

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

**NOTES TO THE FINANCIAL REPORT**  
**FOR NINE MONTHS ENDED SEPTEMBER 30, 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:

<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 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 2010-2012 Cycle	contained in the document entitled Annual Improvements to MFRSs 2010-2012 Cycle	July 1, 2015
Amendments to MFRS 2011-2013 Cycle	contained in the document entitled Annual Improvements to MFRSs 2011-2013 Cycle	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**

	<b>9 months ended September 30</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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
Final tax exempt dividend of 6 Sen per ordinary share of RM0.20 each, for 2013	<b>22,287</b>	-
	<b>22,287</b>	<b>44,334</b>

**8. REVENUE**

	<b>9 months ended September 30</b>		<b>9 months ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>USD'000</b>
Revenue	<u>71,031</u>	<u>72,611</u>	<u>21,933</u>	<u>23,230</u>
	<b>3 months ended September 30</b>		<b>3 months ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>USD'000</b>	<b>USD'000</b>
Revenue	<u>24,793</u>	<u>22,929</u>	<u>7,791</u>	<u>7,071</u>

**9. SEGMENT REPORTING**

	<b>Investment holding RM'000</b>	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>9 months ended September 30, 2014</b>					
<b>Revenue</b>					
External sales	-	71,023	8	-	71,031
Inter-segment sales	<u>1,660</u>	<u>3</u>	<u>602</u>	<u>(2,265)</u>	<u>-</u>
Total revenue	<u>1,660</u>	<u>71,026</u>	<u>610</u>	<u>(2,265)</u>	<u>71,031</u>
<b>Results</b>					
Profit/(loss) before tax	1,399	30,284	211	(14)	31,880
Income tax expense	<u>(502)</u>	<u>(448)</u>	<u>(48)</u>	<u>-</u>	<u>(998)</u>
Net profit/(loss) for the year	<u>897</u>	<u>29,836</u>	<u>163</u>	<u>(14)</u>	<u>30,882</u>
<b>Other information</b>					
Capital expenditure	-	1,598	-	-	1,598
Depreciation and amortization	<u>2</u>	<u>4,455</u>	<u>-</u>	<u>(27)</u>	<u>4,430</u>

	<b>Investment holding RM'000</b>	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>9 months ended September 30, 2014</b>					
<b>Consolidated Balance Sheet</b>					
<b>Assets</b>					
Segmental assets	133,807	144,790	7,771	(68,454)	217,914
Income tax asset	96	5,651	49	-	5,796
Consolidated total assets	<u>133,903</u>	<u>150,441</u>	<u>7,820</u>	<u>(68,454)</u>	<u>223,710</u>
<b>Liabilities</b>					
Segmental liabilities	931	33,870	209	(13,333)	21,677
Income tax liabilities	162	919	15	350	1,446
Consolidated total liabilities	<u>1,093</u>	<u>34,789</u>	<u>224</u>	<u>(12,983)</u>	<u>23,123</u>
<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>(20,204)</u>	<u>72,611</u>
<b>Result</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>(353)</u>	<u>23,724</u>
<b>Other information</b>					
Capital expenditure	-	8,751	-	-	8,751
Depreciation and amortization	10	4,500	-	(28)	4,482
<b>Consolidated Balance Sheet</b>					
<b>Assets</b>					
Segmental assets	125,128	164,045	7,647	(72,310)	224,510
Income tax assets	283	28	57	-	368
Consolidated total assets	<u>125,411</u>	<u>164,073</u>	<u>7,704</u>	<u>(72,310)</u>	<u>224,878</u>
<b>Liabilities</b>					
Segmental liabilities	1,041	44,082	339	(17,131)	28,331
Income tax liabilities	-	9,058	10	358	9,426
Consolidated total liabilities	<u>1,041</u>	<u>53,140</u>	<u>349</u>	<u>(16,773)</u>	<u>37,757</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, 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 September 30, 2014 increased by 10% and 16% to USD7.8 million and RM10.7 million respectively as compared to the quarter ended September 30, 2013 (Revenue: USD7.1 million; Profit Before Tax: RM9.2 million) mainly due to increase in demand for the Group's products and services.

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

Operating profit for the current quarter increased by 21% to RM10.4 million from RM8.6 million in the immediate preceding quarter ended June 30, 2014 mainly due to increase in revenue.

## 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 September 30		9 months ended September 30	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Estimated tax expense:				
Current	<u>390</u>	<u>2,453</u>	<u>998</u>	<u>9,058</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 September 30		9 months ended September 30	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
After (charging)/ crediting:				
Fair value (loss)/ gain on derivative financial instruments:				
Realised	607	(110)	1,308	(25)
Unrealised	(1,620)	(1,315)	(290)	(1,568)
Gain/ (loss) on disposal of property, plant and equipment	20	11	69	(14)
Gain/ (loss) on foreign exchange:				
Realised	(443)	1,164	(430)	1,761
Unrealised	809	561	516	(284)
Depreciation and amortization expenses	(1,421)	(1,551)	(4,430)	(4,482)
Interest on short-term deposits	823	829	2,518	2,546

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 September 30, 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 November 17, 2014.

**21. GROUP BORROWINGS AND DEBT SECURITIES**

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

**22. FINANCIAL INSTRUMENTS**

As of September 30, 2014, the foreign exchange forward contracts, which the Group had entered into to sell and remain outstanding is USD13,500,000 at approximately RM3.2945 per United States Dollar. The settlement will complete in August 2015.

As of September 30, 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	13,500	44,475	(290)

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)	607	1,308
- Unrealised gain / (loss)	<u>(1,620)</u>	<u>(290)</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, 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, was 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, the Board of Directors proposed an interim dividend of 5 Sen per share of RM0.20 each, exempt from income tax for the year ending December 31, 2014. The date of the entitlement and payment for the aforesaid dividend shall be determined by the Board of Directors at a later date.

**25. SHARE CAPITAL**

	<b>9 months ended September 30 2014</b>	
	<b>No. of shares</b>	<b>RM'000</b>
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>1,197,800</u>	<u>240</u>
At end of the period	<u>378,798,400</u>	<u>75,760</u>

During the current interim period, the issued and paid up share capital of the Company was increased from RM75,520,120 to RM75,759,680 by way of issue of 1,197,800 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 RM1.35 per ordinary share.

As of September 30, 2014, out of the total number of 378,798,400 of ordinary shares of RM0.20 each issued and paid-up, 7,070,400 are held as treasury shares. Hence, the number of outstanding ordinary shares of RM0.20 each in issue and fully paid is 371,728,000.

**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:

	<b>9 months ended September 30</b>	
	<b>2014</b>	<b>2013</b>
	<b>'000</b>	<b>'000</b>
Profit for the period attributable to owners of the Company (RM)	<b>30,882</b>	23,724
Weighted average number of ordinary shares for the purposes of basic earnings per share (unit)	<b>370,988</b>	369,444
Basic earnings per share (sen)	<u><b>8.32</b></u>	<u>6.42</u>

***Diluted earnings per share***

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

	<b>9 months ended September 30</b>	
	<b>2014</b>	<b>2013</b>
	<b>'000</b>	<b>'000</b>
Profit for the period attributable to owners of the Company (RM)	<b>30,882</b>	23,724
Weighted average number of ordinary shares used in the calculation of basic earnings per share (unit)	<b>370,988</b>	369,444
Shares deemed to be issued for no consideration in respect of employee share options (unit)	<b>1,295</b>	165
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (unit)	<u><b>372,283</b></u>	<u>369,609</u>
Diluted earnings per share (sen)	<u><b>8.30</b></u>	<u>6.42</u>

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

	Opening balance	Recognised in profit or loss	Closing balance
	RM'000	RM'000	RM'000
<b>9 months ended September 30, 2014</b>			
<b>Deferred tax assets</b>			
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>
<b>Deferred tax liabilities</b>			
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>
<b>Net</b>	<u>(1,068)</u>	<u>(1)</u>	<u>(1,069)</u>
<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>



**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, 2014 and June 30, 2014 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	<b>As at September 30, 2014</b>	<b>As at June 30, 2014</b>
	RM'000	RM'000
Total retained earnings/ (accumulated losses) of the Group		
- Realised	114,029	103,633
- Unrealised	1,920	2,081
	<u>115,949</u>	<u>105,714</u>
Less: Consolidation adjustments	(15,708)	(15,741)
Total retained profits as per statement of financial position	<u>100,241</u>	<u>89,973</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.