



# UCHI TECHNOLOGIES BERHAD

(Company No. 457890-A)  
(Incorporated in Malaysia)

ANNUAL REPORT 2005

Evolving Technology, Creating Prosperity

Our advanced, electronic control systems can be found in many of the world's leading brands.

# CONTENTS



Uchi is committed to preserving the environment for future generations through:

**U**most effort in implementing and continuously improving our corporate Environmental Management System

**C**ommitment towards preventing pollution, minimizing waste and consumption of natural resources through effective management of our activities, products and services

**H**ighly honour compliance of Malaysian Environmental Laws and other applicable regulations

**I**ncessantly educating employee on environmental awareness and responsibility

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## ISO 14001 ENVIRONMENTAL POLICY

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Eighth Annual General Meeting of the Company will be held at the Function Hall 2, Level 2, The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Penang, on Friday, May 26, 2006 at 3.00 p.m.

## **A G E N D A**

1. To receive the Audited Financial Statements of the Company for the year ended December 31, 2005 together with the Reports of the Directors and of the Auditors thereon. **(Resolution 1)**
2. To declare a Final Dividend of 6 Sen per share of RM0.20 each exempt from Income Tax for the year ended December 31, 2005. **(Resolution 2)**
3. To declare a Special Dividend I of 1 Sen per share of RM0.20 each less Income Tax at 28% for the year ended December 31, 2005. **(Resolution 3)**
4. To declare a Special Dividend II of 3 Sen per share of RM0.20 each exempt from Income Tax for the year ended December 31, 2005. **(Resolution 4)**
5. To approve an increase of Directors' Fees to RM374,000 and the payment of such fees to the Directors of the Company for the year ended December 31, 2005. **(Resolution 5)**
6. To approve an increase of Directors' Fees to RM417,200 and the payment of such fees to the Directors of the Company for the year ending December 31, 2006. **(Resolution 6)**
7. To re-elect the following Directors retiring under the provision of Article 131 of the Articles of Association of the Company, and who, being eligible, have offered themselves for re-election:-
  - a) Kao, Te-Pei also known as Edward Kao **(Resolution 7)**
  - b) Kao Wang, Ying Ying **(Resolution 8)**
8. To consider and if thought fit, to pass the following ordinary resolution pursuant to Section 129(6) of the Companies Act, 1965:-

“That Mr. Huang, Teng-Yen, a Director who retires in compliance with Section 129(2) of the Companies Act, 1965 after having attained the age of seventy years, be hereby re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting.”

**(Resolution 9)**
9. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. **(Resolution 10)**

## **SPECIAL BUSINESS**

10. To consider and if thought fit, to pass the following ordinary resolution: -

### **Authority to Issue Shares**

“That pursuant to Section 132D of the Companies Act, 1965 and approvals from Bursa Malaysia Securities Berhad (“Bursa Securities”) and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital of the Company for the time being, and that the Board of Directors be also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities.”

**(Resolution 11)**

11. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### Notes: -

A Member of the Company entitled to attend and vote is entitled to appoint 2 or more proxies to attend and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

The instrument appointing a proxy must be deposited at the Registered Office, 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Penang at least 48 hours before the time for holding the Meeting or any adjournments thereof.

### Explanatory Note on Special Business

The proposed Ordinary Resolution 11 (Item No. 10), if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the best interest of the Company. This Authority will, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company.

### NOTICE OF DIVIDENDS ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the following Dividends for the year ended December 31, 2005 will be paid on July 19, 2006 to Depositors registered in the Records of Depositors at the close of business on June 30, 2006:-

1. A Final Dividend of 6 Sen per share of RM0.20 each, exempt from income tax;
2. A Special Dividend I of 1 Sen per share of RM0.20 each, less income tax at 28%; and
3. A Special Dividend II of 3 Sen per share of RM0.20 each, exempt from income tax.

A Depositor shall qualify for the above entitlements only in respect of: -

- a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on June 30, 2006 in respect of transfers;
- b) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the rules of Bursa Securities.

By Order of the Board,

TAN CHOONG KHIANG (MAICSA 7018448)  
OW CHOOI KHIM (MIA 12616)  
*Secretaries*

Penang  
Date: April 28, 2006

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## **1. Eighth Annual General Meeting of Uchi Technologies Berhad:-**

Place : Function Hall 2, Level 2  
The Gurney Resort Hotel & Residences  
18 Persiaran Gurney  
10250 Penang, Malaysia  
Date : Friday, May 26, 2006  
Time : 3.00 p.m.

## **2. Names of individuals who are standing for re-election as Directors:-**

To re-elect the following directors under the provision of Article 131 of the Articles of Association of the Company, and who, being eligible offer themselves for re-election.

- a) Mr. Kao, Te-Pei also known as Edward Kao
- b) Madam Kao Wang, Ying-Ying.

To re-elect Mr. Huang, Teng-Yen, a Director who retires in compliance with Section 129(2) of the Companies Act, 1965 after having attained the age of seventy years, be hereby re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting.

## **3. Board Meetings held during the Financial Year Ended December 31, 2005 and Details of Directors' Attendance**

Six (6) Board Meetings were held during the financial year ended December 31, 2005. Details of attendance of Directors at the Board Meetings are set out in Page 15 of this Annual Report.

## **4. Further details of individuals who are standing for re-election as Directors**

Further details of the Director standing for re-election at the Eighth Annual General Meeting are set out in Pages 9 and 10 and their shareholdings information are listed in Page 78 of this Annual Report.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

*Chairman*

Kao, De-Tsan also known as Ted Kao

*Managing Director*

Kao, Te-Pei also known as Edward Kao

*Senior Independent Non-Executive Director*

Ng Hai Suan @ Ooi Hoay Seng

*Independent Non-Executive Director*

Dato' Hong Tok Hiang @ Fang Chok Seong

*Non-Independent Non-Executive Director*

Huang, Teng-Yen

Kao Wang, Ying-Ying

Chang, Shin-Fang

(alternate director to Huang, Teng-Yen)

### AUDIT COMMITTEE

*Chairman*

Dato' Hong Tok Hiang @ Fang Chok Seong

*Members*

Ng Hai Suan @ Ooi Hoay Seng

Kao, Te-Pei also known as Edward Kao

### COMPANY SECRETARIES

Tan Choong Khiang

MAICSA 7018448

Ow Chooi Khim

MIA 12616

### REGISTERED OFFICE

3rd Floor, Wisma Wang

251-A, Jalan Burma

10350 Penang

Tel : 04-228 8155

Fax: 04-269 2386

### PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad

Southern Bank Berhad

EON Bank Berhad

### AUDITORS

Deloitte KassimChan

Chartered Accountants

4th Floor, Wisma Wang

251-A, Jalan Burma

10350 Penang

Tel : 04-228 8255

Fax: 04-228 8355

### PRINCIPAL SOLICITORS

Ong & Manecksha

Advocates and Solicitors

Suite 503, 5th Floor

Penang Plaza, Jalan Burma

10050 Penang

Tel : 04-227 5811

Fax: 04-226 5366

### REGISTRAR

PFA Registration Services Sdn. Bhd.

Level 13, Uptown 1

No. 1 Jalan SS21/58, Damansara Uptown

47400 Petaling Jaya, Selangor Darul Ehsan,

Malaysia

Tel : 03-7725 4888, 7725 8046

Fax: 03-7722 2311

### STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

Website : [www.bursamalaysia.com](http://www.bursamalaysia.com)

Stock Name : uchitec

Stock Code : 7100

## CORPORATE INFORMATION



# FINANCIAL HIGHLIGHTS

## FIVE YEARS FINANCIAL SUMMARY

Year ended December 31	2001 RM	2002 RM	2003 RM	2004 RM	2005 RM
Revenue	94,999,126	114,847,193	120,658,775	115,351,661	<b>131,884,418</b>
Profit before taxation	40,793,435	54,667,732	60,983,313	64,537,186	<b>74,871,984</b>
Profit after taxation	36,883,180	49,055,113	58,571,837	62,759,124	<b>73,578,002</b>
Dividends declared and paid in respect of financial year ended:					
Gross of ordinary share of RM1.00 each (Sen)	37	44	32	not applicable	<b>not applicable</b>
Gross of ordinary share of RM0.20 each (Sen)	not applicable	not applicable	7	26	<b>10</b>
Amount Paid (net of tax)	18,434,301	27,390,621	45,344,496	87,312,611	<b>35,150,861</b>
Dividends proposed in respect of financial year ended:					
Gross of ordinary share of RM0.20 each (Sen)	not applicable	not applicable	not applicable	not applicable	<b>10</b>
Amount Payable (net of tax)	not applicable	not applicable	not applicable	not applicable	<b>36,196,580<sup>1)</sup></b>
Total Amount Paid and Payable (net of tax)	18,434,301	27,390,621	45,344,496	87,312,611	<b>71,347,441<sup>2)</sup></b>
Total Assets Employed	138,925,842	176,930,101	220,941,052	244,140,445	<b>236,044,791</b>
Shareholders' equity	114,282,566	147,287,880	176,118,649	177,124,953	<b>177,847,733</b>
Net assets	113,366,282	147,287,880	176,118,649	177,124,953	<b>177,847,733</b>
Number of ordinary shares issued & fully paid as of December 31	44,146,000 of RM1.00 each	64,446,600 of RM1.00 each	72,455,560 of RM1.00 each	366,813,800 of RM0.20 each	<b>372,360,800 of RM0.20 each</b>
Proforma weighted average number of shares	341,778,555 <sup>3)</sup>	347,696,925 <sup>3)</sup>	357,550,895 <sup>3)</sup>	363,439,770	<b>368,363,416</b>
Net Earnings Per Share (Sen)	10.79 <sup>3)</sup>	14.11 <sup>3)</sup>	16.38 <sup>3)</sup>	17.27	<b>19.97</b>
Return on Equity	32.3%	33.3%	33.3%	35.4%	<b>41.4%</b>
Research & Development Expenses	4,939,554	4,550,940	6,836,956	5,215,181	<b>4,441,229</b>
In % of Revenue	5.2%	4.0%	5.7%	4.5%	<b>3.4%</b>

<sup>1)</sup> Represents approximation of dividend payable based on all ordinary shares in issue as of February 28, 2006. Actual amount of dividend payable shall be determined at the close of business on June 30, 2006 if the said dividends are approved by the shareholders at the forthcoming Annual General Meeting.

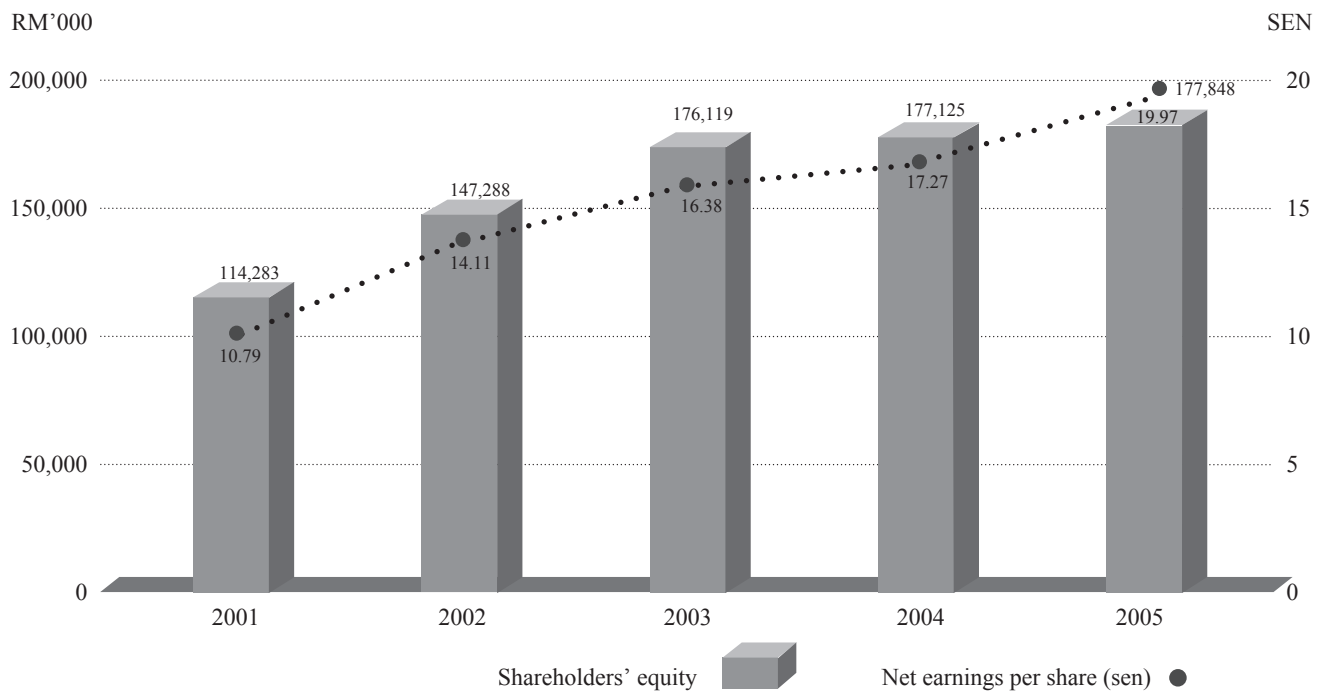
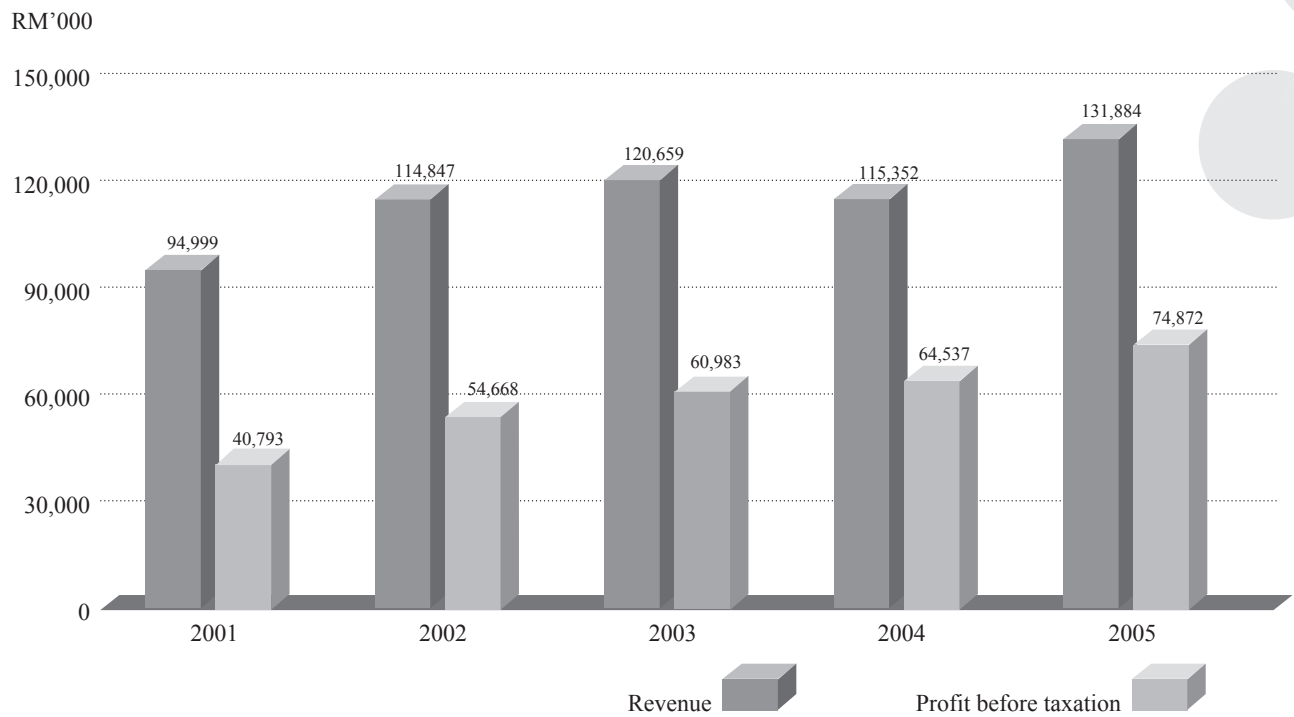
<sup>2)</sup> Summation of dividend paid and dividend proposed<sup>1)</sup>

<sup>3)</sup> Restated to reflect the followings:

- a. bonus issue of 4,000,000 new ordinary shares of RM1.00 each on the basis of one (1) new ordinary share of RM1.00 each for every ten (10) existing ordinary shares of RM1.00 each held, completed in financial year ended 2001.
- b. bonus issue of 17,847,600 new ordinary shares of RM1.00 each on the basis of two (2) new ordinary shares of RM1.00 each for every five (5) existing ordinary shares of RM1.00 each held, completed in the financial year ended 2002.
- c. bonus issue of 6,500,960 new ordinary shares of RM1.00 each on the basis of one (1) new ordinary share of RM1.00 each for every ten (10) existing shares of RM1.00 each held, completed in financial year ended 2003.
- d. subdivision of 72,562,560 ordinary shares of RM1.00 each into 362,812,800 new ordinary shares of RM0.20 each on the basis of five (5) new ordinary shares of RM0.20 each for every one (1) existing ordinary share of RM1.00 each held, completed in financial year ended 2004.

## FINANCIAL HIGHLIGHTS (cont'd)

### FIVE YEARS FINANCIAL SUMMARY



# FINANCIAL HIGHLIGHTS



# CORPORATE STRUCTURE



## UCHI TECHNOLOGIES BERHAD

(Company No. 457890-A)  
(Incorporated in Malaysia)

**100%**

UCHI TECHNOLOGIES  
(DONGGUAN) CO., LTD.

**100%**

UCHI OPTOELECTRONIC  
(M) SDN BHD

**100%**

UCHI ELECTRONIC  
(M) SDN BHD

**100%**

UCHI INDUSTRIES  
(M) SDN BHD

## DIRECTORS' PROFILE

### **KAO, DE-TSAN** also known as **TED KAO**

Aged 48, Taiwanese, was appointed to the Board of Directors of Uchi Technologies Berhad (Uchitec) on March 10, 2000 as Director. He was appointed as the Chairman of the Company on November 26, 2001. He is also a member of the Employee Share Option Scheme Committee of Uchitec.

Mr. Ted Kao graduated from the Department of Electrical Engineering, Ming Chi Institute of Technology, Taiwan, which was sponsored by the well known Formosa Plastic Co. Ltd. He started his career with Chain Let Co. Ltd., Taiwan, a bathroom scale manufacturer as a project engineer in 1979. Mr. Ted Kao later resigned and began intensive research on global electronic market. He was engaged by Krups Stiftung Co. (currently known as Robert Krups GmbH & Co. KG), Germany, to design electronic bathroom scales in 1980.

Mr. Ted Kao founded Uchi Electronic Co. Ltd. in Taiwan in 1981.

In 1989, Mr. Ted Kao selected Penang, Malaysia as the manufacturing base and founded Uchi Electronic (M) Sdn. Bhd., Uchi Optoelectronic (M) Sdn. Bhd. and Uchi Industries (M) Sdn. Bhd. With his many years of experience in technology development, Mr. Ted Kao has been the mainstay of Uchi Group's technical and marketing strength.

He sits on the Board of Uchi Optoelectronic (M) Sdn. Bhd., Uchi Electronic (M) Sdn. Bhd., Uchi Industries (M) Sdn. Bhd. and also holds directorships in certain private limited companies.

### **KAO, TE-PEI** also known as **EDWARD KAO**

Aged 45, Taiwanese, was appointed to the Board of Directors of Uchi Technologies Berhad (Uchitec) on March 10, 2000 as Executive Director. He was appointed as Managing Director of the Company on November 26, 2001. He is also a member of the Audit Committee, Remuneration Committee and Employee Share Option Scheme Committee of Uchitec.

He graduated from the Department of Textile Engineering, St. John's & St. Mary's Institute of Technology, Taiwan in 1980. Upon graduation, Mr. Edward Kao joined the army in Taiwan under Reserved Officer Training Course as a Platoon Leader of Logistics. In 1982, Mr. Edward Kao joined his elder brother, Mr. Ted Kao, in Uchi Electronic Co. Ltd., Taiwan (Uchi Taipei) as an Assistant

of Administration. In 1984, he joined ITF Corporation, a well-established Japanese trading company. He returned to Uchi Taipei in 1986.

In 1990, Uchi Taipei ceased operations. Mr. Edward Kao moved to Penang and was appointed as a Director of Uchi Electronic (M) Sdn. Bhd., Uchi Optoelectronic (M) Sdn. Bhd. and Uchi Industries (M) Sdn. Bhd.

Mr. Edward Kao is responsible for the Group's overall operation, business development and strategic planning.

He sits on the Board of all companies under the Group and also holds directorships in certain private limited companies.

### **HUANG, TENG-YEN**

Aged 74, Taiwanese, was appointed to the Board of Directors of Uchi Technologies Berhad on March 28, 2000 as Non-Executive Director.

He graduated from the Mechanical Department of Taiwan Provincial Hsinchu Industrial Senior High Vocational School in 1954. He started his career with the China Artificial Fiber Corporation in Taiwan as a technician in 1956. In 1959, he joined Nankang Rubber Tire Corporation Ltd., Taiwan as a technician and was subsequently promoted to Assistant President in 1988. In 1989, he joined Federal Corporation as a Vice President until 1993. In 1994, he was attached to Taiwan Rubber Research & Testing Center as a Chief Engineer and President and has been holding the post since then. From 1996 till April 2000, Mr. Huang was also appointed as President of his previous company, Nankang Rubber Tire Ltd., which is a public listed company and one of the leading automobile tyre manufacturing companies in Taiwan. He does not hold directorship in any other company.

## DIRECTORS' PROFILE (cont'd)

### **NG HAI SUAN @ OOI HOAY SENG**

Aged 65, Malaysian, was appointed to the Board of Uchi Technologies Berhad on August 30, 2001 as Independent Non-Executive Director. He was then appointed as Senior Independent Non-Executive Director of the Company on November 27, 2001. He was appointed Chairman of the Nomination Committee and Remuneration Committee as well as a member of the Audit Committee.

He is a member of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He was a Partner of a firm of Chartered Accountants before his retirement from the firm. Mr. Ooi has thirty over years of experience in providing auditing, tax consultation and business advisory services to various clients, which include multinational companies. He holds directorship in a number of other private limited companies and a public limited company listed on Bursa Securities.

### **DATO' HONG TOK HIANG @ FANG CHOK SEONG**

Aged 68, Malaysian, was appointed to the Board of Directors of Uchi Technologies Berhad on February 18, 1998 as Independent Non-Executive Director. He was appointed Chairman of the Audit Committee as well as a member of the Nomination Committee and Remuneration Committee.

He was a Kedah State Assemblyman from 1978 to 1990 and a Kedah State Executive Councilor (EXCO) from 1982 to 1990. He was a Malaysia Consul General in Guangzhou, People's Republic of China from November 1993 to November 1995. Dato' Fang is also involved in various types of business which are involved in timber sawmills, property development, rubber plantation and furniture making from 1958 to present date. He holds directorship in a number of other private limited companies and a public limited company listed on Bursa Securities.

### **KAO WANG, YING-YING**

Aged 52, Taiwanese, was appointed to the Board of Directors of Uchi Technologies Berhad, as an alternate director to Mr. Huang, Teng-Yen on March 28, 2000. She resigned as the alternate director to Mr. Huang, Teng-Yen on August 30, 2001. She was further re-appointed as Non-Executive Director on August 30, 2001. She is also a member of the Nomination Committee and Remuneration Committee.

She graduated from Taiwan Provincial Lukang Senior High School in 1971. Upon graduation, she joined Chain Let Co. Ltd., a bathroom scale manufacturer as a clerk in the accounting department until 1990. Currently Madam Kao Wang holds directorship of a certain private company.

### **CHANG, SHIN-FANG**

Aged 44, Taiwanese, was appointed to the Board of Directors of Uchi Technologies Berhad, as an alternate director to Mr. Kao Chi Kun on March 28, 2000. She resigned as the alternate director to Mr. Kao Chi Kun on August 30, 2001. She was further re-appointed as alternate director to Mr. Huang, Teng-Yen on August 30, 2001

She graduated from the Department of Business Administration of Che Lee College of Business, Taiwan in 1982. From 1988 to 1991, Madam Chang worked as a Shipping Assistant in Amasia International Limited, an American shoe company. Madam Chang holds directorship of a certain private company.

#### **Note:**

Mr. Ted Kao and Mr. Edward Kao are brothers. Madam Kao Wang, Ying-Ying and Madam Chang, Shin-Fang are the wives of Mr. Ted Kao and Mr. Edward Kao respectively. Mr. Huang, Teng-Yen is the brother-in-law of Mr. Ted Kao.

Saved as disclosed, none of the other Directors have:

1. any family relationship with any Director and / or major shareholder of the Company; and
2. any conflict of interest with the Company; and
3. any conviction for offences within the past 10 years other than traffic offences.

## CHAIRMAN'S STATEMENT

It gives me a great pleasure to announce that the revenue of the Group has grown by 14% over the previous year to RM131.9 million and the Group's profit before tax also grown by 16% over previous year to RM74.9 million. The bulk of the improvement came substantially from changes in sales mix of higher-margin models and stringent cost control measures.

The Group invested approximately RM1.3 million in capital expenditures for the year under review mainly to enhance manufacturing and technical capabilities. The Group had successfully transformed to lead free production and is ahead in compliance with European Union requirements towards environmental friendly products.

Earnings per share increased to 19.97 Sen from 17.27 Sen recorded previously and shareholders' fund stood at RM177.8 million as of December 31, 2005.

The Group generated RM60.4 million net cash at operating level and with the substantial dividends pay out of RM87.3 million for financial year ended 2005 (2004: RM45.3 million), the Group closed year 2005 with a cash position of RM156.9 million.

### Proposed Share Buy Back

On February 24, 2006, the Board of Directors proposed to purchase and / or to hold its own shares of up to maximum of ten percent (10%) of the issued and paid-up share capital of the Company at any point in time. The proposed share buy back is conditional upon approvals being obtained from the relevant authorities and the shareholders at the forthcoming Extraordinary General Meeting.

The Proposed Share Buy Back will enhance the capital management of the Company.

### Dividends

The Board of Directors is pleased to propose the following dividends:-

Type of Dividend	Gross dividend per share of RM0.20 each
	Sen
Final (tax exempt)	6
Special I (less income tax)	1
Special II (tax exempt)	3
<b>Total</b>	<b>10</b>

The proposed final and special dividends are subject to the shareholders' approval at the forthcoming Annual General Meeting.

The above proposed dividends together with the following interim dividend and special dividends paid on January 18, 2006 will result in a total gross dividend of 20 Sen per share of RM0.20 each and a total net dividend paid and payable of approximately RM71.3 million for the year under review:

Type of Dividend	Gross dividend per share of RM0.20 each
	Sen
Interim (tax exempt)	6
Special I (less income tax)	2
Special II (tax exempt)	2
<b>Total</b>	<b>10</b>

### Mechatronic Development Division

The Group has over 45 staff members in Mechatronic Development Division (MDD) specializing in software programming, hardware design, system construction and basic research.

For the year under review, the Group invested approximately RM4 million in MDD activities on 30 projects with a remarkable zero failure. This represents approximately 3% of the Group's revenue.

Mechatronic development is the soul of our business model. The Group will consistently invest in development of intellectual property and endeavour to be the best business partner to our customers.

### Expansion Plan

To further solidify our presence in China, the Group acquired a piece of leasehold land located at Dongguan City, Guangdong, People's Republic of China to expand the operation capacity of Uchi Technologies (Dongguan) Co., Ltd.

The Group budgeted approximately USD2 million to build a MDD center and a manufacturing plant with a total build-up area of approximately 16,000 square meters. Construction of the new site shall be started in the second half of year 2006 and is target to be completed by the second half of year 2007.

The new operation site shall cater for the ever-increasing manufacturing and technical needs of our customers.

## CHAIRMAN'S STATEMENT (cont'd)

### Recognition

Uchitec was added to the Kuala Lumpur Composite Index (KLCI) commencing June 30, 2005. The selection criteria for inclusion as KLCI components included market capitalization, business activities and trading volume.

### Commitment to Staff

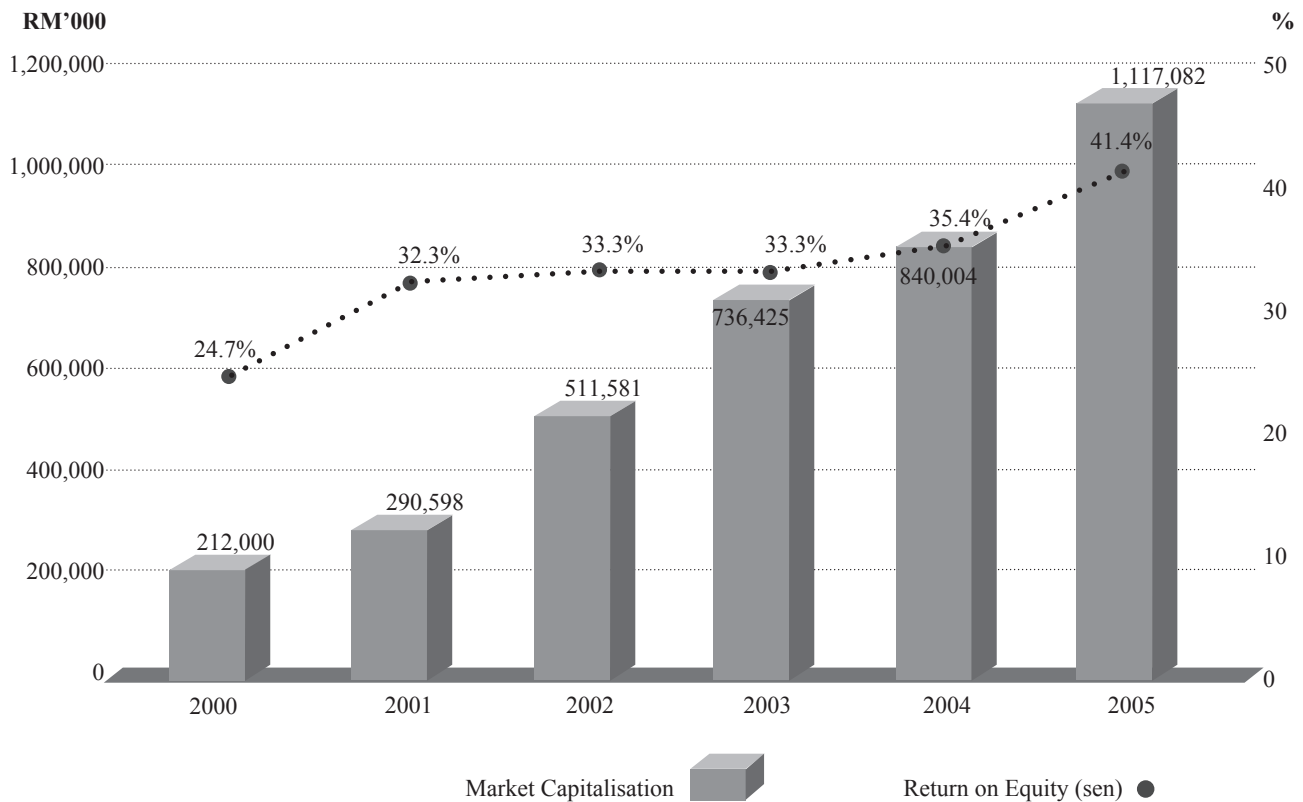
During the year under review, Uchitec granted 456,000 Share Options under "Uchi Technologies Berhad Employee Share Option Scheme" (existing ESOS) to eligible employee in recognition of the employees' contribution towards the business of the Group. This scheme encourages employees' participation in the Company's equity and motivates employees towards better performance through greater productivity and loyalty.

The existing ESOS shall be expiring on August 7, 2006. In continue recognition of employees' contribution, the Board of Directors, on February 24, 2006, proposed the establishment of a new employee share option scheme ("Proposed New ESOS") of up to fifteen percent (15%) of the issued and paid-up share capital of the Company.

The Proposed New ESOS is conditional upon approvals being obtained from the relevant authorities and the shareholders at the forthcoming Extraordinary General Meeting. The Proposed New ESOS will be effected upon the expiration of the existing ESOS.

### Market Capitalisation

The Group is fundamentally healthy with improving financial performance, healthy cash position and efficient capital structure. The Group recorded return on equity per annum of above 30% over 5 years commencing year 2001.



Source: Investors Digest/ Bloomberg

## CHAIRMAN'S STATEMENT<sub>(cont'd)</sub>

### **Moving Forward**

The Group expects to grow in its revenue in year 2006.

Apart from the expansion plan for the new MDD center and manufacturing plant in China, the Group budgeted approximately RM5 million for capital expenditure and approximately 7% of the total revenue for research and development activities. This is in line with the Group strategies to keep minimal capital expenditure but stay focused on intellectual development.

Customer satisfaction is our ultimate goal for success. Back to our fundamental approach and in view of the ever-strengthening business relationship with our customers, we shall strengthen our foundation in every aspect to pre-position and be set for future business opportunities.

### **Acknowledgement**

I wish to take this opportunity to extend my sincere thanks to the Board of Directors, Management and staff for their dedication and commitment.

We would like to thank our customers, suppliers, the various government authorities and our shareholders for their unwavering support.

**KAO, DE-TSAN** also known as **TED KAO**

*Chairman*

March 28, 2006

Penang

# CORPORATE GOVERNANCE & OTHER DISCLOSURE

(PURSUANT TO PARAGRAPH 15.26 OF THE LISTING REQUIREMENTS OF  
BURSA MALAYSIA SECURITIES BERHAD)

The Board of Directors is committed to ensure that the highest standards of corporate governance are observed throughout the Group so that the affairs of the Group are conducted with integrity, transparency and professionalism with the objective of safeguarding shareholders' investment, enhancing shareholders value as well as the interests of other stakeholders.

## A. DIRECTORS

### The Board

The Board explicitly assumes the following principal duties and responsibilities as follows:

- Reviewing and adopting a strategic plan for the Group; and
- Overseeing the conduct of the Group's businesses and evaluate whether the businesses are being properly managed; and
- Identifying principal risks and ensure the implementation of appropriate systems to manage these risks; and
- To conduct and review succession planning, including appointing, training, evaluating, fixing the compensation of and where appropriate, replacing senior management; and
- Developing and implementing an investor relations programme or shareholder communications policy for the Group; and
- Reviewing the adequacy integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

### Board Balance

The Board currently comprises of six (6) Directors, of which two (2) are Executive Directors and four (4) are Non-Executive Directors, two (2) of whom are independent.

The Board members have a wide range of business, financial and technical skills and experience. This mixture of skills and experience is vital to the success of the Group. The profiles and credentials of the members of the Board are provided on pages 9 & 10 of this annual report.

There is clear division of responsibilities between the Chairman and Managing Director. The Chairman is responsible for effective functioning of the Board and for formulating general Company policies and making strategic business decisions. The Managing Director is responsible for the execution of these decisions and the day-to-day management of the business.

The role of the Independent Non-Executive Directors is particularly important as they provide robust and independent view, advice and true and fair judgement which take into account the long term interest, not only of the Group but also of shareholders, employees and other stakeholders of the Group.

Mr. Ng Hai Suan @ Ooi Hoay Seng was appointed as Senior Independent Non-Executive Director on November 27, 2001. Through whom, stakeholders may convey their concerns pertaining to the Group.

### Board Meetings

The Chairman is responsible for ensuring Board effectiveness and the Board meets at least four times a year, with additional meetings convened as necessary. It has a formal time schedule that is pre-determined in advance. The Agenda and Board Report for each meeting are circulated at least one week in advance before each meeting to the Board members. It has a formal schedule of matters reserve to it, which includes strategy and policy issues, major investments, financial decisions and the annual plan. The Board and its committees are supplied with all necessary information to enable them to discharge their responsibilities efficiently and effectively.

All decisions of the Board were duly recorded in the Board's minutes. The Board met six times in this financial year. All Directors fulfilled the requirement of Bursa Malaysia Securities Berhad (Bursa Securities) in relation to their attendance at the Board meetings.



**CORPORATE GOVERNANCE & OTHER DISCLOSURE** (cont'd)  
(PURSUANT TO PARAGRAPH 15.26 OF THE LISTING REQUIREMENTS OF  
BURSA MALAYSIA SECURITIES BERHAD)

Number of Board of Directors' meetings and number of attendance for each Director for the financial year ended December 31, 2005 are as follows:

No.	Director	Year 2005 Period of Directorship	Total No. of Meetings	Attendance
1.	Kao, De-Tsan also known as Ted Kao	1/1/2005 to 31/12/2005	6	6
2.	Kao, Te-Pei also known as Edward Kao	1/1/2005 to 31/12/2005	6	6
3.	Huang, Teng-Yen	1/1/2005 to 31/12/2005	6	5
4.	Dato' Hong Tok Hiang @ Fang Chok Seong	1/1/2005 to 31/12/2005	6	6
5.	Ng Hai Suan @ Ooi Hoay Seng	1/1/2005 to 31/12/2005	6	6
6.	Kao Wang, Ying-Ying	1/1/2005 to 31/12/2005	6	6
7.	Chang, Shin-Fang (Alternate Director to Huang, Teng-Yen)	1/1/2005 to 31/12/2005	6	6

#### Supply of Information

The Board has unrestricted access to timely and accurate information, necessary in the furtherance of their duties, which is not only quantitative but also other information deemed necessary such as information on customer satisfaction, products and services qualities, market share, market reaction and environmental performance.

The Directors review the Board reports prior to the Board meeting. This is issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

In addition to the Group performance discussed at the meeting, the Board would also discuss, review and decide the approval of acquisitions and disposals of assets that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

All Directors have access to the advice and services of the Company Secretaries and where necessary, seek independent professional advice at the Group's expense.

#### Directors' Training

All existing members have completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia, an affiliate company of the Bursa Securities and attended various training programmes under the Continuing Education Programmes (CEP) for Directors in compliance with the requirements of Bursa Securities.

The training programmes and seminars attended by Members of the Board in 2005 are, inter-alia, on areas relating to operational management, corporate governance, risk management, and financial reporting. All Directors will continue to attend such further training as may be required from time to time to keep abreast with developments in the industry as well as the current changes in laws and regulations.

#### Appointments of the Board

The appointment of any additional Directors is made as and when it is deemed necessary by the Board, with due consideration given to the mix of expertise and experience required for discharging its duties and responsibilities effectively. The Board is assisted in this regard by the Nomination Committee, details of which are set out on pages 24 & 25 of the annual report.

#### Re-Election

In accordance with the Company's Articles of Association, one third of the Board members are required to retire at every Annual General Meeting and be subject to re-election by shareholders. Newly appointed directors shall hold office until the next following annual general meeting and shall then be eligible for re-election by shareholders.

Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act, 1965.

**CORPORATE GOVERNANCE & OTHER DISCLOSURE** (cont'd)  
(PURSUANT TO PARAGRAPH 15.26 OF THE LISTING REQUIREMENTS OF  
BURSA MALAYSIA SECURITIES BERHAD)

**The Board Committees**

The following committees are established to assist the Board in the discharge of its duties:

**i. The Audit Committee**

The composition and terms of reference of this Committee together with its report are presented on pages 19 to 21 of this annual report.

**ii. The Remuneration Committee**

The composition and terms of reference of this Committee are presented on pages 26 to 27 of this annual report.

**iii. The Nomination Committee**

The composition and terms of reference of this Committee are presented on pages 24 to 25 of this annual report.

**iv. The Employee Share Option Scheme (“ESOS”) Committee (of which, also comprise of management staff)**

The ESOS Committee was established on August 8, 2001 and was empowered to act, execute, enter into any transaction pertaining thereto for and on behalf of the Company in such manner deemed fit by it and in accordance with the Bye-Laws of ESOS, regulations and guidelines in force from time to time.

During the financial year ended December 31, 2005, the Company granted Share Options of 456,000 Ordinary Shares of RM0.20 each to eligible employees. A total of 5,547,000 share options were exercised during the financial year in respect of the Company’s employee share option scheme. As of December 31, 2005, balance number of Share Option available for allotment was 1,495,300 Ordinary Shares of RM0.20 each.

**B. DIRECTORS’ REMUNERATION**

**The Level and Make-Up of Remuneration**

For the financial year ended December 31, 2005, the Remuneration Committee was responsible for setting up the policy framework and for making recommendations to the Board on remuneration packages and other benefits extended to all the Directors.

The details of the remuneration of the Directors for the financial year ended December 31, 2005 are as follows:

Category	Fees (RM)	Salaries & Other Emoluments (RM)	Benefits in Kind (RM)	Total (RM)
Executive Directors	117,000	1,518,880	60,000	1,695,880
Non-Executive Directors	257,000	–	–	257,000
<b>Total</b>	<b>374,000</b>	<b>1,518,880</b>	<b>60,000</b>	<b>1,952,880</b>

Range of Aggregate Remuneration	Executive	Non-Executive
RM50,001 to RM100,000	–	4
RM800,001 to RM850,000	1	–
RM850,001 to RM900,000	1	–

**CORPORATE GOVERNANCE & OTHER DISCLOSURE** (cont'd)  
(PURSUANT TO PARAGRAPH 15.26 OF THE LISTING REQUIREMENTS OF  
BURSA MALAYSIA SECURITIES BERHAD)

**C. SHAREHOLDERS**

**Relations With Shareholders and Investors**

The Board values dialogue with investors and recognizes the importance of accountability to its shareholders through proper and equal dissemination of information to its shareholders. The Managing Director has regular dialogue sessions with institutional investors, fund managers and analysts to explain the Group's strategy, performance and major developments.

**The Annual General Meeting (AGM) & Extraordinary General Meeting (EGM)**

Both AGM and EGM, act as the principal forum for dialogue with private shareholders. At each AGM, the Board presents the progress and performance of the Group and encourages shareholders to participate in the "Questions and Answers" session. All Directors are in attendance to respond to shareholders' questions during the meeting.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

**D. ACCOUNTABILITY AND AUDIT**

**Financial Reporting**

The Board aims to present a clear and meaningful assessment of the Company's financial positions and their reports to the shareholders, investors and regulatory authorities. This assessment is primarily provided in the annual financial statements, quarterly result announcements as well as the Chairman's statement and review of the operations in the annual report.

The Board, assisted by the Audit Committee, ensures that in presenting the financial statements and quarterly announcements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

**Responsibility Statement**

The Board is required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results of the Group and of the Company for the financial year then ended.

In discharging their responsibilities, the Directors, with the assistance of the Audit Committee:

- Reviewed the appropriateness of the accounting policies used and consistency in its application;
- Ensured accounting and other records are properly kept to enable the preparation of financial statements with reasonable accuracy;
- Reviewed the presentation of the financial statements with the external auditors to ensure that the financial statements are prepared in accordance with the approved accounting standards, the provision of the Companies Act, 1965 and the Listing Requirements of the Bursa Securities;
- Ensured the financial statements presents a true and fair view of the state of affairs of the Group and of the Company at the end of financial year, their results and cash flows for the financial year;
- Ensured accounting estimates included in the financial statements are reasonable and prudent; and
- Ensured adequate system of internal control is in place to safeguard the interest of the Group through prevention and detection of fraud and other irregularities.

The Directors approved the financial statements for the year ended December 31, 2005 on March 1, 2006.

**Internal Control**

The Board acknowledges its responsibility for establishing a sound system of internal control to safeguard shareholders' investment and Group's assets, and to provide reasonable assurances on the reliability of the financial statements. In addition, equal priority is given to financial controls, operational and compliance controls as well as risk management. While the internal control system is devised to cater for particular needs of the Group and the risk, such controls by their nature can only provide reasonable assurance but not absolute assurance against unintended material misstatement or loss.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the Group. The Board reviews the adequacy and integrity of the Group's system of internal controls on a continuous basis.

Statement on Internal Control incorporating report on internal audit function is set out on pages 22 & 23 of this annual report.

**CORPORATE GOVERNANCE & OTHER DISCLOSURE** (cont'd)  
(PURSUANT TO PARAGRAPH 15.26 OF THE LISTING REQUIREMENTS OF  
BURSA MALAYSIA SECURITIES BERHAD)

**D. ACCOUNTABILITY AND AUDIT** (cont'd)

**Relationship with the Auditor**

The Company maintains a transparent relationship with the auditors in seeking their professional advice and towards ensuring compliance with the accounting standards.

The role of Audit Committee in relation to the external auditors is described on pages 19 to 21 of this annual report.

**E. OTHER DISCLOSURE**

Pursuant to the Listing Requirements of the Bursa Securities, the following additional information is provided:

**Share Buybacks**

Currently, the Company does not have a share buyback programme in place.

On February 24, 2006, the Board of Directors proposed to purchase and / or to hold its own shares of up to maximum of ten percent (10%) of the issued and paid-up share capital of the Company at any point in time. The proposed share buy back is conditional upon approvals being obtained from the relevant authorities and the shareholders at the forthcoming Extraordinary General Meeting.

**Options, Warrants or Convertible Securities**

As mentioned, a total of 5,547,000 share options were exercised during the financial year in respect of the Company's employee share option scheme (ESOS).

The Company did not issue any convertible securities or warrants.

**American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**

The Company does not have an ADR or GDR programme in place.

**Imposition of sanctions / penalties**

There were no material sanctions and / or penalties imposed on the Company and its subsidiary, directors or management by the relevant regulatory bodies.

**Material Contracts or Loans**

As of December 31, 2005, there was no existing material contracts or loans outside the ordinary course of business of the Company and its subsidiaries involving directors and substantial shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous year.

**Profit Estimate, Forecast or Projection**

There were no profit estimate, forecast or projection or unaudited results released which differ by 10 percent or more from the audited results.

**Profit Guarantee**

There was no profit guarantee given in respect of the Company.

**Utilisation of Proceeds**

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended December 31, 2005.

**Non-Audit Fee**

The total amount of non-audit fee paid and payable to the external auditors by the Group for the year ended December 31, 2005 amounted to RM29,800.

**Recurrent Related Party Transactions Statement**

The Company did not incur any significant recurrent related party transactions of revenue / trading nature during the financial year ended December 31, 2005.

**Revaluation Policy on Landed Properties**

Revaluation policy on landed properties is disclosed in Note 3-Significant Accounting Policies of Notes to the Audited Financial Statements on pages 45 to 46 of this annual report.

The collective approval by the Board on this Statement was tabled on March 28, 2006.

For and on behalf of the Board of Directors of  
Uchi Technologies Berhad (Company No.: 457890-A)

**Kao, De-Tsan** also known as **Ted Kao**  
*Chairman*

# AUDIT COMMITTEE REPORT

The Board of Directors of Uchi Technologies Berhad is pleased to present the report of the Audit Committee for the year ended December 31, 2005.

## AUDIT COMMITTEE

The Audit Committee was established by a resolution of the Board on March 29, 2000. The Committee comprised of the following:

Chairman : **Dato' Hong Tok Hiang @ Fang Chok Seong**  
*Independent Non-Executive Director*

Member : **Ng Hai Suan @ Ooi Hoay Seng**  
CA(M), CPA(M)  
*Senior Independent Non-Executive Director*

Member : **Kao, Te-Pei** also known as **Edward Kao**  
*Managing Director*

## TERMS OF REFERENCE OF AUDIT COMMITTEE

The Audit Committee is governed by the following terms of reference:

### 1. Objectives

The principal objective of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group. In addition, the Committee shall:

- Evaluate the quality of the audit conducted by the internal and external auditors;
- Provide assurance that the financial information presented by management is relevant, reliable and timely;
- Oversee compliance with laws and regulations and observance of a proper code of conduct; and
- Determine the adequacy of the Group's control environment.

### 2. Composition

The Audit Committee shall be appointed by the Board of Directors from amongst their members and comprising not less than three (3) members, of whom a majority shall be

Independent Non-Executive Directors. An Independent Director shall be the one who fulfils the requirements as provided in the Listing Requirements of the Bursa Malaysia Securities Berhad.

At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants, or if he is not a member of the Malaysian Institute of Accountants, must have at least three (3) years working experience and either have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967, or a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an Independent Non-Executive Director. No alternate Director shall be appointed as a member of the Committee.

If a member of the Audit Committee, for whatever reason, ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of the event, appoints such number of new members as may be required to make up the minimum number of three (3) members.

The term of office for all members of the Committee is subject to renewal on a yearly basis.

### 3. Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference and shall have unlimited access to both the internal and external auditors, as well as the employees of the Group. All employees are directed to co-operate with any request made by the Committee.

The Committee shall have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to senior management of the Group.

The Committee shall have the authority to obtain independent legal or other professional advice as it considers necessary.

It shall also have the power to establish Sub-Audit Committee(s) to carry out certain investigation on behalf of the Committee in such manner, as the Committee shall deem fit and necessary.

## AUDIT COMMITTEE REPORT (cont'd)

### 4. Meetings

The Committee, is at liberty to determine the frequency of its meetings which in any event shall not be less than four (4) times a year.

The quorum shall consist of two (2) members.

### 5. Attendance at Meetings

The external auditors may be invited to attend the meetings. The Committee may invite any person to be in attendance to assist in its deliberations.

The Company Secretary shall be the Secretary of the Committee and shall be responsible for drawing up the agenda with concurrence of the chairperson and circulating it, supported by explanatory documentation to committee members prior to each meeting.

### 6. Duties

The duties of the Audit Committee include the followings:

- to consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal, if any;
  - to discuss with the external auditors on their audit plan;
  - to review the quarterly and year-end financial statements of the Company, focusing particularly on:
    - any changes in accounting policies and practices;
    - significant adjustments arising from the audit;
    - the going concern assumption;
    - compliance with accounting standards and other legal requirements;
  - to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- to review the external auditors' management letter and management's response;
  - to do the following where an internal audit function exists:
    - review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
    - review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
    - review any appraisal or assessment of the performance of members of the internal audit function;
    - approve any appointment or termination of senior staff members of the internal audit function;
    - review the resignation of internal audit staff members and provide the staff member the opportunity to submit his reasons for resigning;
  - to consider any related party transactions that may arise within the Company or Group;
  - to review the allocation of options during the year under the "Uchi Technologies Berhad Employee Share Option Scheme" (ESOS) to ensure that this was in compliance with the allocation criteria determined by the ESOS committee and in accordance with the Bye-Laws of the ESOS;
  - to consider the major findings of internal investigations and management's response;
  - to consider other topics as defined by the Board.

### 7. Reporting

The Committee is authorized to regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such meetings.

The minutes of meetings shall be circulated by the Secretary of the Committee to the Committee members and all the other Board members.

## AUDIT COMMITTEE REPORT (cont'd)

### SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year ended December 31, 2005, the Committee met four times with full attendance of all members of the Committee. The minutes of the Committee meetings were formally tabled to the Board for its attention and action.

Summary of activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended December 31, 2005 are as follows:

- Recommended the reappointment / appointment of the independent auditors and their remuneration;
- Reviewed the independent auditors' audit plan and the adequacy of the scope of work for the year;
- Reviewed the audited financial statements for the year ended December 31, 2005 and the un-audited quarterly financial results of the Group
- Reported and recommended to the Board to approve the annual financial statements and un-audited quarterly financial results.
- Reviewed the independent auditors' audit reports and considered the audit issues, recommendations and the management's written response;
- Reviewed with the Company's management and the independent auditors the Company's general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls;
- Reviewed the adequacy of the Risk Assessment and Evaluation Framework and approved the adoption of such Framework; and
- Reviewed the report on internal audit performed by the internal audit team.
- Reviewed the allocation of options during the year under the "Uchi Technologies Berhad Employee Share Option Scheme" (ESOS) to ensure that this was in compliance with the allocation criteria determined by the ESOS committee and in accordance with the Bye-Laws of the ESOS.

**Dato' Hong Tok Hiang @ Fang Chok Seong**  
*Audit Committee Chairman*

Penang  
March 28, 2006



## STATEMENT ON INTERNAL CONTROL

The Board of Directors is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. In view of the limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate risk of failure to achieve business objectives, and to provide only reasonable and not absolute assurance against material misstatement or loss.

In line with the guidance for directors on internal control stipulated in the 'Statement on Internal Control: Guidance for Directors of Public Listed Companies', the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The Board further confirms that this process is regularly reviewed by the Board.

### ENTERPRISE RISK MANAGEMENT

The Board regards risk management as an integral part of business operations. The Board undertakes to identify potential risks faced by the Group through a risk assessment and evaluation framework, where the following factors are considered:

- The nature and extent of risks facing the Group;
- The extent and categories of risk which it regards as acceptable for the Group to bear;
- The likelihood of the risks concerned materializing;
- The Group's ability to reduce the incidence of risks that may materialize and their impact on the business; and
- The costs of operating particular controls relative to the benefit thereby obtained in managing the related risks.

### SYSTEM OF INTERNAL CONTROL

Salient features of the framework of internal control system of the Group are as follows:

- Operating procedures that set out the policies, procedures and practices adopted in the Group are properly documented and communicated to staff member so as to ensure clear accountabilities. The effectiveness of internal control procedures are subject to continuous assessments, reviews and improvements;

- The organizational structure is well defined, with clear line of responsibilities and delegation of authorities. Key responsibilities are properly segregated;
- The Board meets regularly and is kept updated on the Group's activities and operations and significant changes in the business and external environment, if any, which may result in significant risks;
- Financial results, which includes key performance indicators are reviewed quarterly by the Board and the Audit Committee;
- Executive Directors and head of departments meet regularly to discuss operational, corporate, financial and key management issues; and
- Effective reporting system, which provides for a documented and auditable trail of accountability to ensure timely generation of information for management review, has been put in place.

### INTERNAL AUDIT FUNCTION

The Board outsourced its internal audit functions to a professional services firm to assist the Audit Committee in discharging its duties and responsibilities.

The internal audit team provides an independent assessment on the efficiency and effectiveness of the Group's internal control systems. The internal audit focuses on regular and systematic reviews of the systems of financial and operational internal control in anticipating potential risk exposures over key business processes and controlling proper conduct of business of the Group.

The internal audit function adopts a risk-based approach and prepares its audit plan based on the risk assessment and evaluation framework of the Group. The internal audit plan is reviewed and approved by the Audit Committee.

The internal audit functions within its terms of reference carried out the following activities for the period:

- Review and appraise the soundness, adequacy and application of accounting, financial and other controls promoting effective control in the Company at reasonable cost;

## STATEMENT ON INTERNAL CONTROL (cont'd)

### INTERNAL AUDIT FUNCTION (cont'd)

- Ascertain the effectiveness of management in identifying principal risk and to manage risks through appropriate systems of internal control set-up by the Company;
- Appraise the effectiveness of administration and financial controls applied and the reliability and integrity of data that is produced within the Company;
- Ascertain the extent of compliance with established policies, procedures and statutory requirements;
- Review the Company's system of internal controls so as to ensure that it provides a reasonable assurance that assets are properly safeguarded;
- Carry out investigation and special reviews requested by the Board of Directors and / Audit Committee, if necessary; and
- Review operations as a whole from the viewpoint of economy and productivity, with which resources are employed and making cost effective recommendations to Management.

The internal audit reports were forwarded to the Management concerned for attention and necessary action. The Management is responsible for ensuring that corrective actions are taken.

### WEAKNESS IN INTERNAL CONTROL THAT RESULTS IN MATERIAL LOSS

There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. The Management continues to take measures to strengthen the control environment.

This Statement is made in accordance with the resolution of the Board of Directors dated March 28, 2006.

# NOMINATION COMMITTEE REPORT

The Nomination Committee (“the Committee”) was established by a resolution of the Board on November 27, 2001. Currently, the Committee comprised of the following members, namely:

Chairman : **Ng Hai Suan @ Ooi Hoay Seng**  
*Senior Independent Non-Executive Director*

Member : **Dato’ Hong Tok Hiang @ Fang Chok Seong**  
*Independent Non-Executive Director*

**Kao Wang, Ying-Ying**  
*Non-Executive Director*

## TERMS OF REFERENCE OF NOMINATION COMMITTEE

The Committee is governed by the following terms of reference:

### 1. Composition

The Committee shall be appointed by the Board of Directors from amongst their members and comprising exclusively of Non-Executive Directors, a majority of whom, are independent. The Committee shall consist of not less than three (3) members.

The members of the Committee shall elect themselves a Chairman who shall be an Independent Non-Executive Director.

If the number of members, for whatever reasons, falls below three (3), the Board of Directors shall, within three (3) months of the event, appoints such number of new members as may be required to make up the minimum number of three (3) members.

The term of office for all members of the Committee is subject to renewal on a yearly basis.

### 2. Authority

The Committee is authorized to assess and propose new nominees for the Board and further empowered to assess the existing directors on an on-going basis. The actual decision as to who shall be nominated shall be the responsibility of the full Board after considering the recommendations of the Committee.

### 3. Duties

- To propose new nominees for the Board of Directors;

The Committee shall also consider candidates for directorships proposed by the Managing Director / Directors and within the bounds of practicality by any other senior executive or any director or shareholder.

- To make recommendations to the Board of Directors to fill seats on Board Committee;
- To assist the Board annually in reviewing the required mix of skills of experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board; and
- To carry out annually the process to be implemented by the Board for assessing the effectiveness of the Board as a whole, the Committees of the Board and for assessing the contribution of each individual Director.

### 4. Meetings

The Committee is at liberty to determine the frequency of its meetings. The quorum shall consist of two (2) members.

Directors shall not participate in decisions on their own nomination.

### 5. Attendance at Meetings

The Committee may invite any person to be in attendance to assist in its deliberations.

The Company Secretary shall be the Secretary of the Committee and shall be responsible for drawing up the agenda with concurrence of the chairperson and circulating it, supported by explanatory documentation to committee members prior to each meeting.

## NOMINATION COMMITTEE REPORT (cont'd)

### 6. Reporting

The Committee is authorized to regulate its own procedure and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes.

The minutes of meetings shall be, circulated by the Secretary of the Committee to the Committee members. The Chairman of the Committee shall report to the Board after each Nomination Committee meeting.

### SUMMARY OF ACTIVITIES

The Committee met once during the financial year ended December 31, 2005 with full attendance of the Committee. Summary of the activities are as follows:

- reviewed the mix of skills of experience and other qualities, including core competencies, of the Board members ; and
- assessed the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director

**Ng Hai Suan @ Ooi Hoay Seng**  
*Nomination Committee Chairman*

Penang  
Date: March 28, 2006

# REMUNERATION COMMITTEE REPORT

The Remuneration Committee (“the Committee”) was established by a resolution of the Board on November 27, 2001. Currently, the Committee comprised of the following members, namely:

Chairman : **Ng Hai Suan @ Ooi Hoay Seng**  
*Senior Independent Non-Executive Director*

Member : **Dato’ Hong Tok Hiang @ Fang Chok Seong**  
*Independent Non-Executive Director*

**Kao, Te-Pei** also known as **Edward Kao**  
*Managing Director*

**Kao Wang, Ying-Ying**  
*Non-Executive Director*

## TERMS OF REFERENCE OF REMUNERATION COMMITTEE

The Committee is governed by the following terms of reference:

### 1. Composition

The Committee shall be appointed by the Board of Directors from amongst their members and comprising wholly or mainly of Non-Executive Directors and shall consist of not less than three (3) members.

The members of the Committee shall elect themselves a Chairman who shall be Independent Non-Executive Director.

If the number of members, for whatever reasons, falls below three (3), the Board of Directors shall, within three (3) months of the event, appoints such number of new members as may be required to make up the minimum number of three (3) members.

The term of office for all members of the Committee is subject to renewal on a yearly basis.

### 2. Authority

The Committee is authorized to review and recommend to the Board the remuneration package of the Executive Directors in all its forms, drawing from outside advice as necessary. Executive Directors shall play no part in deciding on their own remuneration packages.

Remuneration packages of Directors shall be a matter to be decided by the Board as a whole with the Director concerned abstaining in deliberation and voting on decisions in respect of his / her individual remuneration.

### 3. Duties

The Committee shall review and recommend to the Board the remuneration of each of the Executive Directors in all its forms, drawing from outside advice as necessary. However, the determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairmen, if any, should be a matter for the Board as a whole. The individual concerned should, abstain from discussion of their own remuneration.

### 4. Meetings

The Committee is at liberty to determine the frequency of its meetings. The quorum shall consist of two (2) members.

### 5. Attendance at Meetings

The Committee may invite any person to be in attendance to assist in its deliberation.

The Company Secretary shall be the Secretary of the Committee and shall be responsible for drawing up the agenda with concurrence of the chairperson and circulating it, supported by explanatory documentation to committee members prior to each meeting.

### 6. Reporting

The Committee is authorized to regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes.

The minutes of meetings shall be, circulated by the Secretary of the Committee to the Committee's members. The Chairman of the Committee shall report to the Board after each Remuneration Committee meeting.

### SUMMARY OF ACTIVITIES

The Committee met once during the financial year ended December 31, 2005 with full attendance of the Committee to review and recommend to the Board the remuneration of each of the Directors, taken into consideration the responsibilities, the contribution and performance of each individual Director.

The remuneration of the Directors for the financial year ended December 31, 2005 is summarized on Page 16 of this annual report.

**Ng Hai Suan @ Ooi Hoay Seng**  
*Remuneration Committee Chairman*

Penang  
Date: March 28, 2006

# FINANCIAL STATEMENTS



Exceed Customers' Expectations  
Through Continuous Improvement

Total customer satisfaction is our business priority.  
In line with this commitment, we provide:

Products and services which fully meet our internal  
and external customers requirements at all times  
with on time and defect free delivery; and

Continuous product quality improvement through  
employees training and development and implementation  
of Plan Do Check Action (PDCA) cycle

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## OHSAS 18001 OHSAS POLICY

Uchi is committed to enhancing  
safety and a healthy environment through...

Implementing the OH&S Management System  
to minimise accidents;

Promoting safety and health programmes  
for continual improvement;

Complying with applicable OH&S  
legislation and other requirements; and

Educating employees on safety and health  
awareness and responsibility.

## ISO 9001 QUALITY POLICY



# DIRECTORS' REPORT

The directors of UCHI TECHNOLOGIES BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2005.

## PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are disclosed in Note 10 to the Financial Statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year except that one of its subsidiary companies commenced designing, developing and manufacturing of additional products, control modules for industrial and consumer electronic products.

## RESULTS OF OPERATIONS

	<b>The Group</b>	<b>The Company</b>
	<b>RM</b>	<b>RM</b>
Net profit after tax for the year	<b>73,578,002</b>	<b>62,772,483</b>

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

An interim dividend of 6 sen per ordinary share of RM0.20 each, tax exempt, amounting to RM22,008,828, a special interim dividend I of 4 sen gross per ordinary share of RM0.20 each, less tax, amounting to RM10,564,240 and a special interim dividend II of 3 sen per ordinary share of RM0.20 each, tax exempt, amounting to RM11,004,414, in respect of the financial year ended December 31, 2004 which were declared and dealt with in the previous directors' report were paid by the Company during the current financial year.

A final dividend of 6 sen per ordinary share of RM0.20 each, tax exempt, amounting to RM22,088,448, a special dividend I of 4 sen gross per ordinary share of RM0.20 each, less tax, amounting to RM10,602,457 and a special dividend II of 3 sen per ordinary share of RM0.20 each, tax exempt, amounting to RM11,044,224, in respect of the financial year ended December 31, 2004 which were proposed and dealt with in the previous directors' report were declared and paid by the Company during the current financial year.

The directors declared an interim dividend of 6 sen per ordinary share of RM0.20 each, tax exempt, amounting to RM22,341,648, a special interim dividend I of 2 sen gross per ordinary share of RM0.20 each, less tax, amounting to RM5,361,997 and a special interim dividend II of 2 sen per ordinary share of RM0.20 each, tax exempt, amounting to RM7,447,216, in respect of the current financial year. The interim dividends had been paid in January 2006.

The directors also proposed a final dividend of 6 sen per ordinary share of RM0.20 each, tax exempt, a special final dividend I of 1 sen gross per ordinary share of RM0.20 each, less tax and a special final dividend II of 3 sen per ordinary share of RM0.20 each, tax exempt, in respect of the current financial year. The proposed dividends if payable in respect of all ordinary shares in issue as at the date of issue of the financial statements would amount to RM36,196,580 and have not been included as liabilities in the financial statements. These dividends are subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and the date of entitlement of dividends have not yet been determined as at the date of the issue of the financial statements.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM73,362,760 divided into 366,813,800 ordinary shares of RM0.20 each to RM74,472,160 divided into 372,360,800 ordinary shares of RM0.20 each by way of issuance of 5,547,000 new ordinary shares of RM0.20 each for cash pursuant to the Employees' Share Option Scheme (ESOS) of the Company at exercise prices ranging from RM0.68 to RM2.79 per ordinary share.

The resultant premium arising from the shares issued pursuant to the ESOS of RM4,850,030 was credited to the share premium account.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

### EMPLOYEES' SHARE OPTION SCHEME

Under the Company's Employees' Share Option Scheme (ESOS) which became effective on August 8, 2001, options to subscribe for unissued new ordinary shares in the Company were granted to eligible directors and employees of the Company and its subsidiary companies.

The principal features of the ESOS are as follows:

- a. The total number of share options offered under the scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.
- b. Persons who are eligible to participate in the ESOS are:
  - i. all employees including full-time executive directors of the Group who as at the date of offer are confirmed with at least twelve months of continuous service in the Group; and
  - ii. all future employees of the Group who do not qualify at the time of implementation of the Scheme will have to complete at least twelve months of continuous service with the Group to be eligible to participate in the ESOS.
- c. The option price shall be determined at a discount of not more than 10% from the weighted average market price of the ordinary shares of the Company as quoted and shown in the Daily Official List issued by the Bursa Malaysia Securities for the five preceding market days prior to the date of offer or at par value of the ordinary shares of the Company, whichever is higher.
- d. The options granted may be exercised within a period of five years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing to the Company.
- e. The new ordinary shares to be allotted upon any exercise of the ESOS will upon allotment rank pari passu in all respects with the then existing ordinary shares of the Company except that these new ordinary shares will not be entitled to any dividends or distributions which may be declared prior to the allotment of these shares.

## DIRECTORS' REPORT (cont'd)

The share options granted and exercised during the financial year are as follows:

No. of options over ordinary shares						
Exercisable from	Exercise price per ordinary share	Balance as of 1.1.2005	Granted	Exercised	Lapsed	Balance as of 31.12.2005
	RM					
August 13, 2001	0.69	3,426,800	–	(3,291,000)	(93,500)	42,300
October 9, 2001	0.68	24,400	–	(13,000)	(300)	11,100
November 9, 2001	0.74	3,300	–	(1,000)	–	2,300
December 10, 2001	0.88	178,300	–	(172,000)	–	6,300
February 10, 2002	0.91	681,800	–	(85,000)	(503,800)	93,000
March 8, 2002	1.06	42,800	–	(26,000)	–	16,800
April 11, 2002	1.20	52,500	–	(35,000)	–	17,500
May 10, 2002	1.23	41,000	–	(26,000)	–	15,000
June 10, 2002	1.23	6,000	–	(5,000)	–	1,000
August 19, 2002	1.20	2,000	–	(2,000)	–	–
October 8, 2002	1.08	11,500	–	(8,000)	–	3,500
November 11, 2002	1.18	20,000	–	(19,000)	–	1,000
December 10, 2002	1.25	500	–	–	–	500
February 10, 2003	1.50	419,000	–	(205,000)	–	214,000
March 10, 2003	1.55	17,000	–	–	(17,000)	–
April 10, 2003	1.50	39,000	–	(17,000)	–	22,000
May 9, 2003	1.49	168,000	–	(123,000)	(15,000)	30,000
June 10, 2003	1.58	156,500	–	(117,000)	–	39,500
July 10, 2003	1.59	143,500	–	(104,000)	–	39,500
September 10, 2003	1.71	380,000	–	(283,000)	(40,000)	57,000
October 10, 2003	1.73	219,000	–	(137,000)	–	82,000
November 10, 2003	1.78	61,000	–	(51,000)	–	10,000
December 10, 2003	1.81	17,000	–	(12,000)	–	5,000
January 9, 2004	1.91	35,000	–	(33,000)	–	2,000
February 10, 2004	2.08	245,000	–	(150,000)	–	95,000
March 10, 2004	1.92	228,000	–	(143,000)	–	85,000
April 9, 2004	1.88	260,000	–	(138,000)	–	122,000
June 10, 2004	1.61	41,000	–	(30,000)	–	11,000
July 9, 2004	1.71	60,000	–	(37,000)	(10,000)	13,000
August 10, 2004	1.69	35,000	–	(18,000)	(11,000)	6,000
September 10, 2004	1.79	33,000	–	(19,000)	–	14,000
October 8, 2004	1.83	198,000	–	(124,000)	–	74,000
November 10, 2004	1.93	31,000	–	(20,000)	–	11,000
December 10, 2004	2.08	14,000	–	(7,000)	–	7,000
January 10, 2005	2.25	–	21,000	(3,000)	(7,000)	11,000
February 8, 2005	2.41	–	56,000	(20,000)	–	36,000
March 10, 2005	2.47	–	14,000	(7,000)	–	7,000
April 8, 2005	2.58	–	161,000	(49,000)	(7,000)	105,000
May 10, 2005	2.66	–	40,000	(13,000)	–	27,000

(FORWARD)

## DIRECTORS' REPORT (cont'd)

### No. of options over ordinary shares

Exercisable from	Exercise price per ordinary share	Balance as of 1.1.2005	Granted	Exercised	Lapsed	Balance as of 31.12.2005
	<b>RM</b>					
June 10, 2005	2.71	–	7,000	(3,000)	–	4,000
July 8, 2005	2.79	–	28,000	(1,000)	–	27,000
August 10, 2005	2.88	–	77,000	–	–	77,000
October 10, 2005	2.85	–	17,000	–	–	17,000
November 10, 2005	2.97	–	7,000	–	–	7,000
December 9, 2005	2.94	–	28,000	–	–	28,000
<b>Total</b>		<b>7,290,900</b>	<b>456,000</b>	<b>(5,547,000)</b>	<b>(704,600)</b>	<b>1,495,300</b>

According to Section 169 (11) of the Companies Act, 1965, the Company is required to disclose the name of persons to whom any option has been granted during the financial year. Pursuant to Section 169A of the Companies Act, 1965, the Company has applied and has been granted exemption by the Companies Commission of Malaysia from having to disclose the name of employees who have been granted options below 80,000. Accordingly, the list of grantee with number of options granted for 80,000 and above during the financial year are as follows:

### No. of options over ordinary shares

Name of grantee	Exercisable from	Exercise price per ordinary share	Granted	Exercised	Balance as of 31.12.2005
		<b>RM</b>			
Ow Chooi Khim	April 8, 2005	2.58	98,000	(49,000)	49,000

### OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- a. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that there are no known bad debts to be written off and that adequate allowance had been made for doubtful debts; and
- b. to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

- a. which would require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- b. which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

## DIRECTORS' REPORT (cont'd)

- c. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- d. not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- a. any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liability of any other person; or
- b. any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

### DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Kao, De-Tsan also known as Ted Kao  
Kao, Te-Pei also known as Edward Kao  
Dato' Hong Tok Hiang @ Fang Chok Seong  
Huang, Teng-Yen  
Ng Hai Suan @ Ooi Hoay Seng  
Kao Wang, Ying-Ying  
Chang, Shin-Fang  
(Alternate to Huang, Teng-Yen)

## DIRECTORS' REPORT (cont'd)

### DIRECTORS' INTEREST

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

Shares in the Company	No. of ordinary shares of RM0.20 each			Balance as of 31.12.2005
	Balance as of 1.1.2005	Bought	Sold	
<b>Direct interest:</b>				
Kao, De-Tsan also known as Ted Kao	–	539,000	(539,000)	–
Kao, Te-Pei also known as Edward Kao	–	570,000	(570,000)	–
Dato' Hong Tok Hiang @ Fang Chok Seong,	117,705	–	–	117,705
Huang, Teng-Yen	84,700	–	–	84,700
Ng Hai Suan @ Ooi Hoay Seng	500,000	–	–	500,000
Kao Wang, Ying-Ying	2,240,700	539,000	–	2,779,700
Chang, Shin-Fang (Alternate to Huang, Teng-Yen)	16,879,350	570,000	(11,000,000)	6,449,350
<b>Indirect interest:</b>				
Kao, De-Tsan also known as Ted Kao	129,963,660	–	–	129,963,660
Kao, Te-Pei also known as Edward Kao	26,172,710	–	(13,000,000)	13,172,710
Ng Hai Suan @ Ooi Hoay Seng	1,500,000	–	–	1,500,000

In addition to the above, the following directors are deemed to have interest in the shares of the Company to the extent of the options granted to them pursuant to the ESOS of the Company which was implemented on August 8, 2001:

	No. of options over ordinary shares			Balance as of 31.12.2005
	Balance as of 1.1.2005	Granted	Exercised	
Kao, De-Tsan also known as Ted Kao	539,000	–	(539,000)	–
Kao, Te-Pei also known as Edward Kao	570,500	–	(570,000)	500

By virtue of his interest in the shares of the Company, Mr. Kao, De-Tsan also known as Ted Kao is also deemed to have an interest in the shares of all the subsidiary companies of Uchi Technologies Berhad to the extent that Uchi Technologies Berhad has an interest.

## DIRECTORS' REPORT (cont'd)

### DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for options granted to certain directors pursuant to the Company's ESOS as disclosed above.

### AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

Signed on behalf of the Board  
in accordance with a resolution of the Directors,

**KAO, DE-TSAN** also known as **TED KAO**

**KAO, TE-PEI** also known as **EDWARD KAO**

Penang,  
March 1, 2006



# REPORT OF THE AUDITORS TO THE MEMBERS OF UCHI TECHNOLOGIES BERHAD (Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2005 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a. the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia so as to give a true and fair view of:
  - i. the state of affairs of the Group and of the Company as of December 31, 2005 and of their results and cash flows for the year ended on that date; and
  - ii. the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- b. the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies incorporated in Malaysia have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

Our auditors' report on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

**DELOITTE KASSIMCHAN**  
AF 0080  
*Chartered Accountants*

**LEE CHENG HEOH**  
2225/04/06(J)  
Partner

Penang,  
March 1, 2006

**INCOME STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	The Group		The Company	
		2005	2004	2005	2004
		RM	RM	RM	RM
Revenue	4	<b>131,884,418</b>	115,351,661	<b>70,030,000</b>	91,480,000
Other operating income		<b>585,058</b>	1,138,156	–	–
Raw materials used		<b>(44,324,233)</b>	(37,042,198)	–	–
Changes in inventories of finished goods and work-in-progress		<b>2,326,144</b>	1,330,607	–	–
Staff costs	5	<b>(11,631,100)</b>	(12,076,246)	<b>(2,685,435)</b>	(3,570,554)
Depreciation of property, plant and equipment		<b>(1,470,938)</b>	(1,584,772)	<b>(19,543)</b>	(12,350)
Other operating expenses		<b>(7,853,091)</b>	(8,233,590)	<b>(627,630)</b>	(719,062)
Profit from operations		<b>69,516,258</b>	58,883,618	<b>66,697,392</b>	87,178,034
Income from other investments		<b>5,356,490</b>	5,653,690	<b>2,803,859</b>	2,389,107
Impairment loss of investment in a subsidiary company		–	–	<b>(3,988,800)</b>	–
Finance costs		<b>(764)</b>	(122)	–	–
Profit before tax	6	<b>74,871,984</b>	64,537,186	<b>65,512,451</b>	89,567,141
Income tax expense	7	<b>(1,293,982)</b>	(1,778,062)	<b>(2,739,968)</b>	(8,803,336)
Net profit after tax for the year		<b>73,578,002</b>	62,759,124	<b>62,772,483</b>	80,763,805
Earnings per ordinary share					
Basic	8	<b>19.97 sen</b>	17.27 sen		
Diluted	8	<b>19.95 sen</b>	17.12 sen		

The accompanying notes form an integral part of the financial statements.

# BALANCE SHEETS

AS OF DECEMBER 31, 2005

	Note	The Group		The Company	
		2005	2004	2005	2004
		RM	RM	RM	RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	9	<b>19,890,911</b>	20,072,589	<b>129,180</b>	48,944
Investment in subsidiary companies	10	–	–	<b>25,747,912</b>	29,341,108
Other investments	11	<b>13,345,390</b>	13,928,521	–	–
Deferred tax assets	12	<b>862,000</b>	571,000	<b>60,000</b>	57,000
<b>CURRENT ASSETS</b>					
Inventories	13	<b>19,958,710</b>	16,407,374	–	–
Trade receivables	14	<b>18,929,731</b>	15,880,229	–	–
Other receivables and prepaid expenses	15	<b>3,425,702</b>	2,845,410	<b>1,265,911</b>	1,006,618
Tax recoverable		<b>1,461,647</b>	370,785	<b>166,664</b>	306,753
Amount owing by subsidiary companies	16	–	–	<b>54,660,013</b>	42,943,766
Short-term deposits	17	<b>157,066,262</b>	173,453,590	<b>76,509,264</b>	103,379,854
Cash and bank balances		<b>1,104,438</b>	610,947	<b>60,222</b>	23,708
Total Current Assets		<b>201,946,490</b>	209,568,335	<b>132,662,074</b>	147,660,699
<b>CURRENT LIABILITIES</b>					
Trade payables	18	<b>8,669,885</b>	8,420,901	–	–
Other payables and accrued expenses	19	<b>8,153,509</b>	9,247,077	<b>325,452</b>	394,960
Provision for rework and warranty	20	<b>4,000,000</b>	3,700,000	–	–
Amount owing to directors	21	<b>706,000</b>	575,000	<b>706,000</b>	575,000
Dividend payable		<b>35,175,474</b>	43,591,474	<b>35,175,474</b>	43,591,474
Bank overdraft	27	<b>99,532</b>	–	–	–
Tax liabilities		<b>27,710</b>	68,070	–	–
Total Current Liabilities		<b>56,832,110</b>	65,602,522	<b>36,206,926</b>	44,561,434
<b>NET CURRENT ASSETS</b>		<b>145,114,380</b>	143,965,813	<b>96,455,148</b>	103,099,265
		<b>179,212,681</b>	178,537,923	<b>122,392,240</b>	132,546,317
<b>SHARE CAPITAL</b>	22	<b>74,472,160</b>	73,362,760	<b>74,472,160</b>	73,362,760
<b>RESERVES</b>	23	<b>103,375,573</b>	103,762,193	<b>47,920,080</b>	59,183,557
<b>SHAREHOLDERS' EQUITY</b>		<b>177,847,733</b>	177,124,953	<b>122,392,240</b>	132,546,317
<b>DEFERRED TAX LIABILITIES</b>	24	<b>1,364,948</b>	1,412,970	–	–
		<b>179,212,681</b>	178,537,923	<b>122,392,240</b>	132,546,317

The accompanying notes form an integral part of the financial statements.

**STATEMENTS OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED DECEMBER 31, 2005

**The Group**

	Share Capital	Share Premium	Revaluation/ Merger Reserve	Translation Reserve	Retained Profit	Total
	RM	RM	RM	RM	RM	RM
Balance as of January 1, 2004	72,455,560	10,861,316	(16,600,289)	(74,644)	109,476,706	176,118,649
Allotment of 107,000 new ordinary shares of RM1 each at RM3.36 to RM9.02 per share pursuant to the ESOS	107,000	477,310	-	-	-	584,310
Allotment of 4,001,000 new ordinary shares of RM0.20 each at RM0.68 to RM1.93 per share pursuant to the ESOS	800,200	2,611,290	-	-	-	3,411,490
Exchange difference on translation of net investment in a foreign subsidiary company	-	-	-	(11,869)	-	(11,869)
Surplus on revaluation of land (Note 9)	-	-	1,689,856	-	-	1,689,856
Deferred tax liabilities arising on revaluation of land	-	-	(473,160)	-	-	(473,160)
Transfer of revaluation surplus	-	-	(346,369)	-	346,369	-
Net gains/ (losses) not recognised in the income statements	-	-	870,327	(11,869)	346,369	1,204,827
Net profit after tax for the year	-	-	-	-	62,759,124	62,759,124
Dividends (Note 25)	-	-	-	-	(66,953,447)	(66,953,447)
Balance as of December 31, 2004	73,362,760	13,949,916	(15,729,962)	(86,513)	105,628,752	177,124,953
Allotment of 5,547,000 new ordinary shares of RM0.20 each at RM0.68 to RM2.79 per share pursuant to the ESOS	1,109,400	4,850,030	-	-	-	5,959,430
Exchange difference on translation of net investment in a foreign subsidiary company	-	-	-	71,338	-	71,338
Transfer of revaluation surplus	-	-	(79,769)	-	79,769	-
Net gains/ (losses) not recognised in the income statements	-	-	(79,769)	71,338	79,769	71,338
Net profit after tax for the year	-	-	-	-	73,578,002	73,578,002
Dividends (Note 25)	-	-	-	-	(78,885,990)	(78,885,990)
Balance as of December 31, 2005	<b>74,472,160</b>	<b>18,799,946</b>	<b>(15,809,731)</b>	<b>(15,175)</b>	<b>100,400,533</b>	<b>177,847,733</b>

The accompanying notes form an integral part of the financial statements.

**STATEMENTS OF CHANGES IN EQUITY** (cont'd)  
FOR THE YEAR ENDED DECEMBER 31, 2005

**The Company**

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Retained Profit</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Balance as of January 1, 2004	72,455,560	10,861,316	31,423,283	114,740,159
Allotment of 107,000 new ordinary shares of RM1 each at RM3.36 to RM9.02 per share pursuant to the ESOS	107,000	477,310	–	584,310
Allotment of 4,001,000 new ordinary shares of RM0.20 each at RM0.68 to RM1.93 per share pursuant to the ESOS	800,200	2,611,290	–	3,411,490
Net profit after tax for the year	–	–	80,763,805	80,763,805
Dividends (Note 25)	–	–	(66,953,447)	(66,953,447)
Balance as of December 31, 2004	73,362,760	13,949,916	45,233,641	132,546,317
Allotment of 5,547,000 new ordinary shares of RM0.20 each at RM0.68 to RM2.79 per share pursuant to the ESOS	1,109,400	4,850,030	–	5,959,430
Net profit after tax for the year	–	–	62,772,483	62,772,483
Dividends (Note 25)	–	–	(78,885,990)	(78,885,990)
Balance as of December 31, 2005	<b>74,472,160</b>	<b>18,799,946</b>	<b>29,120,134</b>	<b>122,392,240</b>

The accompanying notes form an integral part of the financial statements.

## CASH FLOW STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	74,871,984	64,537,186	65,512,451	89,567,141
Adjustments for:				
Depreciation of property, plant and equipment	1,470,938	1,584,772	19,543	12,350
Provision for rework and warranty	300,000	–	–	–
Allowance for obsolete inventories	193,395	398,076	–	–
Allowance for diminution in value of other investments	135,290	–	–	–
Allowance for doubtful debts	100,000	–	–	–
Interest expenses	764	122	–	–
Interest income	(4,709,101)	(5,177,157)	(2,803,859)	(2,389,107)
Gross dividends income	(647,389)	(476,533)	(68,950,000)	(90,400,000)
Gain on disposal of other investments	(277,690)	–	–	–
Gain on disposal of property, plant and equipment	(122,374)	(77,362)	–	–
Allowance for diminution in value of other investments no longer required	–	(340,714)	–	–
Provision for rework and warranty no longer required	–	(133,862)	–	–
Allowance for doubtful debts no longer required	–	(100,000)	–	–
Impairment loss of investment in a subsidiary company	–	–	3,988,800	–
Operating profit/ (loss) before working capital changes	71,315,817	60,214,528	(2,233,065)	(3,209,616)
(Increase)/ decrease in:				
Inventories	(3,747,258)	(5,509,896)	–	–
Trade receivables	(3,149,502)	4,849,513	–	–
Other receivables and prepaid expenses	(658,395)	(143,646)	22,850	(20,900)
Increase/ (decrease) in:				
Trade payables	248,984	2,202,032	–	–
Other payables and accrued expenses	(1,093,568)	(1,491,000)	(69,508)	(105,923)
Amount owing to directors	131,000	–	131,000	–
Effect of exchange rates changes on working capital	28,105	(13,857)	–	–
Cash generated from/ (used in) operations	63,075,183	60,107,674	(2,148,723)	(3,336,439)
Tax refunded	673,888	–	65,089	–
Tax paid	(3,382,727)	(2,337,997)	(161,968)	(15,500)
Real property gain tax refunded	–	3,163	–	–
Rework and warranty charges paid	–	(166,138)	–	–
Net cash generated from/ (used in) operating activities	60,366,344	57,606,702	(2,245,602)	(3,351,939)

(FORWARD)

The accompanying notes form an integral part of the financial statements.

**CASH FLOW STATEMENTS** (cont'd)  
FOR THE YEAR ENDED DECEMBER 31, 2005

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	4,787,204	4,886,335	2,521,716	2,062,274
Proceeds from disposal of other investments	725,531	–	–	–
Dividends received from other investments	592,002	443,753	–	–
Proceeds from disposal of property, plant and equipment	138,499	79,000	–	–
Purchase of property, plant and equipment	(1,259,625)	(222,695)	(99,779)	(1,825)
Dividends received from a subsidiary company	–	–	66,444,000	81,328,000
Purchase of investment in a subsidiary company	–	–	(395,604)	(45,872)
(Increase)/ decrease in amount owing by subsidiary companies	–	–	(11,716,247)	(2,785,406)
Net cash generated from investing activities	4,983,611	5,186,393	56,754,086	80,557,171
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of shares pursuant to the ESOS	5,959,430	3,995,800	5,959,430	3,995,800
Short-term deposits released/ (held) as security value	159,039	(23,524)	–	–
Dividends paid	(87,301,990)	(45,345,368)	(87,301,990)	(45,345,368)
Interest paid	(764)	(122)	–	–
Net cash used in financing activities	(81,184,285)	(41,373,214)	(81,342,560)	(41,349,568)
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,834,330)</b>	21,419,881	<b>(26,834,076)</b>	35,855,664
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>172,770,829</b>	151,350,948	<b>103,403,562</b>	67,547,898
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 26)</b>	<b>156,936,499</b>	172,770,829	<b>76,569,486</b>	103,403,562

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

## 1. GENERAL INFORMATION

The Company is principally involved in investment holding and providing management services. The principal activities of the subsidiary companies are disclosed in Note 10. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year except that one of its subsidiary companies commenced designing, developing and manufacturing of additional products, control modules for industrial and consumer electronic products.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main board of Bursa Malaysia Securities.

The Company's registered office and principal place of business are at 3rd Floor, Wisma Wang, 251-A Jalan Burma, 10350 Georgetown, Penang, Malaysia and Plot 544, Tingkat Perusahaan 4A, Free Trade Zone, 13600 Prai, Penang, Malaysia respectively.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on March 1, 2006.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Accounting**

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless stated otherwise in the accounting policies mentioned below.

### **Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. All significant inter-company transactions, balances and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Subsidiary companies are those companies in which the Group has power to exercise control over their financial and operating policies so as to obtain benefits from their activities.

The Group adopts both the acquisition and merger methods of consolidation.

When the acquisition method is adopted, the excess of the purchase consideration over the fair value of the net assets of the subsidiary company at the date of acquisition is included in the consolidated financial statements as goodwill on consolidation. The goodwill on consolidation is amortised evenly on a straight-line method over a period of 25 years. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount. The results of the subsidiary company acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### **Basis of Consolidation (cont'd)**

Acquisition of subsidiary companies which meets the criteria for merger accounting under the Financial Reporting Standards FRS 122<sup>2004</sup> (formerly known as MASB 21), Business Combinations, are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of equity shares issued. The difference between the cost of merger and the nominal value of shares acquired is treated as merger reserves/deficits in the consolidated financial statements. The results of the subsidiary companies being merged are presented as if the merger had been effected throughout the financial year.

The financial statements of all subsidiary companies are consolidated under the merger method except for the financial statements of Uchi Technologies (Dongguan) Co., Ltd. and Uchi Industries (M) Sdn. Bhd. which are consolidated under the acquisition method.

### **Revenue and Revenue Recognition**

Revenue of the Group represents gross invoiced values of sales less returns and discounts.

Revenue of the Company represents gross dividend income and gross service fees from the rendering of management services.

Sales revenue are recognised upon delivery of products and when the risks and rewards of ownership have passed. Dividend income is recognised when the shareholder's right to receive payment is established.

Revenue from the rendering of management services, interest income and other operating income are recognised on an accrual basis.

### **Income Tax**

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

Deferred tax is charged or credited to the income statements, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

### **Foreign Currency Conversion**

Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange ruling at the time of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at balance sheet date. Translation gains and losses are recognised in the income statements as they arise.

For the purpose of consolidation, the financial statements of a foreign subsidiary company has been translated into Ringgit Malaysia as follows:

Assets and liabilities	- at closing rate
Issued capital	- at historical rate
Revenue and expenses	- at average rate

Exchange differences due to such currency translation are dealt with through translation reserve account under shareholders equity. Such translation gains or losses are recognised as income or expenses in the income statements, in the period in which the operations are disposed of.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Foreign Currency Conversion (cont'd)

The principal closing rates used in translation of foreign currency amounts and the financial statements of a foreign entity are as follows:

	2005	2004
	RM	RM
1 United States Dollar	3.78	3.80
1 Singapore Dollar	2.23	2.33
1 Euro	4.29	5.17
100 Chinese Renminbi	47.60	45.77

### Employee Benefits

#### i. Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### ii. Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the employees' provident fund. Such contributions are recognised as expenses in the income statements as incurred.

#### iii. Equity compensation benefits

The Uchi Technologies Berhad's Employees' Share Option Scheme ("ESOS") allows the Group's employees to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

### Research and Development Expenses

Research and development expenses are charged to the income statements in the period in which they are incurred.

### Borrowing Costs

All interest and other costs incurred in connection with borrowings are expensed as incurred.

### Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Property, plant and equipment are depreciated on a straight-line method in order to write off the cost of each asset to its residual value over its estimated useful life.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Property, Plant and Equipment (cont'd)

The annual depreciation rates are as follows:

	<u>Rates</u>
Leasehold land	2.15%
Buildings	2.15%
Plant and machinery	9%-18%
Fire-fighting and security system	12%
Air-conditioning system	12%-18%
Furniture and fittings	8%-18%
Office equipment	12%-18%
Electrical installation	10%
Motor vehicles	18%-20%

The Group carried its short leasehold land and certain buildings at revalued amount. These assets shall be revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued property differs materially from the market value.

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous surplus held in the revaluation reserve account for the same asset. In all other cases, a decrease in the carrying amount is charged to income statements. An increase in revaluation directly related to a previous decrease in carrying amount for that asset that was recognised as an expense, is credited to income statements to the extent that it offsets the previously recorded decrease.

Gains or losses arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements. On disposal of and crystallisation of deferred tax liabilities on revalued assets, the amounts in revaluation reserve account relating to such assets are transferred to retained profit account.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is treated as a revaluation decrease.

### Investments

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost less impairment losses.

Other investments in quoted shares, unit trusts and bond funds are stated at cost less allowance for diminution in value of investment.

Where there is an indication of impairment in the value of the assets, the carrying amounts of the investments are assessed and written down immediately to its recoverable amount.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### **Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated cost to completion.

Cost of raw materials consists of the purchase price plus the cost of bringing the inventories to their present location. The cost of finished goods and work-in-progress consists of the cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

#### **Receivables**

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivables accounts.

#### **Borrowings and Payables**

Borrowings and payables are stated at cost.

#### **Provisions**

Provisions are made when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be recognised to settle the obligation and when a reliable estimate of the amount can be made.

Provisions are made for the estimated liability on products still under warranty at the end of the financial year. These provisions are estimated, having regard to service warranty costs experienced over the last few years. Other warranty costs are accrued as and when the liability arises.

#### **Share Capital**

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, otherwise the cost is charged to the income statements if there is insufficient share premium.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and bank balances, bank overdraft, demand deposits and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **Leased Assets**

Assets under leases which in substance transfer the risks and benefits of ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the leased assets which approximates the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. All other leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Contingent Liabilities

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

### Financial Instruments

Financial instruments carried on the balance sheets include short-term deposits, cash and bank balances, investments, receivables and payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group and the Company have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 4. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Sales of manufactured goods	131,603,467	115,236,145	–	–
Sales of trading goods	280,951	115,516	–	–
Gross dividend from subsidiary companies	–	–	68,950,000	90,400,000
Management fee	–	–	1,080,000	1,080,000
	<b>131,884,418</b>	<b>115,351,661</b>	<b>70,030,000</b>	<b>91,480,000</b>

## 5. STAFF COSTS

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Staff costs:				
Employees' provident fund	776,069	754,447	262,499	242,116
Other staff costs	10,855,031	11,321,799	2,422,936	3,328,438
	<b>11,631,100</b>	<b>12,076,246</b>	<b>2,685,435</b>	<b>3,570,554</b>
Number of directors and employees at end of year:				
Directors	8	7	7	7
Employees	540	566	17	13

Staff costs include directors' remuneration, salaries, bonuses, contributions to employees' provident fund and all other staff related expenses.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 6. PROFIT BEFORE TAX

Profit before tax is arrived at:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
After charging:				
Research and development expenses	4,441,229	5,215,181	-	-
Directors' remuneration:				
Fee	374,000	292,000	374,000	292,000
Employees' provident fund	202,880	186,880	202,880	186,880
Other emoluments	1,316,000	1,267,000	1,316,000	1,267,000
Estimated value of non-cash benefits	60,000	60,000	60,000	60,000
Provision for rework and warranty	300,000	-	-	-
Realised loss on foreign exchange	271,041	-	-	-
Allowance for obsolete inventories	193,395	398,076	-	-
Rental of:				
Premises	118,485	129,908	-	-
Hostels	26,742	41,841	11,462	15,600
Allowance for diminution in value of other investments	135,290	-	-	-
Allowance for doubtful debts	100,000	-	-	-
Audit fee:				
Current	66,980	55,963	11,000	11,000
Overprovision in prior year	-	(100)	-	-
Interest on bank borrowings	764	122	-	-
And crediting:				
Interest on short-term deposits	4,709,101	5,177,157	2,803,859	2,389,107
Gross dividends from unit trusts	428,780	343,061	-	-
Gain on disposal of other investments	277,690	-	-	-
Gross dividends from shares quoted in Malaysia	218,609	133,472	-	-
Gain on disposal of property, plant and equipment	122,374	77,362	-	-
Realised gain on foreign exchange	-	522,039	-	-
Allowance for diminution in value of other investments no longer required	-	340,714	-	-
Provision for rework and warranty no longer required	-	133,862	-	-
Allowance for doubtful debts no longer required	-	100,000	-	-

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 7. INCOME TAX EXPENSE

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Current tax expense:				
Current year	<b>1,743,513</b>	2,939,780	<b>2,698,500</b>	9,102,000
(Over)/ underprovision in prior years	<b>(110,509)</b>	(783,019)	<b>44,468</b>	(241,664)
Deferred tax (Notes 12 and 24):				
Relating to origination and reversal of temporary differences in current year	<b>(308,000)</b>	(147,000)	<b>(3,000)</b>	40,000
Crystallisation of deferred tax on revaluation surplus	<b>(31,022)</b>	(134,699)	–	–
Recognition of previously unrecognised deferred tax assets	–	(97,000)	–	(97,000)
	<b>1,293,982</b>	1,778,062	<b>2,739,968</b>	8,803,336

One of the subsidiary companies was granted pioneer status by the Ministry of International Trade and Industry for the production and sales of the following products:

Products	Production Day	Incentive
Timer, printer, computing scale and industrial controllers	May 1, 2000	70%
Design, development and manufacture of microprocessor based application and system integration	January 1, 2003	100%
Design, development and manufacture of control modules for industrial and consumer electronic products	January 1, 2003	100%

Under this incentive, 70% and 100% of that subsidiary company's statutory income derived from the production and sales of the abovementioned products respectively will be exempted from income tax for a period of five years commencing from the production day (the commencement date of tax free period).

The applicable statutory income tax rate of a foreign subsidiary company incorporated in the People's Republic of China is 24% (2004: 24%). This subsidiary company falls under the scope of "Income tax of the People's Republic of China for Enterprises with Foreign Investment Zones opened to foreign investment" and its profit will be exempted from income tax for two years commencing from the first cumulative profit-making year and will be subject to income tax at a reduction of 50% of the statutory income tax rate for the following three years.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 7. INCOME TAX EXPENSE (cont'd)

The numerical reconciliations between income tax expense and the product of accounting profit multiplied by the applicable tax rates are as follows:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Accounting profit	<b>74,871,984</b>	64,537,186	<b>65,512,451</b>	89,567,141
Tax amount at statutory income tax rate of 28%	<b>20,964,000</b>	18,070,000	<b>18,343,000</b>	25,079,000
Tax effect on non-deductible/ (non-taxable) items:				
Non-deductible expenses	<b>302,490</b>	470,004	<b>1,152,500</b>	303,000
Tax exempt income for pioneer products	<b>(19,815,000)</b>	(16,019,000)	–	–
Tax exempt dividend income	–	–	<b>(16,800,000)</b>	(16,240,000)
Other non-taxable income	<b>(237,000)</b>	(316,200)	–	–
Net deferred tax income not recognised	–	588,000	–	–
Effect of different tax rates in subsidiary companies	<b>298,001</b>	(134,723)	–	–
Recognition of previously unrecognised deferred tax assets	<b>(108,000)</b>	(97,000)	–	(97,000)
	<b>1,404,491</b>	2,561,081	<b>2,695,500</b>	9,045,000
(Over)/ underprovision of current tax expense in prior years	<b>(110,509)</b>	(783,019)	<b>44,468</b>	(241,664)
Income tax expense	<b>1,293,982</b>	1,778,062	<b>2,739,968</b>	8,803,336

The applicable tax rate of 28% (2004: 28%) used in the above numerical reconciliations of tax of the Group and of the Company is determined based on the statutory income tax rate prevailing for the Company.

As of December 31, 2005, the approximate amount of carryforward tax losses, unutilised reinvestment allowances and unabsorbed tax capital allowances of the Group and of the Company are as follows:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Carryforward tax losses	<b>2,055,000</b>	1,742,000	–	–
Unutilised reinvestment allowances	<b>1,236,000</b>	1,236,000	–	–
Unabsorbed tax capital allowances	<b>1,150,000</b>	897,000	<b>124,000</b>	63,000

The above carryforward tax losses is available for set-off against future taxable income of the subsidiary company in People's Republic of China of not exceeding five years for which RM275,000, RM1,467,000 and RM313,000 will be expiring in 2008, 2009 and 2010 respectively.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 8. EARNINGS PER ORDINARY SHARE

	The Group	
	2005	2004
	RM	RM
Net profit attributable to ordinary shareholders	<b>73,578,002</b>	62,759,124
	<b>2005</b>	<b>2004</b>
	Units	Units
Number of shares in issue as of January 1	<b>366,813,800</b>	72,455,560
Effect of the exercise of ESOS	<b>1,549,616</b>	733,970
Effect of share split	–	290,250,240
Weighted average number of ordinary shares in issue	<b>368,363,416</b>	363,439,770
Basic earnings per ordinary share (sen)	<b>19.97</b>	17.27
Weighted average number of ordinary shares in issue	<b>368,363,416</b>	363,439,770
ESOS:		
No. of unissued shares	<b>1,344,875</b>	6,865,053
No. of shares that would have been issued at fair value	<b>(812,189)</b>	(3,643,500)
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	<b>368,896,102</b>	366,661,323
Fully diluted earnings per ordinary share (sen)	<b>19.95</b>	17.12

## 9. PROPERTY, PLANT AND EQUIPMENT

### The Group

Cost Unless Stated Otherwise	Beginning of year	Additions	Disposals	Translation reserve	Revaluation	End of year
	RM	RM	RM	RM	RM	RM
<b>2005:</b>						
Short leasehold land						
At 2004 valuation	<b>4,790,000</b>	–	–	–	–	<b>4,790,000</b>
Buildings						
At 2004 valuation	<b>10,010,000</b>	<b>119,770</b>	–	–	–	<b>10,129,770</b>
Plant and machinery	<b>9,489,998</b>	<b>806,644</b>	–	<b>50,859</b>	–	<b>10,347,501</b>
Fire fighting and security system	<b>202,827</b>	–	–	–	–	<b>202,827</b>
Air-conditioning system	<b>294,111</b>	–	–	–	–	<b>294,111</b>
Furniture and fittings	<b>438,558</b>	<b>13,342</b>	–	<b>701</b>	–	<b>452,601</b>
Office equipment	<b>1,723,658</b>	<b>229,835</b>	–	<b>2,670</b>	–	<b>1,956,163</b>
Electrical installation	<b>327,234</b>	–	–	–	–	<b>327,234</b>
Motor vehicles	<b>1,298,368</b>	<b>90,034</b>	<b>(280,529)</b>	<b>3,796</b>	–	<b>1,111,669</b>
	<b>28,574,754</b>	<b>1,259,625</b>	<b>(280,529)</b>	<b>58,026</b>	–	<b>29,611,876</b>
2004	28,117,232	222,695	(144,294)	2,344	376,777	28,574,754

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Accumulated Depreciation	Beginning of year	Charge for the year	Disposals	Translation reserve	Revaluation	End of year
	RM	RM	RM	RM	RM	RM
<b>2005:</b>						
Short leasehold land						
At 2004 valuation	60,657	103,982	-	-	-	164,639
Buildings						
At 2004 valuation	125,367	216,589	-	-	-	341,956
Plant and machinery	5,397,259	743,490	-	10,387	-	6,151,136
Fire fighting and security system	149,461	12,662	-	-	-	162,123
Air-conditioning system	283,629	3,351	-	134	-	287,114
Furniture and fittings	335,870	22,559	-	116	-	358,545
Office equipment	1,118,295	156,297	-	602	-	1,275,194
Electrical installation	211,325	13,447	-	-	-	224,772
Motor vehicles	820,302	198,561	(264,404)	1,027	-	755,486
	<b>8,502,165</b>	<b>1,470,938</b>	<b>(264,404)</b>	<b>12,266</b>	<b>-</b>	<b>9,720,965</b>
2004	8,372,772	1,584,772	(142,656)	356	(1,313,079)	8,502,165
<b>The Company</b>						
<b>Cost</b>			<b>Beginning of year</b>	<b>Additions</b>	<b>Disposals</b>	<b>End of year</b>
			RM	RM	RM	RM
<b>2005:</b>						
Office equipment			32,811	88,790	-	121,601
Motor vehicle			37,902	5,356	-	43,258
Furniture and fittings			7,170	5,633	-	12,803
			<b>77,883</b>	<b>99,779</b>	<b>-</b>	<b>177,662</b>
2004			76,058	1,825	-	77,883
<b>Accumulated Depreciation</b>			<b>Beginning of year</b>	<b>Charge for the year</b>	<b>Disposals</b>	<b>End of year</b>
			RM	RM	RM	RM
<b>2005:</b>						
Office equipment			8,568	10,072	-	18,640
Motor vehicle			18,951	8,295	-	27,246
Furniture and fittings			1,420	1,176	-	2,596
			<b>28,939</b>	<b>19,543</b>	<b>-</b>	<b>48,482</b>
2004			16,589	12,350	-	28,939

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Net Book Value:				
Short leasehold land				
At 2004 valuation	4,625,361	4,729,343	-	-
Buildings				
At 2004 valuation	9,787,814	9,884,633	-	-
Plant and machinery	4,196,365	4,092,739	-	-
Fire fighting and security system	40,704	53,366	-	-
Air-conditioning system	9,260	10,482	-	-
Furniture and fittings	91,793	102,688	10,207	5,750
Office equipment	680,969	605,363	102,961	24,243
Electrical installation	102,462	115,909	-	-
Motor vehicles	356,183	478,066	16,012	18,951
	<b>19,890,911</b>	<b>20,072,589</b>	<b>129,180</b>	<b>48,944</b>

As of December 31, 2005, the unexpired lease period of the Group's short leasehold land is 44 years.

The short leasehold land and buildings were revalued by the directors on May 26, 2004 based on a valuation carried out by Mr. Tay Tam, FISM, a registered valuer of Jones Lang Wootton, an independent firm of professional valuers, using open market value on existing use basis.

Had these assets been carried at historical costs, the carrying amounts of the leasehold land and buildings which were revalued will be as follows:

	2005	2004
	RM	RM
Cost	11,051,914	11,051,914
Less: Accumulated depreciation	(1,690,236)	(1,473,162)
Carrying amounts	<b>9,361,678</b>	<b>9,578,752</b>

Certain property, plant and equipment of the Group with a total carrying value of RM14,668,574 (2004: RM14,574,491) are pledged to certain local banks as securities for banking facilities granted to a subsidiary company as mentioned in Note 27.

## 10. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2005	2004
	RM	RM
Unquoted shares, at cost:		
Impairment losses	29,736,712	29,341,108
Less: Accumulated impairment losses	(3,988,800)	-
	<b>25,747,912</b>	<b>29,341,108</b>

During the financial year, the Company invested an additional RM395,604 in a wholly owned subsidiary company, Uchi Technologies (Dongguan) Co., Ltd.. The Company's equity interest in Uchi Technologies (Dongguan) Co., Ltd. remains unchanged.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 10. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

The subsidiary companies are as follows:

	Country of incorporation	Principal Activity	Percentage of Ownership	
			2005	2004
<b>Direct holdings</b>				
Uchi Optoelectronic (M) Sdn. Bhd.	Malaysia	Design, research, development and manufacture of controller modules for precision weighing scale, dynamic sound improvement processor, PCB assembly, timer, printer, computing scales, industrial controllers, microprocessor based application and system integration and control modules for industrial and consumer electronic products. During the financial year, the Company commenced designing, developing and manufacturing of additional products, control modules for industrial and consumer electronic products.	100%	100%
Uchi Electronic (M) Sdn. Bhd.	Malaysia	Assembly of electrical components onto printed circuit boards and trading of complete electric module and saturated paper for PCB lamination	100%	100%
Uchi Technologies (Dongguan) Co., Ltd.	People's Republic of China	Manufacturing, research and development and trading of electronic modules	100%	100%
<b>Indirect holdings</b>				
Uchi Industries (M) Sdn. Bhd.	Malaysia	Investment holding	100%	100%

## 11. OTHER INVESTMENTS

	The Group	
	2005	2004
	RM	RM
At cost:		
Investments in shares quoted in Malaysia	2,763,010	3,875,369
Investments in unit trusts	3,718,319	3,718,319
Investments in bond funds	8,000,000	8,000,000
	<b>14,481,329</b>	15,593,688
Less: Allowance for diminution in value:		
Shares quoted in Malaysia	1,023,134	1,528,603
Unit trusts	54,669	33,591
Bond funds	58,136	102,973
	<b>(1,135,939)</b>	(1,665,167)
	<b>13,345,390</b>	13,928,521
Market value of:		
Shares quoted in Malaysia	2,425,866	3,164,031
Unit trusts	3,717,414	3,727,075
Bond funds	8,031,967	8,036,141
	<b>14,175,247</b>	14,927,247

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 12. DEFERRED TAX ASSETS

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
At beginning of year	571,000	421,000	57,000	–
Transfer (from)/ to income statements (Note 7):				
Recognition of previously unrecognised deferred tax assets	–	97,000	–	97,000
Deferred tax income/ (expense) relating to origination and reversal of temporary differences in current year	291,000	53,000	3,000	(40,000)
At end of year	<b>862,000</b>	571,000	<b>60,000</b>	57,000

The deferred tax assets are in respect of the following:

	Deferred Tax Assets/ (Liabilities)			
	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Tax effect of temporary differences between tax capital allowances and depreciation of property, plant and equipment	(752,000)	(369,000)	(21,000)	(9,000)
Tax effect in respect of:				
Provision for rework and warranty	587,000	417,000	–	–
Allowance for doubtful debts	390,000	280,000	–	–
Allowances for obsolete inventories	171,000	119,000	–	–
Unabsorbed tax capital allowances	322,000	17,000	35,000	17,000
Other temporary differences	144,000	107,000	46,000	49,000
	<b>862,000</b>	571,000	<b>60,000</b>	57,000

As mentioned in Note 3, the tax effects of temporary differences which would give rise to net deferred tax assets are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. As of December 31, 2005, the amount of deferred tax assets, calculated at applicable tax rate, which is not recognised in the financial statements of the Group, is as follows:

	Deferred Tax Assets	
	2005	2004
	RM	RM
Tax effect in respect of:		
Carryforward tax losses	493,000	575,000
Allowance for obsolete inventories	28,000	37,000
Other temporary differences	52,000	69,000
	<b>573,000</b>	681,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
DECEMBER 31, 2005

**13. INVENTORIES**

	The Group	
	2005	2004
	RM	RM
At cost:		
Raw materials	12,339,226	11,059,448
Work-in-progress	4,157,343	3,195,398
Finished goods	3,462,141	2,152,528
	19,958,710	16,407,374
At net realisable value:		
Raw materials	1,088,822	981,602
Less: Allowance for obsolete inventories	(1,088,822)	(981,602)
	-	-
Work-in-progress	114,911	112,384
Less: Allowance for obsolete inventories	(114,911)	(112,384)
	-	-
Finished goods	303,759	217,584
Less: Allowance for obsolete inventories	(303,759)	(217,584)
	-	-
	19,958,710	16,407,374

Certain inventories of the Group with a carrying value of RM14,588,209 (2004: RM12,183,746) are pledged to certain local banks as securities for banking facilities granted to a subsidiary company as mentioned in Note 27.

**14. TRADE RECEIVABLES**

	The Group	
	2005	2004
	RM	RM
Trade receivables	21,529,731	18,380,229
Less: Allowance for doubtful debts	(2,600,000)	(2,500,000)
	18,929,731	15,880,229

Trade receivables comprise amounts receivable for the sale of goods. The credit periods granted on sale of goods range from 30 to 60 days (2004: 30 to 60 days). An allowance has been made for estimated irrecoverable amounts from the sales of goods of RM2,600,000 (2004: RM2,500,000).

The currency of the trade receivables is in United States Dollar.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 15. OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other receivables	2,084	826	–	–
Interest receivables	2,081,152	2,159,255	1,262,861	980,718
Prepaid expenses	1,221,295	639,001	–	22,100
Refundable deposits	121,171	46,328	3,050	3,800
	<b>3,425,702</b>	<b>2,845,410</b>	<b>1,265,911</b>	<b>1,006,618</b>

Included in prepaid expenses of the Group is prepayment for the purchase of land amounted to RM691,920 (2004: Nil).

Analysis of other receivables and interest receivables by currencies:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Ringgit Malaysia	2,082,860	2,159,255	1,262,861	980,718
Chinese Renminbi	376	826	–	–
	<b>2,083,236</b>	<b>2,160,081</b>	<b>1,262,861</b>	<b>980,718</b>

## 16. AMOUNT OWING BY SUBSIDIARY COMPANIES

	The Company	
	2005	2004
	RM	RM
Uchi Optoelectronic (M) Sdn. Bhd.	54,014,316	39,821,398
Uchi Electronic (M) Sdn. Bhd.	639,100	3,116,348
Uchi Technologies (Dongguan) Co., Ltd.	6,597	6,020
	<b>54,660,013</b>	<b>42,943,766</b>

The amounts owing by subsidiary companies arose mainly from management fee receivable and interest free advances which are unsecured and with no fixed repayment term.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 16. AMOUNT OWING BY SUBSIDIARY COMPANIES (cont'd)

The financial statements of the Company reflect the following significant intercompany transactions which are based on terms negotiated between the Company and its subsidiary companies:

	The Company	
	2005	2004
	RM	RM
Management fee received/ receivable:		
Uchi Optoelectronic (M) Sdn. Bhd.	600,000	600,000
Uchi Electronic (M) Sdn. Bhd.	480,000	480,000
	68,500,000	89,500,000
Dividends received:		
Uchi Optoelectronic (M) Sdn. Bhd.	68,500,000	89,500,000
Uchi Electronic (M) Sdn. Bhd.	450,000	900,000
	450,000	900,000

## 17. SHORT-TERM DEPOSITS

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Short-term deposits with licensed banks	157,066,262	117,089,825	76,509,264	78,909,250
Short-term deposits with finance companies	–	56,363,765	–	24,470,604
	157,066,262	173,453,590	76,509,264	103,379,854

Included in short-term deposits of the Group are amounts of RM1,134,669 (2004: RM1,293,708) which are pledged to local banks for banking facilities obtained by the Group as mentioned in Note 27.

The effective interest rates are as follows:

	The Group		The Company	
	2005	2004	2005	2004
	%	%	%	%
Short-term deposits with licensed banks	2.70 - 3.70	1.65 - 3.70	2.75 - 3.70	2.75 - 3.70
Short-term deposits with finance companies	Not applicable	2.80 - 3.70	Not applicable	2.80 - 3.70

The above short-term deposits are maturing within January 2006 to June 2007.

Analysis of short-term deposits by currencies:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Ringgit Malaysia	152,681,694	170,831,590	76,509,264	103,379,854
United States Dollar	4,384,568	2,622,000	–	–
	157,066,262	173,453,590	76,509,264	103,379,854



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 18. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 60 days (2004: 30 to 60 days).

Analysis of trade payables by currencies:

	The Group	
	2005	2004
	RM	RM
United States Dollar	6,304,133	5,977,820
Ringgit Malaysia	1,701,307	2,028,078
Chinese Renminbi	458,269	–
Euro	102,643	377,674
Other currencies	103,533	37,329
	<b>8,669,885</b>	<b>8,420,901</b>

## 19. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other payables	1,938,803	2,626,420	–	1,985
Accrued expenses	6,214,706	6,620,657	325,452	392,975
	<b>8,153,509</b>	<b>9,247,077</b>	<b>325,452</b>	<b>394,960</b>

Other payables comprise mainly amounts outstanding for ongoing costs.

Analysis of other payables and accrued expenses by currencies:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Ringgit Malaysia	6,072,917	6,457,509	325,452	394,960
United States Dollar	1,536,042	2,426,659	–	–
Chinese Renminbi	430,438	351,424	–	–
Euro	966	9,033	–	–
Singapore Dollar	956	2,452	–	–
Other currencies	112,190	–	–	–
	<b>8,153,509</b>	<b>9,247,077</b>	<b>325,452</b>	<b>394,960</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 20. PROVISION FOR REWORK AND WARRANTY

	The Group	
	2005	2004
	RM	RM
At beginning of year	3,700,000	4,000,000
Additions	300,000	–
Less: Utilised	–	(166,138)
Amount no longer required	–	(133,862)
At end of year	4,000,000	3,700,000

The Group gives warranty on its products and undertake to replace defective products. The provision for rework and warranty represents management's best estimates of the Group's liability under the warranties granted on its products.

## 21. AMOUNT OWING TO DIRECTORS

The amount owing to the directors represent directors' remuneration payable to them.

## 22. SHARE CAPITAL

	The Group and the Company			
	2005		2004	
	No. of shares of RM0.20 each	RM	No. of shares of RM1/ RM0.20 each	RM
Authorised:				
Ordinary shares:				
At beginning of year	500,000,000	100,000,000	100,000,000*	100,000,000
Share split	–	–	400,000,000**	–
At end of year	500,000,000	100,000,000	500,000,000**	100,000,000
Issued and fully paid:				
Ordinary shares:				
At beginning of year	366,813,800	73,362,760	72,455,560*	72,455,560
ESOS	5,547,000	1,109,400	107,000*	107,000
Before share split	372,360,800	74,472,160	72,562,560*	72,562,560
Share split	–	–	290,250,240**	–
ESOS	–	–	4,001,000**	800,200
At end of year	372,360,800	74,472,160	366,813,800**	73,362,760

\* Shares of RM1 each

\*\* Shares of RM0.20 each

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2004

### 22. SHARE CAPITAL (cont'd)

As approved at an Extraordinary General Meeting held on April 9, 2004, the Company's shares were subdivided on the basis of five (5) new ordinary shares of RM0.20 each for every one (1) existing ordinary share of RM1 each.

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM73,362,760 divided into 366,813,800 ordinary shares of RM0.20 each to RM74,472,160 divided into 372,360,800 ordinary shares of RM0.20 each by way of issuance of 5,547,000 new ordinary shares of RM0.20 each for cash pursuant to the Employees' Share Option Scheme (ESOS) of the Company at exercise prices ranging from RM0.68 to RM2.79 per ordinary share.

The resultant premium arising from the shares issued pursuant to the ESOS of RM4,850,030 was credited to the share premium account.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

Under the Company's ESOS which became effective on August 8, 2001, options to subscribe for unissued new ordinary shares in the Company were granted to eligible directors and employees of the Company and its subsidiary companies.

The principal features of the ESOS are as follows:

- a. The total number of share options offered under the scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.
- b. Persons who are eligible to participate in the ESOS are:
  - i. all employees including full-time executive directors of the Group who as at the date of offer are confirmed with at least twelve months of continuous service in the Group; and
  - ii. all future employees of the Group who do not qualify at the time of implementation of the Scheme will have to complete at least twelve months of continuous service with the Group to be eligible to participate in the ESOS.
- c. The option price shall be determined at a discount of not more than 10% from the weighted average market price of the ordinary shares of the Company as quoted and shown in the Daily Official List issued by the Bursa Malaysia Securities for the five preceding market days prior to the date of offer or at par value of the ordinary shares of the Company, whichever is higher.
- d. The options granted may be exercised within a period of five years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing to the Company.
- e. The new ordinary shares to be allotted upon any exercise of the ESOS will upon allotment rank pari passu in all respects with the then existing ordinary shares of the Company except that these new ordinary shares will not be entitled to any dividends or distributions which may be declared prior to the allotment of these shares.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 22. SHARE CAPITAL (cont'd)

The share options granted and exercised during the financial year are as follows:

Exercisable from	Exercise price per ordinary share	No. of options over ordinary shares				Balance as of 31.12.2005
		Balance as of 1.1.2005	Granted	Exercised	Lapsed	
	<b>RM</b>					
August 13, 2001	0.69	3,426,800	–	(3,291,000)	(93,500)	42,300
October 9, 2001	0.68	24,400	–	(13,000)	(300)	11,100
November 9, 2001	0.74	3,300	–	(1,000)	–	2,300
December 10, 2001	0.88	178,300	–	(172,000)	–	6,300
February 10, 2002	0.91	681,800	–	(85,000)	(503,800)	93,000
March 8, 2002	1.06	42,800	–	(26,000)	–	16,800
April 11, 2002	1.20	52,500	–	(35,000)	–	17,500
May 10, 2002	1.23	41,000	–	(26,000)	–	15,000
June 10, 2002	1.23	6,000	–	(5,000)	–	1,000
August 19, 2002	1.20	2,000	–	(2,000)	–	–
October 8, 2002	1.08	11,500	–	(8,000)	–	3,500
November 11, 2002	1.18	20,000	–	(19,000)	–	1,000
December 10, 2002	1.25	500	–	–	–	500
February 10, 2003	1.50	419,000	–	(205,000)	–	214,000
March 10, 2003	1.55	17,000	–	–	(17,000)	–
April 10, 2003	1.50	39,000	–	(17,000)	–	22,000
May 9, 2003	1.49	168,000	–	(123,000)	(15,000)	30,000
June 10, 2003	1.58	156,500	–	(117,000)	–	39,500
July 10, 2003	1.59	143,500	–	(104,000)	–	39,500
September 10, 2003	1.71	380,000	–	(283,000)	(40,000)	57,000
October 10, 2003	1.73	219,000	–	(137,000)	–	82,000
November 10, 2003	1.78	61,000	–	(51,000)	–	10,000
December 10, 2003	1.81	17,000	–	(12,000)	–	5,000
January 9, 2004	1.91	35,000	–	(33,000)	–	2,000
February 10, 2004	2.08	245,000	–	(150,000)	–	95,000
March 10, 2004	1.92	228,000	–	(143,000)	–	85,000
April 9, 2004	1.88	260,000	–	(138,000)	–	122,000
June 10, 2004	1.61	41,000	–	(30,000)	–	11,000
July 9, 2004	1.71	60,000	–	(37,000)	(10,000)	13,000
August 10, 2004	1.69	35,000	–	(18,000)	(11,000)	6,000
September 10, 2004	1.79	33,000	–	(19,000)	–	14,000
October 8, 2004	1.83	198,000	–	(124,000)	–	74,000
November 10, 2004	1.93	31,000	–	(20,000)	–	11,000
December 10, 2004	2.08	14,000	–	(7,000)	–	7,000
January 10, 2005	2.25	–	21,000	(3,000)	(7,000)	11,000
February 8, 2005	2.41	–	56,000	(20,000)	–	36,000

(FORWARD)

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 22. SHARE CAPITAL (cont'd)

Exercisable from	Exercise price per ordinary share	No. of options over ordinary shares				Balance as of 31.12.2005
		Balance as of 1.1.2005	Granted	Exercised	Lapsed	
	<b>RM</b>					
March 10, 2005	2.47	–	14,000	(7,000)	–	7,000
April 8, 2005	2.58	–	161,000	(49,000)	(7,000)	105,000
May 10, 2005	2.66	–	40,000	(13,000)	–	27,000
June 10, 2005	2.71	–	7,000	(3,000)	–	4,000
July 8, 2005	2.79	–	28,000	(1,000)	–	27,000
August 10, 2005	2.88	–	77,000	–	–	77,000
October 10, 2005	2.85	–	17,000	–	–	17,000
November 10, 2005	2.97	–	7,000	–	–	7,000
December 9, 2005	2.94	–	28,000	–	–	28,000
<b>Total</b>		<b>7,290,900</b>	<b>456,000</b>	<b>(5,547,000)</b>	<b>(704,600)</b>	<b>1,495,300</b>

Details of share options exercised during the year and the fair values, at exercise date, of shares issued are as follows:

Exercise Date	Par value per ordinary share	Exercise price per ordinary share	Fair value of shares issued	No. of options exercised	Considerations received
	<b>RM</b>	<b>RM</b>	<b>RM</b>		<b>RM</b>
<b>2005:</b>					
January 2005	0.20	1.08 - 2.08	2.57	54,000	81,060
February 2005	0.20	0.69 - 1.79	2.63	56,000	68,440
March 2005	0.20	0.69 - 1.83	2.75	87,000	118,880
April 2005	0.20	0.69 - 2.08	2.86	240,000	290,270
May 2005	0.20	0.68 - 1.93	2.88	183,000	257,480
June 2005	0.20	0.69 - 2.66	2.92	707,000	1,003,850
July 2005	0.20	0.69 - 1.83	3.02	176,000	296,060
August 2005	0.20	0.69 - 2.08	3.06	1,082,000	832,150
September 2005	0.20	0.69 - 2.41	3.00	402,000	369,920
October 2005	0.20	1.58 - 2.79	3.10	38,000	76,130
November 2005	0.20	0.69 - 2.58	3.02	744,000	784,780
December 2005	0.20	0.68 - 2.71	3.06	1,778,000	1,780,410
<b>Total</b>				<b>5,547,000</b>	<b>5,959,430</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 22. SHARE CAPITAL (cont'd)

Exercise Date	Par value per ordinary share	Exercise price per ordinary share	Fair value of shares issued	No. of options exercised	Considerations received
	RM	RM	RM		RM
<b>2004:</b>					
January 2004	1.00	3.41 - 9.02	11.50	6,000	39,840
February 2004	1.00	3.41 - 8.53	10.80	88,000	458,190
March 2004	1.00	3.36 - 7.73	10.20	13,000	86,280
May 2004	0.20	0.68 - 1.78	1.78	79,000	86,900
June 2004	0.20	0.69 - 1.58	1.80	89,000	94,060
July 2004	0.20	0.69 - 1.61	1.85	25,000	30,430
August 2004	0.20	0.69 - 1.63	2.05	1,058,000	820,720
September 2004	0.20	0.69 - 1.73	2.06	208,000	177,630
October 2004	0.20	0.69 - 1.78	2.12	19,000	22,410
November 2004	0.20	0.69 - 1.73	2.32	255,000	192,470
December 2004	0.20	0.69 - 1.93	2.54	2,268,000	1,986,870
Total				4,108,000	3,995,800

## 23. RESERVES

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Non-distributable:				
Share premium	18,799,946	13,949,916	18,799,946	13,949,916
Revaluation reserve	2,258,136	2,337,905	-	-
Merger deficit	(18,067,867)	(18,067,867)	-	-
Translation reserve	(15,175)	(86,513)	-	-
	2,975,040	(1,866,559)	18,799,946	13,949,916
Distributable:				
Retained profit	100,400,533	105,628,752	29,120,134	45,233,641
	103,375,573	103,762,193	47,920,080	59,183,557

The share premium arose from the issue of shares at premium, net of share issue expenses and bonus issue.

The revaluation reserve is used to record increase and decrease in revaluation of non-current assets, as described in the accounting policies. The revaluation reserve represents surplus arising from revaluation of the company's leasehold land and buildings made in 1999 and 2004 by a firm of professional valuers.

The merger deficit represents the difference between the nominal value of shares issued as consideration plus the cash consideration and the nominal value of the shares of those subsidiary companies transferred to the Company.

Distributable reserves are those available for distribution by way of dividends. Based on the estimated tax credits and tax exempt income available and the prevailing tax rate applicable to dividends, the retained profit of the Company is available for distribution by way of cash dividends without incurring additional tax liability.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 24. DEFERRED TAX LIABILITIES

	The Group	
	2005	2004
	RM	RM
At beginning of year	1,412,970	1,168,509
Transfer to income statements (Note 7):		
Crystallisation of deferred tax on revaluation surplus	(31,022)	(134,699)
Deferred tax relating to origination and reversal of temporary differences in current year	(17,000)	(94,000)
Amount charged to equity:		
Deferred tax liabilities arising on revaluation of land	-	473,160
At end of year	<b>1,364,948</b>	<b>1,412,970</b>

A deferred tax income of RM31,022 (2004: RM134,699) was recognised by the Group by a transfer from the deferred tax liabilities of the Group to the income statements. This relates to the difference between the actual depreciation on the revalued properties and equivalent depreciation based on the cost of the properties of the Group. In addition, an amount of RM79,769 (2004: RM346,369) was transferred from revaluation reserve of the Group to retained profit.

The deferred tax liabilities are in respect of the following:

	Deferred Tax (Assets)/ Liabilities	
	2005	2004
	RM	RM
Tax effect of temporary differences between tax capital allowances and depreciation of property, plant and equipment	-	283,000
Tax effect in respect of:		
Revaluation surplus	1,364,948	1,395,970
Unabsorbed tax capital allowances	-	(234,000)
Other temporary differences	-	(32,000)
	<b>1,364,948</b>	<b>1,412,970</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 25. Dividends

	<b>The Group and the Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
Dividends declared and paid:		
Final dividend of 2 sen gross per ordinary share of RM0.20 each, less tax, for 2003	–	5,226,925
Special tax exempt dividend of 5 sen per ordinary share of RM0.20 each, for 2003	–	18,149,040
Final tax exempt dividend of 6 sen per ordinary share of RM0.20 each, for 2004	<b>22,088,448</b>	–
Special dividend I of 4 sen gross per ordinary share of RM0.20 each, less tax, for 2004	<b>10,602,457</b>	–
Special tax exempt dividend II of 3 sen per ordinary share of RM0.20 each, for 2004	<b>11,044,224</b>	–
Dividends declared and payable:		
Interim tax exempt dividend of 6 sen per ordinary share of RM0.20 each, for 2005 and 2004 respectively	<b>22,341,648</b>	22,008,828
Special interim dividend I of 2 sen (2004: 4 sen) gross per ordinary share of RM0.20 each, less tax, for 2005 and 2004 respectively	<b>5,361,997</b>	10,564,240
Special tax exempt interim dividend II of 2 sen (2004: 3 sen) per ordinary share of RM0.20 each, for 2005 and 2004 respectively	<b>7,447,216</b>	11,004,414
	<b>78,885,990</b>	<b>66,953,447</b>

The directors also proposed a final dividend of 6 sen per ordinary share of RM0.20 each, tax exempt, a special final dividend I of 1 sen gross per ordinary share of RM0.20 each, less tax and a special final dividend II of 3 sen per ordinary share of RM0.20 each, tax exempt, in respect of the current financial year. The proposed dividends if payable in respect of all ordinary shares in issue as at the date of issue of the financial statements would amount to RM36,196,580 and have not been included as liabilities in the financial statements. These dividends are subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and the date of entitlement of dividends have not yet been determined as at the date of the issue of the financial statements.

## 26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements consist of the following balance sheet items:

	<b>The Group</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Short-term deposits	<b>157,066,262</b>	173,453,590	<b>76,509,264</b>	103,379,854
Cash and bank balances	<b>1,104,438</b>	610,947	<b>60,222</b>	23,708
Bank overdraft	<b>(99,532)</b>	–	–	–
	<b>158,071,168</b>	174,064,537	<b>76,569,486</b>	103,403,562
Less: short-term deposits held as security value	<b>(1,134,669)</b>	(1,293,708)	–	–
	<b>156,936,499</b>	172,770,829	<b>76,569,486</b>	103,403,562



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 26. CASH AND CASH EQUIVALENTS (cont'd)

Analysis of cash and bank balances by currencies:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Chinese Renminbi	802,808	95,620	–	–
Ringgit Malaysia	205,079	167,989	60,222	23,708
United States Dollar	87,251	339,507	–	–
Euro	3,366	4,360	–	–
Other currencies	5,934	3,471	–	–
	<b>1,104,438</b>	<b>610,947</b>	<b>60,222</b>	<b>23,708</b>

## 27. BANKING FACILITIES - Secured

As of December 31, 2005, the Group has bank overdraft and other banking facilities totalling RM33.83 million which are generally secured as follows:

- i. Legal charge over certain of the Group's short leasehold land and building;
- ii. Debenture over certain of the Group's fixed and floating assets;
- iii. Fixed deposits of RM1,134,669;
- iv. Corporate guarantee from a subsidiary company for RM2.25 million; and
- v. Corporate guarantee from the Company for RM26.48 million.

The bank borrowings bear interest at a rate of 1% per annum above the lending banks' base lending rates and 1% above the Bank Negara's funding rate.

The annual average effective interest rate of the bank overdraft is at 7.25% (2004: 7.0%).

## 28. LEASE COMMITMENTS

As of the end of the financial year, non-cancellable long-term lease commitments in respect of rental of hostels and premises are as follows:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Not later than 1 year	32,018	43,378	2,250	12,000

## 29. CONTINGENT LIABILITY - Unsecured

The Company is contingently liable for guarantees given to local banks up to RM26.48 million in respect of banking facilities granted to certain subsidiary companies.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 30. CAPITAL COMMITMENTS

As of December 31, 2005, the Group has capital expenditure contracted but not provided for in the financial statements amounting to approximately RM2,774,000.

## 31. FINANCIAL INSTRUMENTS

### a. Financial Risk Management Objectives and Policies

The operations of the Group and of the Company are subject to a variety of financial risks, including foreign currency risk, interest rate risk, market risk, credit risk, liquidity risk and cash flow risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposures to risks and/ or costs associated with the financing, investing and operating activities of the Group and of the Company.

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

#### i. Foreign currency risk

The Group enters into foreign currency forward contracts in the normal course of business to manage its exposure against foreign currency fluctuations on sales transactions denominated in foreign currencies.

#### ii. Interest rate risk

The Group's and the Company's exposure to changes in interest rates relates primarily to the Group's and the Company's short-term deposits with licensed banks and finance companies. It has no significant interest-bearing financial assets or liabilities other than the short-term deposits. The short-term deposits are placed with reputable banks and finance companies. The Group and the Company do not use derivative financial instruments to hedge its risk.

#### iii. Market risk

The Group has in place policies to manage the Group's exposures to fluctuation in the prices of the key raw materials used in the operations. For marketable securities, the Group monitors fluctuations in market prices to establish suitable cut loss procedures.

#### iv. Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial conditions and credit histories. The Group also ensures a number of customers so as to limit high credit concentration in a customer or customers from a particular market.

#### v. Liquidity risk

The Group and the Company practise prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

#### vi. Cash flow risk

The Group and the Company review their cash flow position regularly to manage their exposure to fluctuations in future cash flows associated with their monetary financial instruments.

### b. Foreign Currency Forward Contracts

In order to hedge its exposure to foreign exchange risks, the Group enters into foreign currency forward contracts. Gains and losses on foreign exchange contracts designated as hedges of identified exposure are offset against the foreign exchange gains and losses on the hedged financial assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 31. FINANCIAL INSTRUMENTS (cont'd)

### b. Foreign Currency Forward Contracts (cont'd)

Where the instrument is used to hedge against anticipated future transactions, gains and losses are not recognised until the transaction occurs.

At the balance sheet date, the Group had contracted to sell the following amounts under forward contracts:

			Average Exchange Rate per unit of Ringgit Malaysia	
	2005	2004	2005	2004
	RM	RM	RM	RM
United States Dollar	63,942,000	59,877,680	3.744	3.802 and 3.805

All of the these contracts outstanding as of December 31, 2005 are maturing in the first and second quarter of 2006. No significant gain or loss was expected to arise from such contracts.

### c. Credit Risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheets.

The Group and the Company have no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

### d. Fair Values

The carrying amounts and the estimated fair values of the Group's financial instruments as of December 31, 2005 are as follows:

	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM	RM	RM	RM
Financial assets				
Other investments - quoted shares, unit trusts and bond funds	13,345,390	14,175,247	13,928,521	14,927,247
Off Balance Sheet Item				
Foreign Currency Forward Contracts	-	63,351,000	-	59,962,690

The fair value of foreign currency forward contracts are calculated by reference to the current rate for contracts with similar maturity profiles.

The fair values of other financial assets and financial liabilities approximate their carrying amounts, because of the short maturity of these instruments.

It is not practical to estimate the fair value of contingent liability reliably due to the uncertainties of timing, costs or eventual outcome.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 32. SEGMENTAL REPORTING

### Business Segments

For management purposes, the Group is organised into the following operating divisions:

- investment holding (includes management services)
- manufacturing of controlled modules for precision weighing scale, dynamic sound improvement processor, PCB assembly, timer, printer, computing scales, industrial controllers, microprocessor based application and system integration and control modules for industrial and consumer electronic products.
- trading of complete electric module and saturated paper for PCB lamination

Inter-segment sales are charged at cost plus a percentage profit mark-up.

The Group

	<b>Investment holding</b>	<b>Manufacturing</b>	<b>Trading</b>	<b>Elimination</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2005</b>					
<b>Revenue</b>					
External sales	–	131,603,467	280,951	–	131,884,418
Inter-segment sales	70,030,000	36,993,431	1,635,411	(108,658,842)	–
Total revenue	<b>70,030,000</b>	<b>168,596,898</b>	<b>1,916,362</b>	<b>(108,658,842)</b>	<b>131,884,418</b>
<b>Results</b>					
Profit/ (loss) from operations	66,628,262	72,910,835	(645,009)	(69,377,830)	69,516,258
Income from other investments	2,803,859	1,786,190	766,441	–	5,356,490
Finance costs	–	(764)	–	–	(764)
Impairment loss	(3,988,800)	–	(59,161)	4,047,961	–
Profit before tax	65,443,321	74,696,261	62,271	(65,329,869)	74,871,984
Tax expense	(2,728,969)	(1,008,513)	(62,500)	2,506,000	(1,293,982)
Profit/ (loss) after tax	<b>62,714,352</b>	<b>73,687,748</b>	<b>(229)</b>	<b>(62,823,869)</b>	<b>73,578,002</b>
<b>Other information</b>					
Capital additions	99,779	1,434,053	64,145	(338,352)	1,259,625
Depreciation and amortisation	68,884	1,086,191	315,863	–	1,470,938
Non-cash expenses other than depreciation and amortisation	–	611,010	117,675	–	728,685
<b>Assets</b>					
Segment assets	160,539,382	209,917,692	22,123,102	(158,859,032)	233,721,144
Income tax assets	226,664	2,024,983	72,000	–	2,323,647
Consolidated total assets	<b>160,766,046</b>	<b>211,942,675</b>	<b>22,195,102</b>	<b>(158,859,032)</b>	<b>236,044,791</b>
<b>Liabilities</b>					
Segment liabilities	36,529,058	134,418,176	16,929,666	(131,072,500)	56,804,400
Income tax liabilities	483,935	881,013	27,710	–	1,392,658
Consolidated total liabilities	<b>37,012,993</b>	<b>135,299,189</b>	<b>16,957,376</b>	<b>(131,072,500)</b>	<b>58,197,058</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 32. SEGMENTAL REPORTING (cont'd)

### Business Segments (cont'd)

	Investment holding	Manufacturing	Trading	Elimination	Total
	RM	RM	RM	RM	RM
<b>2004</b>					
<b>Revenue</b>					
External sales	–	115,236,145	115,516	–	115,351,661
Inter-segment sales	91,480,000	23,933,393	2,230,684	(117,644,077)	–
Total revenue	91,480,000	139,169,538	2,346,200	(117,644,077)	115,351,661
<b>Results</b>					
Profit/ (loss) from operations	86,972,476	62,876,539	(819,120)	(90,146,277)	58,883,618
Income from other investments	2,389,107	2,290,544	974,039	–	5,653,690
Finance costs	–	(122)	–	–	(122)
Reversal of impairment loss	–	–	165,120	(165,120)	–
Profit before tax	89,361,583	65,166,961	320,039	(90,311,397)	64,537,186
Tax (expense)/ income	(8,744,613)	(2,114,164)	8,715	9,072,000	(1,778,062)
Profit after tax	80,616,970	63,052,797	328,754	(81,239,397)	62,759,124
<b>Other information</b>					
Capital additions	1,825	213,200	7,670	–	222,695
Depreciation and amortisation	59,503	1,168,389	356,880	–	1,584,772
Non-cash expenses other than depreciation and amortisation	–	398,076	–	–	398,076
<b>Assets</b>					
Segment assets	178,821,397	164,428,811	27,086,931	(127,138,479)	243,198,660
Income tax assets	363,753	514,000	64,032	–	941,785
Consolidated total assets	179,185,150	164,942,811	27,150,963	(127,138,479)	244,140,445
<b>Liabilities</b>					
Segment liabilities	44,863,777	95,318,103	21,572,008	(96,219,436)	65,534,452
Income tax liabilities	494,934	969,106	17,000	–	1,481,040
Consolidated total liabilities	45,358,711	96,287,209	21,589,008	(96,219,436)	67,015,492

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

DECEMBER 31, 2005

## 32. SEGMENTAL REPORTING (cont'd)

### Geographical segments

The Group's trading activity is located in Malaysia and manufacturing activity is located in Malaysia and People's Republic of China.

The following is an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/ services:

	<b>Sales revenue by geographical market</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>
European countries	<b>124,849,285</b>	112,720,004
Asia Pacific countries	<b>3,408,803</b>	2,629,734
United States	<b>3,626,330</b>	1,923
	<b>131,884,418</b>	115,351,661

The following is an analysis of the carrying amount of segment assets and capital additions by the geographical area in which the assets are located.

	<b>Carrying amount of segment assets</b>		<b>Capital additions</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Malaysia	<b>224,098,740</b>	238,192,544	<b>1,093,711</b>	34,400
People's Republic of China	<b>9,622,404</b>	5,006,116	<b>165,914</b>	188,295
	<b>233,721,144</b>	243,198,660	<b>1,259,625</b>	222,695

## 33. SUBSEQUENT EVENTS

Subsequent to December 31, 2005, the directors of the Company have resolved that the Company proposed:

- a. to establish a new employee share option scheme (ESOS) of up to fifteen percent (15%) of the issued and paid-up share capital of the Company ("Proposed New ESOS") upon expiration of the Company's existing ESOS implemented on August 8, 2001 and expiring on August 7, 2006; and
- b. to repurchase its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back").

The Proposed New ESOS and Proposed Share Buy-Back are subject to the approval of the relevant authorities and the members of the Company.

## STATEMENT BY DIRECTORS

The directors of UCHI TECHNOLOGIES BERHAD state that, in their opinion, the accompanying balance sheets and the related statements of income, changes in equity and cash flows are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2005 and of their results and cash flows for the year ended on that date.

Signed in accordance with  
a resolution of the directors,

**KAO, DE-TSAN ALSO KNOWN AS TED KAO**

**KAO, TE-PEI ALSO KNOWN AS EDWARD KAO**

Penang,  
March 1, 2006

## DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, OW CHOOI KHIM, the officer primarily responsible for the financial management of UCHI TECHNOLOGIES BERHAD, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, changes in equity and cash flows, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed OW CHOOI KHIM )  
at GEORGETOWN in the State of PENANG )  
on March 1, 2006 )

**OW CHOOI KHIM**

Before me,

**GM GOVINDASAMY**  
Commissioner For Oaths

# LIST OF PROPERTIES

DECEMBER 31, 2005

Location	Description	Tenure / Date of Expiry of Lease	Age (Years)	Land Area / Built-up Area (Sq. Ft.)	Net Book Value at 31.12.2005 (RM)	Date of Last Revaluation
Registered Beneficial Owner: <b>UCHI OPTOELECTRONIC (M) SDN. BHD.</b>						
HS (D) 4360/PT No. 3054 (New Lot No. 4971) Mukim 1, Seberang Perai Tengah, Pulau Pinang	Industrial Land	60 years leasehold expiring on 1.1.2050	–	140,083	2,458,484	26.5.2004
(Tingkat Perusahaan 4A, Perai FTZ Phase II, Perai)	Factory Building - Phase I	60 years leasehold expiring on 1.1.2050	11	33,144	2,252,967	26.5.2004
	- Phase II		5	92,864	7,534,847	–
Registered Beneficial Owner: <b>UCHI INDUSTRIES (M) SDN. BHD.</b>						
HS (D) 4319/PT No. 3048 (New Lot No. 4972) Mukim 1, Seberang Perai Tengah, Pulau Pinang	Vacant Industrial Land	60 years leasehold expiring on 6.12.2049	–	140,178	2,166,877	26.5.2004
(Tingkat Perusahaan 4A, Perai FTZ Phase II, Perai)						



# SHAREHOLDINGS STATISTICS

MARCH 30, 2006

## ANALYSIS OF SHAREHOLDINGS

### Share Capital

Authorised : RM 100,000,000.00

Issued and Fully Paid Up : RM 74,521,960.00

Class of Shares : Ordinary shares of RM 0.20 each with equal voting rights

Size of Holdings			No. of Holders	%	No. of Shares	%
1	–	99	41	1.33	1,955	0.00
100	–	1,000	680	22.14	575,260	0.15
1,001	–	10,000	1,488	48.44	7,688,765	2.06
10,001	–	100,000	624	20.31	19,772,965	5.31
100,001	–	18,630,489 (*)	238	7.75	233,307,195	62.62
18,630,490	and	above (**)	1	0.03	111,263,660	29.86
<b>TOTAL</b>			<b>3,072</b>	<b>100.00</b>	<b>372,609,800</b>	<b>100.00</b>

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%
Eastbow International Limited	111,263,660	29.86	–	–
Kao, De-Tsan also known as Ted Kao	–	–	111,263,660*	29.86
<b>Total</b>	<b>111,263,660</b>	<b>29.86</b>	<b>111,263,660</b>	<b>29.86</b>

\* By virtue of his substantial interest in Eastbow International Limited.

## SHAREHOLDINGS STATISTICS (cont'd)

MARCH 30, 2006

### TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same depositor)

No.	Name of Shareholders	No. of Shares Held	%
1.	Eastbow International Limited	111,263,660	29.86
2.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS For Arisaig Asean Fund Limited	18,520,900	4.97
3.	Lembaga Tabung Haji	17,679,700	4.74
4.	Ironbridge Worldwide Limited	13,172,710	3.54
5.	Cartaban Nominees (Asing) Sdn Bhd Investors Bank and Trust Company For Asian Small Companies Portfolio	7,975,400	2.14
6.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS For First State Asian Equity Plus Fund	6,984,500	1.87
7.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN For American International Assurance Company Limited	6,422,330	1.72
8.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund D26J For Emerging Markets Global Small Capitalization Fund (TEMMUF)	5,942,300	1.59
9.	Employees Provident Fund Board	5,707,500	1.53
10.	Chang, Shin-Fang	5,349,350	1.44
11.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For OSK -UOB Small Cap Opportunity Unit Trust (3548)	4,426,000	1.19
12.	HSBC Nominees (Asing) Sdn Bhd Exempt AN For JPMorgan Chase Bank, National Association (U.K)	3,958,800	1.06
13.	AMMB Nominees (Tempatan) Sdn Bhd AMTRUSTEE Berhad For Pacific Pearl Fund (5/1-9)	3,663,700	0.98
14.	AMMB Nominees (Tempatan) Sdn Bhd AMTRUSTEE Berhad For Pacific Dividend Fund (5/27-2)	3,604,100	0.97
15.	Citigroup Nominees (Asing) Sdn Bhd CB LDN For First State Asia Pacific Fund	3,553,600	0.95
16.	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Wawasan 2020	3,485,800	0.94
17.	HSBC Nominees (Asing) Sdn Bhd BBH (Lux) SCA For Fidelity Funds ASEAN	3,125,900	0.84
18.	HSBC Nominees (Asing) Sdn Bhd TNTC For Government Of Singapore Investment Corporation Pte Ltd	2,907,400	0.78
19.	Kao Wang, Ying-Ying	2,779,700	0.75
20.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Prudential Equity Income Fund (4801)	2,621,500	0.70
21.	HSBC Nominees (Tempatan) Sdn Bhd Nomura Asset Mgmt SG For Employees Provident Fund	2,500,000	0.67
22.	Universal Trustee (Malaysia) Berhad SBB Emerging Companies Growth Fund	2,209,400	0.59
23.	Universal Trustee (Malaysia) Berhad Alliance First Fund	2,180,100	0.59

## SHAREHOLDINGS STATISTICS (cont'd)

MARCH 30, 2006

### TOP THIRTY SECURITIES ACCOUNT HOLDERS (cont'd)

No.	Name of Shareholders	No. of Shares Held	%
24.	AMMB Nominees (Tempatan) Sdn Bhd AMTRUSTEE Berhad For SBB Dana Al-Ihsan (5-2-7)	2,152,800	0.58
25.	Citigroup Nominees (Asing) Sdn Bhd Royal Bank Of Scotland As Depository For First State Global Emerging Markets Fund	2,149,000	0.58
26.	MCIS Zurich Insurance Berhad	2,113,850	0.57
27.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels For The State Teachers Retirement System of Ohio (Stewart Ivory)	2,058,400	0.55
28.	Universal Trustee (Malaysia) Berhad SBB High Growth Fund	1,972,400	0.53
29.	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Opportunities Fund	1,776,600	0.48
30.	AMMB Nominees (Tempatan) Sdn Bhd AMTRUSTEE Berhad For HLG Penny Stock Fund (5/4-3)	1,740,100	0.47
<b>TOTAL</b>		<b>253,997,500</b>	<b>68.17</b>

### DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%
Kao, De-Tsan also known as Ted Kao	–	–	111,263,660*	29.86
Kao, Te-Pei also known as Edward Kao	–	–	13,172,710 <sup>+</sup>	3.54
Dato' Hong Tok Hiang @ Fang Chok Seong	117,705	0.03	–	–
Huang, Teng-Yen	84,700	0.02	–	–
Ng Hai Suan @ Ooi Hoay Seng	–	–	–	–
Kao Wang, Ying-Ying	2,779,700	0.75	–	–
Chang, Shin-Fang	6,449,350	1.73	–	–

\* By virtue of his substantial interest in Eastbow International Limited.

+ By virtue of his substantial interest in Ironbridge Worldwide Limited.



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The Secretary

**UCHI TECHNOLOGIES BERHAD** (457890-A)

3rd Floor, Wisma Wang,  
251-A, Jalan Burma, 10350 Penang, Malaysia.

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**UCHI TECHNOLOGIES BERHAD**

(Company No. 45799-A)  
(Incorporated in Malaysia)