000
Number of ordinary shares at beginning of the year	376,509	376,503
Effect of share options exercised during the year	149	3
Effect of the shares bought back and held as treasury shares	(7,070)	(7,070)
Weighted average number of ordinary shares in issue	369,588	369,436

Fully diluted earnings per share

The diluted earnings per ordinary share for the year ended December 31, 2013 and 2012 are similar to basic earnings 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
12 months ended December 31, 2013			
Deferred tax assets			
Unused capital allowances	18	(12)	6
Unused tax losses	22	-	22
Provision for rework and warranty	205	(123)	82
Inventories	2	5	7
Others	870	(635)	235
	<u>1,117</u>	<u>(765)</u>	<u>352</u>
Deferred tax liabilities			
Gain on revaluation of properties	(672)	(342)	(1,014)
Trade receivables	41	(46)	(5)
Property, plant and equipment	(1,462)	1,061	(401)
	<u>(2,093)</u>	<u>673</u>	<u>(1,420)</u>
Net	<u>(976)</u>	<u>(92)</u>	<u>(1,068)</u>
12 months ended December 31, 2012			
Deferred tax assets			
Unused capital allowances	32	(14)	18
Unused tax losses	22	-	22
Provision for rework and warranty	89	116	205
Trade receivables	46	(5)	41
Inventories	39	(37)	2
Others	138	732	870
	<u>366</u>	<u>792</u>	<u>1,158</u>
Deferred tax liabilities			
Gain on revaluation of properties	(698)	26	(672)
Property, plant and equipment	(229)	(1,233)	(1,462)
	<u>(927)</u>	<u>(1,207)</u>	<u>(2,134)</u>
Net	<u>(561)</u>	<u>(415)</u>	<u>(976)</u>

Uchi Technologies Berhad

(Company No.: 457890-A)

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

	As at December 31, 2013 RM'000	As at September 30, 2013 RM'000
Total retained earnings/ (accumulated losses) of the Group		
- Realised	106,335	106,742
- Unrealised	999	(1,389)
	<u>107,334</u>	<u>105,353</u>
Less: Consolidation adjustments	(15,694)	(15,613)
Total retained profits as per statement of financial position	<u>91,640</u>	<u>89,740</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.