

**NOTES TO THE FINANCIAL REPORT
FOR THREE MONTHS ENDED MARCH 31, 2014**

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, 2013 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 9	Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)	January 1, 2015
Amendments to MFRS 9 and MFRS 7	Mandatory Effective Date of MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and transition Disclosures	January 1, 2015
Amendments to MFRS contained in the document entitled MFRSs 2010-2012 Cycle	Annual Improvements	July 1, 2015
Amendments to MFRS contained in the document entitled MFRSs 2011-2013 Cycle	Annual Improvements	July 1, 2015

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2013.

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

	3 months ended March 31	
	2014	2013
	RM'000	RM'000
Interim tax exempt dividend of 5 Sen per ordinary share of RM0.20 each, for 2012	-	18,472
	<u>-</u>	<u>18,472</u>

8. REVENUE

	3 months ended		3 months ended	
	March 31		March 31	
	2014	2013	2014	2013
	RM'000	RM'000	USD'000	USD'000
Revenue	<u>23,056</u>	<u>24,269</u>	<u>7,010</u>	<u>7,871</u>

9. SEGMENT REPORTING

	Investment holding	Manufacturing	Trading	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended March 31, 2014						
Revenue						
External sales	-	23,053	3	-	-	23,056
Inter-segment sales	595	1	200	-	(796)	-
Total revenue	<u>595</u>	<u>23,054</u>	<u>203</u>	<u>-</u>	<u>(796)</u>	<u>23,056</u>
Results						
Profit/(loss) before tax	419	9,921	76	-	13	10,429
Income tax expense	(157)	(106)	(8)	-	-	(271)
Net profit/(loss) for the year	<u>262</u>	<u>9,815</u>	<u>68</u>	<u>-</u>	<u>13</u>	<u>10,158</u>
Other information						
Capital expenditure	-	150	-	-	-	150
Depreciation and amortization	1	1,567	-	-	(9)	1,559
Consolidated Balance Sheet						
Assets						
Segmental assets	153,747	132,876	7,630	-	(78,984)	215,269
Income tax asset	96	5,732	49	-	-	5,877
Consolidated total assets	<u>153,843</u>	<u>138,608</u>	<u>7,679</u>	<u>-</u>	<u>(78,984)</u>	<u>221,146</u>

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Total RM'000
3 months ended March 31, 2014						
Liabilities						
Segmental liabilities	711	42,385	172	-	(23,886)	19,382
Income tax liabilities	89	919	7	-	350	1,365
Consolidated total liabilities	800	43,304	179	-	(23,536)	20,747
3 months ended March 31, 2013						
Revenue						
External sales	-	24,267	2	-	-	24,269
Inter-segment sales	592	5,517	341	-	(6,450)	-
Total revenue	592	29,784	343	-	(6,450)	24,269
Result						
Profit/(Loss) before tax	667	11,013	86	-	51	11,817
Income tax expense	(212)	(2,765)	(16)	-	(367)	(3,360)
Net profit/(loss) for the year	455	8,248	70	-	(316)	8,457
Other information						
Capital expenditure	-	5,199	-	-	-	5,199
Depreciation and amortization	4	1,396	-	-	(9)	1,391
Consolidated Balance Sheet						
Assets						
Segmental assets	150,053	145,213	11,377	2,641	(82,710)	226,574
Income tax assets	329	26	51	-	-	406
Consolidated total assets	150,382	145,239	11,428	2,641	(82,710)	226,980
Liabilities						
Segmental liabilities	625	47,079	4,115	-	(24,914)	26,905
Income tax liabilities	-	3,783	9	-	358	4,150
Consolidated total liabilities	625	50,862	4,124	-	(24,556)	31,055

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, 2013.

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, 2013.

14. PERFORMANCE REVIEW

Revenue in USD and Profit Before Tax for the quarter ended March 31, 2014 decreased by 11% and 12% to USD7.0 million and RM10.4 million respectively as compared to the quarter ended March 31, 2013 (Revenue: USD7.9 million; Profit Before Tax: RM11.8 million) mainly due to lower sales volume and rise in average fixed cost.

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.

15. COMPARISON WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group recorded a profit before taxation of RM10.4 million for the current quarter as compared to RM9.0 million in the immediate preceding quarter ended December 31, 2013 mainly due to:

- (a) increase in demand for the Group's products and services (Revenue for 3 months ended March 31, 2014: USD7.0 million; December 31, 2013: USD6.7 million); and
- (b) increase in net fair value gain on derivative financial instruments (3 months ended March 31, 2014: RM442,000; December 31, 2013: RM166,000) derived from the favourable contracted rates for forward contracts entered against the rates of exchange prevailing on the transaction dates and at the end of reporting period.

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 year ending December 31, 2014.

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

	3 months ended	
	March 31	
	2014	2013
	RM'000	RM'000
Estimated tax expense:		
Current	<u>271</u>	<u>3,360</u>

The Group's income tax for the year under review reflects an effective tax rate which is lower than the statutory

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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 QUARTER

Profit for the quarter is arrived at:

	3 months ended	
	March 31	
	2014	2013
	RM'000	RM'000
After (charging)/ crediting:		
Fair value (loss)/ gain on derivative financial instruments:		
Realised	683	(138)
Unrealised	(241)	105
Gain/ (loss) on disposal of property, plant and equipment	52	(16)
Gain/ (loss) on foreign exchange:		
Realised	610	255
Unrealised	(629)	(84)
Depreciation and amortization expenses	(1,559)	(1,391)
Interest on short-term deposits	816	876

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 quarter ended March 31, 2014.

20. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT YET TO BE COMPLETED

There were no corporate proposals announced but yet to be completed as of May 21, 2014.

21. GROUP BORROWINGS AND DEBT SECURITIES

There was no group borrowing as of December 31, 2013.

22. FINANCIAL INSTRUMENTS

As of March 31, 2014, the foreign exchange forward contracts, which the Group had entered into to sell and remain outstanding is USD14,800,000 at approximately RM3.2790 per United States Dollar. The settlement will complete in December 2014.

As of March 31, 2014, 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	14,800	48,529	(241)

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

Type of Financial Liabilities	Individual 3 months ended March 31 RM'000	Cumulative 3 months ended March 31 RM'000
Foreign Exchange Contracts		
- Realised gain / (loss)	683	683
- Unrealised gain / (loss)	(241)	(241)

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, 2013.

24. DIVIDENDS DECLARED OR PAYABLE

A final dividend of 6 Sen per share of RM0.20 each, exempt from income tax for the year ended December 31, 2013, if approved by the shareholders, will be paid on July 24, 2014 to depositors registered in the Record of Depositors at the closed of business on June 30, 2014.

As of the date of this announcement, there were no dividends declared or payable for the year ending December 31, 2014.

25. SHARE CAPITAL

	3 months ended March 31 2014	
	No. of shares	RM'000
Authorised:		
Ordinary shares of RM0.20 each	<u>500,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of RM0.20 each:		
At beginning of the period	377,600,600	75,520
Issue of shares pursuant to ESOS	<u>89,500</u>	<u>18</u>
At end of the period	<u>377,690,100</u>	<u>75,538</u>

During the current interim period, the issued and paid up share capital of the Company was increased from RM75,520,120 to RM75,538,020 by way of issue of 89,500 ordinary shares of RM0.20 each for cash pursuant to the Employees Share Option Scheme (ESOS) of the Company at exercise prices ranging from RM1.15 to RM1.31 per ordinary share.

As of March 31, 2014, out of the total number of 377,690,100 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 370,619,800.

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

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	3 months ended March 31	
	2014	2013
	'000	'000
Profit for the period attributable to owners of the Company (RM)	10,158	8,457
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	370,531	369,439
Basic earnings per share (sen)	<u>2.74</u>	<u>2.29</u>

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

	3 months ended March 31	
	2014	2013
	'000	'000
Profit for the period attributable to owners of the Company (RM)	10,158	8,457
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	370,531	369,439
Shares deemed to be issued for no consideration in respect of employee share options (unit)	530	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	<u>371,061</u>	<u>369,439</u>
Diluted earnings per share (sen)	<u>2.74</u>	<u>2.29</u>

27. DEFERRED TAX ASSETS/ (LIABILITIES)

	Opening balance	Recognised in profit or loss	Closing balance
	RM'000	RM'000	RM'000
3 months ended March 31, 2014			
Deferred tax assets			
Unused capital allowances	6	-	6
Unused tax losses	22	-	22
Provision for rework and warranty	82	-	82
Inventories	7	-	7
Others	235	(1)	234
	<u>352</u>	<u>(1)</u>	<u>351</u>
Deferred tax liabilities			
Gain on revaluation of properties	(1,014)	-	(1,014)
Trade receivables	(5)	-	(5)
Property, plant and equipment	(401)	-	(401)
	<u>(1,420)</u>	<u>-</u>	<u>(1,420)</u>
Net	<u>(1,068)</u>	<u>(1)</u>	<u>(1,069)</u>
3 months ended March 31, 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	(218)	652
	<u>1,158</u>	<u>(163)</u>	<u>995</u>
Deferred tax liabilities			
Gain on revaluation of properties	(672)	(367)	(1,039)
Property, plant and equipment	(1,462)	(1,875)	(3,337)
	<u>(2,134)</u>	<u>(2,242)</u>	<u>(4,376)</u>
Net	<u>(976)</u>	<u>(2,405)</u>	<u>(3,381)</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 March 31, 2014 and December 31, 2013 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	As at March 31, 2014 RM'000	As at December 31, 2013 RM'000
Total retained earnings/ (accumulated losses) of the Group		
- Realised	116,730	106,335
- Unrealised	750	999
	<u>117,480</u>	<u>107,334</u>
Less: Consolidation adjustments	(15,681)	(15,694)
Total retained profits as per statement of financial position	<u>101,799</u>	<u>91,640</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.