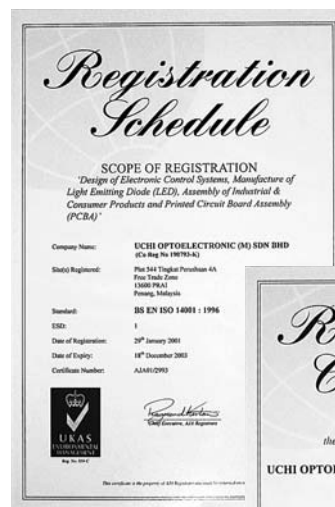


a guide in the universe



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ISO 14001 ENVIRONMENTAL POLICY

*Uchi is committed to preserve environment
for future generations through:*

Utmost effort in implementing and
continuously improving our corporate
Environmental Management System

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

Highly honour compliance of Malaysian
Environmental Laws and other applicable regulations

Incessantly educating employee on environmental
awareness and responsibility

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Company will be held at the Room Laurel II, Evergreen Laurel Hotel, 53 Persiaran Gurney, 10250 Penang on Wednesday, May 28, 2003 at 3.00 p.m.

AGENDA

1. To receive and adopt the Audited Financial Statements of the Company for the year ended December 31, 2002 together with the Reports of the Directors and of the Auditors thereon. (Resolution 1)
2. To declare a Final Dividend of 22 Sen per share, exempt from Income Tax for the year ended December 31, 2002. (Resolution 2)
3. To approve the payment of Directors' fees for the year ended December 31, 2002. (Resolution 3)
4. 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 offer themselves for re-election:-
 - a. Mr. Kao, Te-Pei also known as Edward Kao (Resolution 4)
 - b. Dato' Hong Tok Hiang @ Fang Chok Seong, *DSDK, SMS, AMK, PJK, JP* (Resolution 5)
5. To consider and if thought fit, to pass the following 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 6)
6. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. (Resolution 7)

SPECIAL BUSINESS

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

ORDINARY RESOLUTION

Authority to Issue Shares

“That pursuant to Section 132D of the Companies Act, 1965 and approvals from the Kuala Lumpur Stock Exchange 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 the Kuala Lumpur Stock Exchange.” (Resolution 8)

8. 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 Notes On Special Business

The proposed Resolution No. 8 [Item No.(7)], 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 interest of the Company. This Authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

NOTICE OF DIVIDENDS ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that a Final Dividend of 22 Sen per share exempt from Income Tax for the year ended December 31, 2002, if approved, will be paid on July 18, 2003 to depositors registered in the Records of Depositors at the close of business on June 30, 2003.

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, 2003 in respect of ordinary transfers;
- b. shares bought on Kuala Lumpur Stock Exchange (KLSE) on a cum entitlement basis according to the rules of KLSE.

By Order of the Board,

KHOO LAYTATT (MAICSA7029262)

OW CHOOI KHIM (MIA12616)

Secretaries

Penang

Date: May 6, 2003

STATEMENT ACCOMPANYING

NOTICE OF ANNUAL GENERAL MEETING

1. Fifth Annual General Meeting of Uchi Technologies Berhad:-

Place : Room Laurel II, Evergreen Laurel Hotel,
53 Persiaran Gurney, 10250 Penang
Date : May 28, 2003
Time : 3.00 p.m.

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

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 offer themselves for re-election.

- a) Mr. Kao, Te-Pei also known as Edward Kao
- b) Dato'Hong Tok Hiang @ Fang Chok Seong
DSDK, SMS, AMK, PJK, JP

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 the office until the conclusion of the next Annual General Meeting.

3. Board Meetings held during the Financial Year Ended December 31, 2002 and Details of Directors' Attendance

Five (5) Board Meetings were held during the financial year ended December 31, 2002. Details of attendance of Directors at the Board Meetings are set out in page 14 of this annual report.

4. Place, date and time of the Board of Directors' Meetings

The information on place, date and time of the Board of Directors' Meetings held during the financial year ended December 31, 2002 are as follows:-

Date	Time	Venue
February 28, 2002	12.00 noon	Conference Room Plot 544 Tingkat Perusahaan 4A, FTZ, 13600 Prai
May 28, 2002	12.00 noon	Conference Room 3rd Floor, Wisma Wang, 251-AJalan Burma, 10350 Penang
August 28, 2002	12.00 noon	Conference Room Plot 544 Tingkat Perusahaan 4A, FTZ, 13600 Prai
November 25, 2002	11.00 a.m.	Conference Room 3rd Floor, Wisma Wang, 251-AJalan Burma, 10350 Penang
November 26, 2002	09.00 a.m.	Conference Room 3rd Floor, Wisma Wang, 251-AJalan Burma, 10350 Penang

5. Further details of individuals who are standing for re-election as Directors

Further details of the Directors standing for re-election at the Fifth Annual General Meeting are set out in pages 8 to 9 and their shareholdings information are listed in page 74 of this annual report.

FINANCIAL HIGHLIGHTS

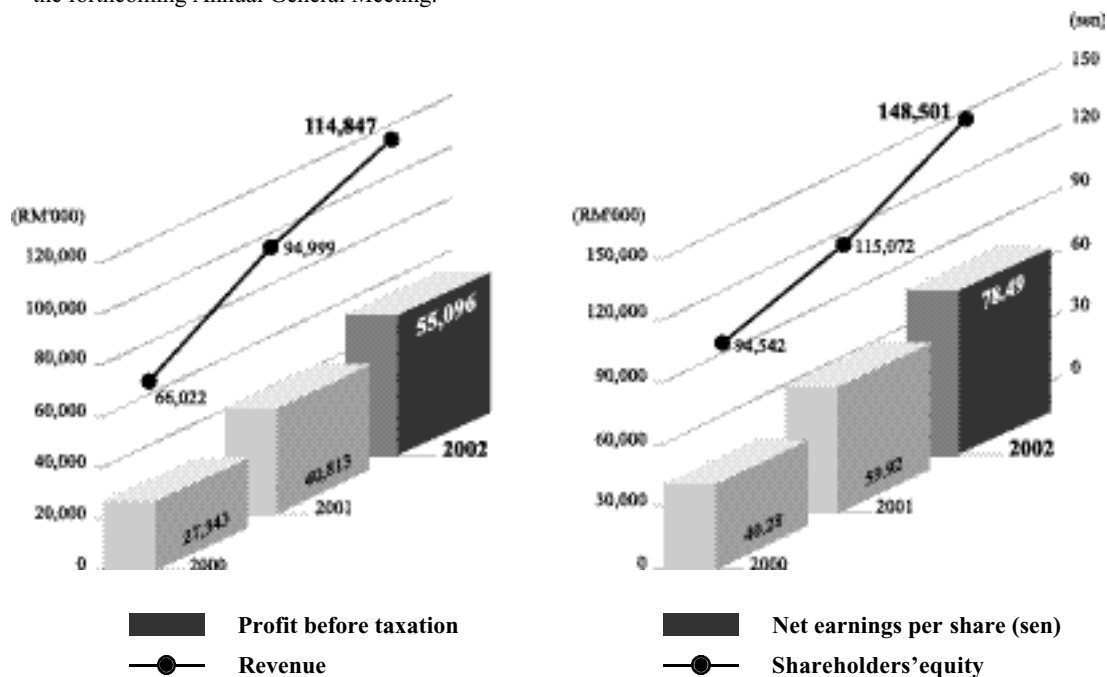
THREE YEARS FINANCIAL SUMMARY

Year ended December 31	2000 RM	2001 RM	2002 RM
Revenue	66,022,450	94,999,126	114,847,193
Profit before tax	27,343,209	40,812,906	55,096,103
Profit after tax	23,170,050	37,062,651	49,479,484
Dividends declared and paid in respect of financial year ended:			
Gross (sen)	30	37	** 22
Amount (net of tax)	12,000,000	18,434,301	** 13,095,549
Total assets employed	107,916,753	138,497,471	176,930,101
Shareholders' equity	94,541,533	115,071,704	148,501,389
Net tangible assets	94,031,442	114,583,791	148,501,389
Net tangible assets per ordinary share (RM)	2.35	2.60	2.30
Net earnings per share (Sen)	* 40.28	* 59.92	78.49
Number of ordinary shares issued and fully paid	40,000,000	44,146,000	64,446,600
Weighted average number of shares of RM1.00 each	* 57,525,578	* 61,854,751	63,038,425

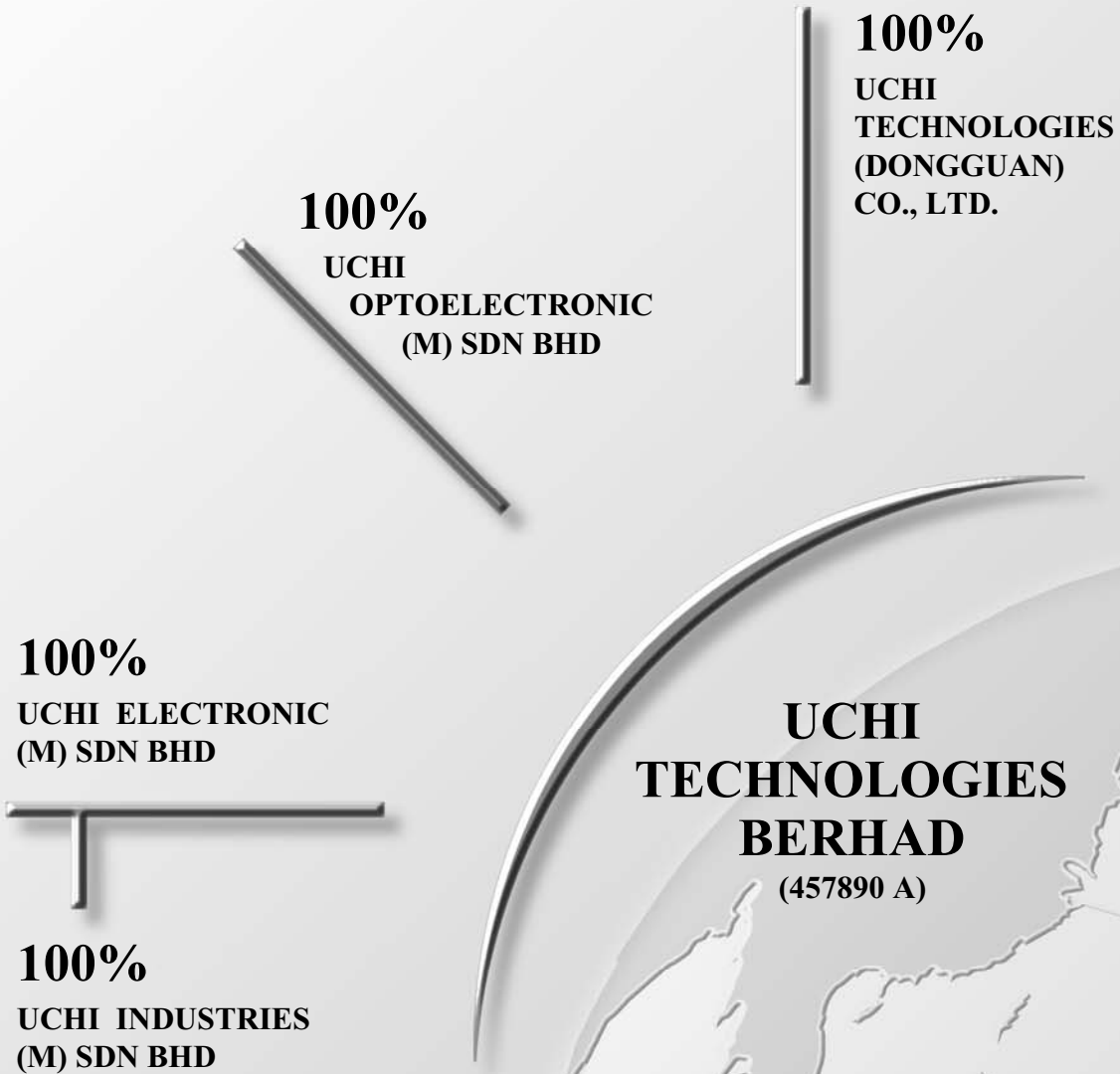
* Restated to reflect the followings :

- (a) bonus issue of 4,000,000 new ordinary shares of RM1 each on the basis of one new ordinary share of RM1 each for every ten existing ordinary shares of RM1 each held, completed in financial year ended 2001.
- (b) bonus issue of 17,847,600 new ordinary shares of RM1 each on the basis of two new ordinary shares of RM1 each for every five existing ordinary shares of RM1 each held, completed in financial year ended 2002.

** Yet to include the final tax exempt dividend of 22 sen per share proposed by the Board for shareholders' approval at the forthcoming Annual General Meeting.



CORPORATE STRUCTURE



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,
DSDK, SMS, AMK, PJK, JP

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,
DSDK, SMS, AMK, PJK, JP

Members

Ng Hai Suan @ Ooi Hoay Seng
Kao, Te-Pei also known as Edward Kao

COMPANY SECRETARIES

Khoo Lay Tatt (MAICSA7029262)
Ow Chooi Khim (MIA12616)

REGISTERED OFFICE

3rd Floor, Wisma Wang
251-A, Jalan Burma, 10350 Penang
Tel : 04-2288155
Fax: 04-2692386

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Southern Bank Berhad

AUDITORS

Deloitte Kassim Chan
Chartered Accountants
4th Floor, Wisma Wang
251-A, Jalan Burma, 10350 Penang
Tel : 04-2288255
Fax: 04-2288355

PRINCIPAL SOLICITORS

Ong & Maneeksha
Advocates and Solicitors
Suite 503, 5th Floor, Penang Plaza
Jalan Burma, 10050 Penang
Tel : 04-2275811
Fax: 04-2265366

REGISTRAR

PFA Registration Services Sdn. Bhd.
1301 Level 13, Uptown 1
No. 1 Jalan SS21/58, Damansara Uptown
47400 Petaling Jaya, Selangor Darul Ehsan
Tel : 03-77254888, 77258046
Fax: 03-7722311

STOCK EXCHANGE LISTING

Main Board of Kuala Lumpur Stock Exchange

DIRECTORS' PROFILE

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

Aged 45, Taiwanese, was appointed to the Board of Directors of Uchi Technologies Berhad (Uchitec) on March 10, 2000 as Managing 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 Electronic (M) Sdn. Bhd., Uchi Optoelectronic (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 43, 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 72, 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.

NG HAI SUAN @ OOI HOAY SENG

Aged 62, 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 and had retired from such a position in the first half of year 2001. 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.

DATO'HONG TOK HIANG @ FANG CHOK SEONG *DSDK, SMS, AMK, PJK, JP*

Aged 66, 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.

KAO WANG, YING-YING

Aged 50, 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 41, 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

Uchi Technologies Berhad (Uchitec) completed its Bonus Share Issue Exercise of 2 new ordinary shares of RM1.00 each for every 5 existing ordinary shares of RM1.00 each on April 4, 2002.

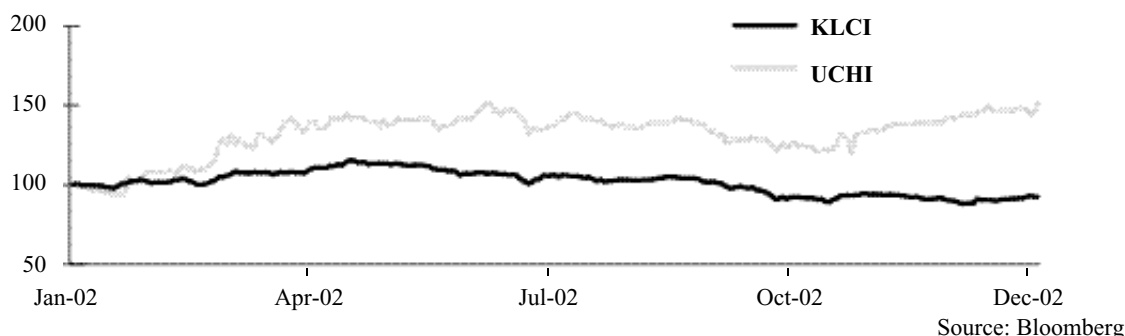
Upon completion of the aforesaid 2 for 5 Bonus Share Issue Exercise, Uchitec was transferred to the Main Board of the Kuala Lumpur Stock Exchange on May 9, 2002.

It's our great pleasure to note that despite an unfavourable equity market condition, Uchitec, had outperformed the Kuala Lumpur Composite Index (KLCI) in Year 2002. We believe this reflects shareholders' growing confidence in Uchitec, driven by strong earnings growth and dividend payout.

Sen per share, paid on January 13, 2003, result in a total gross dividend paid and payable of 44 Sen per share for the year under review, against 37 Sen gross per share last year.

PROPOSED BONUS SHARE ISSUE

On March 7, 2003, the Board of Directors proposed a bonus issue of up to 6,829,160 new ordinary shares of RM1.00 each to be credited as fully paid to the existing shareholders of the Company, on the basis of 1 new ordinary share for every 10 existing ordinary shares held. The proposed bonus issue is conditional upon approvals being obtained from the relevant authorities and the shareholders at the forthcoming Extraordinary General Meeting.



FINANCIAL PERFORMANCE

The Group achieved a profit before tax of RM55 million for the year 2002, representing an increase of 35% from previous year, whilst turnover improved by 21% over the previous year to RM115 million. These results were attributable to effective cost-cutting measures and customers' growing confidence in outsourcing higher value-added products.

Basic earnings per share improved by 31% to 78.49 Sen, despite the increase in share base from 61,854,751 shares to 63,038,425 shares.

DIVIDENDS

The Board of Directors is pleased to propose a Tax Exempt Final Dividend of 22 Sen per share, subject to the shareholders' approval at the forthcoming Annual General Meeting.

These, together with the Interim Dividend of 6 Sen per share, less Income Tax and the Tax-Exempt Special Dividend of 16

The proposed bonus issue will increase the capital base of the Company to a level, which will better reflect the Company's current scale of operations and the increase in assets employed by the Company.

RESEARCH AND DEVELOPMENT (R&D)

Uchitec is a knowledge-based company and we emphasise very much on development of intellectual property.

For the year under review, the Group invested approximately RM4.6 million in R & D activities, representing approximately 4% of the Group's turnover. Currently, there are approximately 30 to 40 projects in the R&D pipeline and there are 23 members in our R&D team.

In further strengthening our core competency, the Group shall increase the R&D team to 50 members by year 2004. Approximately 7% of the Group's turnover is allocated for our annual R&D activities.

RECOGNITION

Uchi Optoelectronic (M) Sdn. Bhd., a main subsidiary of Uchitec, has obtained certification of the followings:

- ISO 9001:2000, certified by SGS Yarsley International, in recognition of the Company's conformance to specified requirements during production, installation, servicing and design activities;
- ISO 14001, certified by AJA Registrars, in recognition of the Company's commitment in preserving the environment; and
- OHSAS 18001, certified by RWTUV International Certification Agency, in recognition of the Company's commitment to enhance occupational safety and health environment.

On December 12, 2002, Uchi Optoelectronic (M) Sdn. Bhd. was ranked Number 173 on the First 250 of the Deloitte Touche Tohmatsu Asia Pacific Technology Fast 500, a ranking of the fast growing technology companies in Asia Pacific. Rankings are based on three-year percentage revenue growth. Uchi Optoelectronic (M) Sdn. Bhd. grew 87 percent during this period.

COMMITMENT TO STAFF

During the year under review, Uchitec granted 754,000 Share Options under "Uchi Technologies Berhad Employee Share Option Scheme" to eligible employee in recognition of the employees' contribution towards the business of the Group. This scheme encourages employees' participation in the Group's equity and motivates employees towards better performance through greater productivity and loyalty.

Uchi Optoelectronic (M) Sdn. Bhd. was certified as an OHSAS 18001 company on November 20, 2002 in furtherance to the Group's commitments towards the employees in enhancing the overall occupational health and safety environment.

OPERATION IN PEOPLE'S REPUBLIC OF CHINA

Uchi Technologies (Dongguan) Co., Ltd., a wholly owned subsidiary of Uchitec, was established in Dongguan City, Guangdong Province of People's Republic of China. In the short term, Uchi Technologies (Dongguan) Co., Ltd. will complement Uchi Optoelectronic (M) Sdn. Bhd. to achieve competitive cost of production. It will also enhance our capability in anticipating customers' risk management requirements.

MOVING FORWARD

Our achievement does not come easily. It took us time, perseverance and commitment of R&D to build up our reputation today.

Moving forward, we shall further enhance our strength in pioneering technology advancement and at the same time, tightening our cost control measures.

PROSPECT

Barring any unforeseen circumstances, the Group is expected to chart continuous growth in the year ahead. We believe the growth will mainly be driven from the growing demand of fully automated coffee makers, a replacement for currently commonly used filter drip coffee machine in the market.

Uchi Optoelectronic (M) Sdn. Bhd. was granted pioneer status for high-technology company by the Ministry of International Trade and Industry of Malaysia (MITI) for design, development and manufacture of microprocessor based application and system integration. Under the Promotion of Investment Act, 1986, 100% of that subsidiary company's statutory income derived from design, development and manufacture of microprocessor based application and system integration shall be exempted from income tax for a period of five years from the commencement of tax free period, which has yet to be determined by the MITI.

For the year ending 2003, the Group allocates 7% of the total revenue for R&D activities and RM5 million is allocated for capital expenditure.

CHAIRMAN'S STATEMENT (cont'd)

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

Penang

Date: March 28, 2003

CORPORATE GOVERNANCE & OTHER DISCLOSURE

(Pursuant to paragraph 15.26 of the Kuala Lumpur Stock Exchange listing requirements)

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) members, 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 8 to 9 in this annual report.

There is clear division of responsibilities between the Chairman and Managing Director to ensure that there is a balance of power and authority. The Chairman is responsible for effective functioning of the Board and for formulating general Company policies and making strategic business decisions sanctioned by the Board of Directors. 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.

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 diligent responsibilities efficiently and effectively.

All conclusion of the Board are duly recorded in the Board minutes. For the record, the Board met five times in this financial year. All Directors fulfilled the requirement of Kuala Lumpur Stock Exchange in relation to their attendance at the Board meetings.

CORPORATE GOVERNANCE & OTHER DISCLOSURE (cont'd)

(Pursuant to paragraph 15.26 of the Kuala Lumpur Stock Exchange listing requirements)

Number of Board of Directors' Meetings and number of attendance for each Director for the financial year ended December 31, 2002 are as follows:

No.	Director	Year 2002 Period of Directorship	Total No. of Meetings	Attendance
1.	Kao, De-Tsan also known as Ted Kao	1/1/2002 to 31/12/2002	5	5
2.	Kao, Te-Pei also known as Edward Kao	1/1/2002 to 31/12/2002	5	5
3.	Huang, Teng-Yen	1/1/2002 to 31/12/2002	5	4
4.	Dato'Hong Tok Hiang @ Fang Chok Seong, <i>DSDK, SMS, AMK, PJK, JP</i>	1/1/2002 to 31/12/2002	5	5
5.	Ng Hai Suan @ Ooi Hoay Seng	1/1/2002 to 31/12/2002	5	5
6.	Kao Wang, Ying-Ying	1/1/2002 to 31/12/2002	5	5
7.	Chang, Shin-Fang <i>(Alternate Director to Huang, Teng-Yen)</i>	1/1/2002 to 31/12/2002	5	3
8.	Dr. Abdullah Bin Abu Bakar	1/1/2002 to 1/2/2002	—	—*

* Dr. Abdullah Bin Abu Bakar has resigned from the Board on February 1, 2002

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 corporate plans and budgets, 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

Pursuant to the Listing Requirement of the KLSE, all existing members have completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia, an affiliate company of the KLSE.

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 to 25 of this 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.

CORPORATE GOVERNANCE & OTHER DISCLOSURE (cont'd)

(Pursuant to paragraph 15.26 of the Kuala Lumpur Stock Exchange listing requirements)

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.

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 23 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, 2002, the Company granted Share Options of 754,000 Ordinary Shares of RM1.00 each to eligible employees. As at December 31, 2002, balance number of Share Option available for allotment was 2,181,000.

B. DIRECTORS' REMUNERATION

The Level and Make-Up of Remuneration

For the financial year ended December 31, 2002, 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, 2002 are as follows:

Category	Fees (RM)	Salaries & Other Emoluments (RM)	Benefits in Kind (RM)	Total (RM)
Executive Directors	68,000	1,102,000	46,800	1,216,800
Non-Executive Directors	139,000	32,000	–	171,000
Total	207,000	1,134,000	46,800	1,387,800

Range of Aggregate Remuneration	Executive	Non-Executive
Below RM50,000	–	4
RM50,001 to RM100,000	–	1
RM600,001 to RM650,000	2	–

CORPORATE GOVERNANCE & OTHER DISCLOSURE (cont'd)

(Pursuant to paragraph 15.26 of the Kuala Lumpur Stock Exchange listing requirements)

C. SHAREHOLDERS

Relations With Shareholders and Investors

The Board values dialogue with investors and recognises 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. However, any information that may be regarded as undisclosed material information about the Group will not be given to any single shareholder.

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 balanced, clear and meaningful assessment of the Company's financial positions and prospects in all their reports to the shareholders, investors and regulatory authorities. This assessment is primarily provided in the annual financial statements, quarterly results announcement 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 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 kept appropriately 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 applicable approved accounting standards, the provision of the Companies Act, 1965 and the Listing Requirements of the Kuala Lumpur Stock Exchange.
- 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.
- 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 which will result in material misstatement.

The Directors approved the financial statements for the year ended December 31, 2002 on March 3, 2003.

CORPORATE GOVERNANCE & OTHER DISCLOSURE (cont'd)

(Pursuant to paragraph 15.26 of the Kuala Lumpur Stock Exchange listing requirements)

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, which it is exposed, 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 in pages 22 & 23 of this annual report.

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 Page 19 to 21 of this annual report.

E. OTHER DISCLOSURE

Pursuant to the Listing Requirements of the Kuala Lumpur Stock Exchange, the following additional information is provided:

Share Buybacks

The Company does not have a share buyback programme in place.

Options, Warrants or Convertible Securities

A total of 2,453,000 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, 2002, 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 per cent or more from the audited results.

Profit Guarantee

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

Utilisation of Proceeds

Pursuant to the listing exercise completed on July 19, 2000, the Group raised RM37.525 million, of which RM29.128 million, was approved by the Securities Commission (SC) for investment in capital expenditure and working capital requirement, while the balance of RM8.397 million was allocated for future investment.

Subsequently on February 9, 2001, SC further approved the specific utilisation of RM4.695 million out of the said RM8.397 million, authorising the Group to determine the specification and timeframe on utilization of such unutilised proceeds on any usage relevant to the Group's core business.

CORPORATE GOVERNANCE & OTHER DISCLOSURE (cont'd)

(Pursuant to paragraph 15.26 of the Kuala Lumpur Stock Exchange listing requirements)

As of December 31, 2002, the entire gross proceeds of RM37.525 million had been fully utilised as follows:

	RM'000
R&D Expenditure	12,225
Working Capital	11,250
Construction of New Factory	5,815
Purchase of Machinery & Equipment	5,166
Listing Expenses	1,800
Upgrading of Information Technology Resources	476
Purchase of Motor Vehicles	275
Renovation of Existing Building	273
Purchase of Office Furniture & Fittings	245
Total	37,525

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, 2002 amounted to RM3,400.

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, 2002.

Revaluation Policy on Landed Properties

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

The collective approval by the Board on this Statement was tabled on March 28, 2003.

For and on behalf of the Board of Directors of Uchi Technologies Berhad (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, 2002.

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**, *DSDK, SMS, AMK, PJK, JP*
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 Kuala Lumpur Stock Exchange Listing Requirements.

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, ceased 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, appoint such number of new members as may be required make up the minimum number of three (3) members.

AUDIT COMMITTEE REPORT (cont'd)

3. Authority

The Committee is authorised 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 deemed fit and necessary.

4. Meetings

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

A quorum shall consist of 2 members.

5. Attendance at Meetings

The Accountant and a representative of the external auditors may be invited to attend 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;
- to discuss with the external auditors before the audit commences, the nature and scope of the audit;
- to review the quarterly and year-end financial statements of the Board, 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;

AUDIT COMMITTEE REPORT (cont'd)

- inform itself of resignations of internal audit staff members and provide the resignation staff member an opportunity to submit his reasons for resigning;
 - to consider any related party transactions that may arise within the Company or Group;
 - to consider the major findings of internal investigations and management's response;
 - to consider other topics as defined by the Board.
- 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
 - Evaluate and comment on the internal audit function performed by the independent auditors.

7. Reporting

The Committee is authorised to regulate its own procedure 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.

SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year ended December 31, 2002, the Committee met six 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, 2002 is as follows:

- Recommended the reappointment / appointment of the independent auditors and their remuneration;
- Reviewed the independent auditors adequacy of the scope of work, audit strategy and plans for the year;
- Reviewing the audited financial statements for the year ended December 31, 2002 and the un-audited quarterly financial results of the Group.

DATO'HONG TOK HIANG @ FANG CHOK SEONG,
DSDK, SMS, AMK, PJK, JP
Audit Committee Chairman

Penang
Date: March 28, 2003

STATEMENT OF INTERNAL CONTROL

The Board is ultimately 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 can 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 and accorded with the guidance.

ENTERPRISE RISK MANAGEMENT

The Board regards risk management as an integral part of business operations. The Board undertook 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 materialising;
- The Group's ability to reduce the incidence of risks that do materialise 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 procedure that set out the policies, procedures and practices adopted in the Group are properly documented and communicated to all staff member so as to ensure clear accountabilities. The effectiveness of internal control procedures are subject to continuous assessments, reviews and improvements;
- The organisational 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;
- 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.

STATEMENT OF INTERNAL CONTROL (cont'd)

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 Auditors provide 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;
- 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 management and / or Audit Committee, if necessary; and
- Review operations as a whole from the view point 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 and presented to the Audit Committee. The Management is responsible for ensuring that a written reply on action planned is sent to the Internal Auditors and 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, 2003.

NOMINATION COMMITTEE

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

DSDK, SMS, AMK, PJK, JP

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, 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 a Chairman from amongst their number who shall be an Independent Non-Executive Director.

If the number of members, for whatever reasons, fall below three (3), the Board of Directors shall, within three (3) months of the event, appoint 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 authorised 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 Director 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.
- 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 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.

6. REPORTING

The Committee is authorised 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 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. 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, 2002 with full attendance of the Committee. Summary of the activities are as follows:

- formulated relevant guidelines and procedures to enable the Committee to function effectively;
- 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, 2003

REMUNERATION COMMITTEE

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

DSDK, SMS, AMK, PJK, JP

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, 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 a Chairman from amongst their number who shall be Independent Non-Executive Director.

If the number of members, for whatever reasons, fall below three (3), the Board of Directors shall, within three (3) months of the event, appoint 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 authorised 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 decisions 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 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 authorised to regulate its own procedure 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's members. The Chairman of the Committee shall report to the Board after each Remuneration Committee meeting.

SUMMARY OF ACTIVITIES

The Committee met twice during the financial year ended December 31, 2002 with full attendance of the Committee. Summary of activities are as follows:

- formulated relevant guidelines and procedures to enable the Committee to function effectively;
- reviewed and recommended to the Board the remuneration of each of the Executive Directors, taken into consideration the responsibilities, the contribution and performance of each individual Director.

The Executive Directors play no part in determining their own remuneration packages whilst the remuneration packages of Non-Executive Directors, which is reflective of their experiences, and level of responsibilities, are determined collectively by the Board.

The remuneration of the Directors for the financial year ended December 31, 2002 is summarised on page 15 of this annual report.

Ng Hai Suan @ Ooi Hoay Seng
Remuneration Committee Chairman

Penang
Date: March 28, 2003

RWTÜV

CERTIFICATE

The RWTÜV International Certification Agency
hereby certifies that

UCHI OPTOELECTRONIC (M) SDN. BHD. (190793-K)
Plot 544, Tingkat Perusahaan 4A,
F.T.Z., 13600 Prai,
Penang, Malaysia

has established and applies an
Occupational Health & Safety Management System for

**Design of Electronic Control Systems, Manufacture of
Light Emitting Diode (LED), Assembly of Industrial
and Consumer Products and Printed Circuit Boards Assembly (PCBA)**



An audit was performed, Report No. : **MY2002/001**
Proof has been furnished that the requirements according to

OHSAS 18001 : 1999

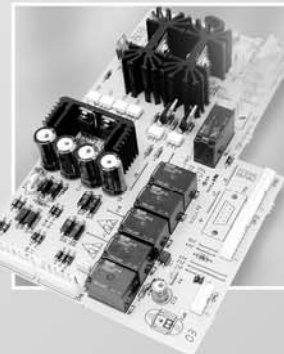
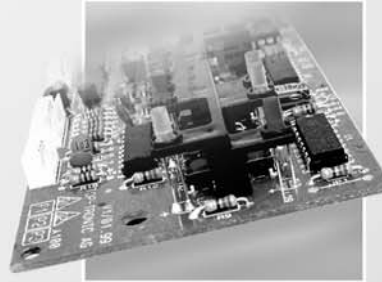
are fulfilled.

The certificate is valid until **November 2005**
Certificate Registration No. **OHSAS 2002001**

Malaysia, 20.11.2002

Certification Body
RWTÜV International Certification Agency



OHSAS 18001 OHSAS POLICY

Uchi is committed to enhance
safety and health environment through...

Implementing OH&S Management System
to minimise accidents;

Promote safety and health programme
for continual improvement;

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

Educating employees on safety and health
awareness and responsibility.

FINANCIAL STATEMENTS

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SGS SGS United Kingdom Ltd
Varsley International Certification Services

ASSESSMENT SCHEDULE Q6586

Assessment Standard: ISO 9001: 2000
Company: Uchi Optoelectronic (M) Sdn. Bhd.
Location: Plot 54A, Tingkat Perusahaan 4A,
Free Trade Zone
13602 Prai, Penang
MALAYSIA

Product Area Assessed: Design of electronic control system,
manufacturing of light emitting diode
(LED), assembly of industrial and
consumer products, and printed circuit
boards assembly (PCBA).

Authorized by

Issue No: 4
17 December 2002
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Further clarifications regarding the scope of this certificate and applicability of ISO 9001: 2000 requirements may be consulted with the organization.

SGS Varsley International Certification Services is accredited by the following authorities:
UK: United Kingdom Accreditation Service (UKAS)

SGS SGS United Kingdom Ltd
Varsley International Certification Services

Certificate Number:
Q6586

This is to certify that the Quality Management systems of
Uchi Optoelectronic (M) Sdn. Bhd.
Penang, Malaysia

Have been assessed and registered as meeting the requirements of ISO 9001

The scope of registration is detailed on the Assessment Schedule bearing this certificate number

SGS Varsley International Certification Services
Signed by

17 December 2002



SGS Varsley International Certification Services
is a member of SGS United Kingdom Ltd
Registered and Approved by: UKAS
255, Market Street, London EC1R 7DT, United Kingdom
Telephone: +44 (0)20 7600 2000
www.sgs-certs.com



ISO 9001 QUALITY POLICY

*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

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, 2002.

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.

RESULTS OF OPERATIONS

	The Group RM	The Company RM
Net profit after tax for the year	49,479,484	35,497,203

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, tax exempt, amounting to RM2,648,760 and a special dividend of 6 sen per ordinary share, tax exempt, amounting to RM2,648,760 in respect of the financial year ended Decemebr 31, 2001 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, tax exempt, amounting to RM3,789,456, a special dividend of 4 sen per ordinary share, tax exempt, amounting to RM2,526,304 and a special dividend of 15 sen gross per ordinary share, less tax, amounting to RM6,821,021 in respect of the financial year ended December 31, 2001 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 gross per ordinary share, less tax, amounting to RM2,784,093 and a special interim dividend of 16 sen per ordinary share, tax exempt, amounting to RM10,311,456 in respect of the current financial year.

The directors also proposed a final dividend of 22 sen per ordinary share, tax exempt, in respect of the current financial year. The proposed final dividend if payable in respect of all ordinary shares in issue as at the date of the issue of the financial statements would amount to RM14,235,892 and have not been included as liabilities in the financial statements. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and the date of entitlement of dividend has 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 RM44,146,000 to RM64,446,600 by way of:

- (a) a bonus issue of 17,847,600 new ordinary shares of RM1 each through capitalisation of RM17,847,600 from the share premium account on the basis of two new ordinary shares of RM1 each for every five existing ordinary shares of RM1 each held; and
- (b) issues of 2,453,000 new ordinary shares of RM1 each for cash pursuant to the Employees' Share Option Scheme (ESOS) of the Company at exercise prices ranging from RM3.69 to RM6.72 per ordinary share.

The resultant premium arising from the shares issued pursuant to the ESOS of RM7,829,800 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 of RM1 each 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 Kuala Lumpur Stock Exchange 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 of RM1 each to be allocated 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:

Exercisable from	Exercise price per ordinary share RM	<u>No. of options over ordinary shares of RM1 each</u>				Balance as of 31.12.2002
		Balance as of 1.1.2002	Granted	Exercised	Lapsed	
August 13, 2001	3.75*	3,214,000	1,094,800**	(2,098,000)	(42,200)	2,168,600
October 9, 2001	3.69*	70,000	24,000**	(52,000)	(25,200)	16,800
November 9, 2001	4.02*	63,000	19,600**	(55,000)	(15,400)	12,200
December 10, 2001	4.80*	154,000	61,600**	(120,000)	–	95,600
February 10, 2002	5.00*	–	264,600**	(43,000)	–	221,600
March 8, 2002	5.83*	–	235,200**	(64,000)	(49,000)	122,200
April 11, 2002	6.55	–	70,000	(7,000)	(7,000)	56,000
May 10, 2002	6.72	–	86,000	(3,000)	–	83,000
June 10, 2002	6.76	–	42,000	–	–	42,000
July 12, 2002	6.72	–	7,000	–	–	7,000
August 19, 2002	6.60	–	7,000	–	–	7,000
October 8, 2002	5.90	–	115,000	(9,000)	–	106,000
November 11, 2002	6.49	–	49,000	(2,000)	–	47,000
December 10, 2002	6.85	–	21,000	–	–	21,000
Total		3,501,000	2,096,800	(2,453,000)	(138,800)	3,006,000

* The exercise price was adjusted for the bonus issue of 17,847,600 new ordinary shares of RM1 each during the year.

** Inclusive of adjustment made on share options granted due to alteration in capital structure of the Company by way of bonus issue.

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:

- 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
- 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:

- 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
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

- (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.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the financial year are as follows:

- (a) At an Extraordinary General Meeting held on February 8, 2002:
 - (i) the Company's shareholders approved the increase in the authorised share capital of the Company from RM50,000,000 comprising 50,000,000 ordinary shares of RM1 each to RM100,000,000 by the creation of an additional 50,000,000 ordinary shares of RM1 each; and
 - (ii) the Company's shareholders approved the increase in the issued and paid-up share capital of the Company from RM44,146,000 to RM61,993,600 by way of a bonus issue of 17,847,600 new ordinary shares of RM1 each through capitalisation of RM17,847,600 from the share premium account on the basis of two new ordinary shares of RM1 each for every five existing ordinary shares of RM1 each held. The new ordinary shares rank pari passu with the then existing ordinary shares of the Company.
- (b) On May 9, 2002, the listing of and quotation for the entire issued and paid-up share capital of the Company was transferred from the Second Board to the Main Board of the Kuala Lumpur Stock Exchange.
- (c) On June 7, 2002, a wholly owned subsidiary, Uchi Technologies (Dongguan) Co., Ltd. was incorporated in China with a registered authorised capital of USD1,000,000, equivalent to approximately RM3,800,000. The Company has invested a sum of RM1,315,383 while the balance will be invested by 2003.

DIRECTORS' REPORT (cont'd)

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Significant events subsequent to the balance sheet date are disclosed in Note 27 to the Financial Statements.

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, *DSDK, SMS, AMK, PJK, JP*
Huang, Teng-Yen
Ng Hai Suan @ Ooi Hoay Seng
Kao Wang, Ying-Ying
Chang, Shin-Fang (Alternate to Huang, Teng-Yen)

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	<u>No. of ordinary shares of RM1 each</u>			Balance as of 31.12.2002
	Balance as of 1.1.2002	Bought/ Bonus Issue	Sold	
Direct interest:				
Kao, De-Tsan also known as Ted Kao	11,000	200,400	–	211,400
Kao, Te-Pei also known as Edward Kao	1,875,500	1,000,200	(1,800,000)	1,075,700
Dato'Hong Tok Hiang @ Fang Chok Seong, <i>DSDK, SMS, AMK, PJK, JP</i>	11,001	10,400	–	21,401
Huang, Teng-Yen	11,000	4,400	–	15,400
Ng Hai Suan @ Ooi Hoay Seng	–	70,000	–	70,000
Chang, Shin-Fang (Alternate to Huang, Teng-Yen)	–	1,800,000	–	1,800,000
Indirect interest:				
Kao, De-Tsan also known as Ted Kao	16,878,398	6,751,359	–	23,629,757
Kao, Te-Pei also known as Edward Kao	9,433,600	3,773,439	(1,000,000)	12,207,039
Ng Hai Suan @ Ooi Hoay Seng	100,000	140,000	–	240,000

DIRECTORS' REPORT (cont'd)

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:

	<u>No. of options over ordinary shares of RM1 each</u>			Balance as of 31.12.2002
	Balance as of 1.1.2002	Granted	Exercised	
Kao, De-Tsan also known as Ted Kao	350,000	140,000*	(196,000)	294,000
Kao, Te-Pei also known as Edward Kao	350,000	140,000*	(193,000)	297,000

* Adjustment made on share options granted due to alteration in capital structure of the Company by way of bonus issue.

By virtue of their interest in the shares of the Company, Mr. Kao, De-Tsan also known as Ted Kao and Mr. Kao, Te-Pei also known as Edward Kao are 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.

None of the other directors in office at the end of financial year held shares or have beneficial interest in the shares of the Company or its related companies during the financial year.

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 and in Note 20 to the Financial Statements.

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,
Date: March 3, 2003

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, 2002 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. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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, 2002 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

2225/04/04(J)

Partner

Penang

Date: March 3, 2003

INCOME STATEMENTS

for the year ended December 31, 2002

	Note	The Group		The Company	
		2002 RM	2001 RM	2002 RM	2001 RM
Revenue	4	114,847,193	94,999,126	38,580,000	24,420,000
Other operating income		4,310,434	2,872,013	1,188,505	966,930
Raw materials used		(45,656,821)	(34,007,096)	–	–
Changes in inventories of finished goods and work-in-progress		1,983,060	(1,731,675)	–	–
Staff costs	5	(10,695,173)	(9,762,706)	(1,940,603)	(1,820,375)
Depreciation of property, plant and equipment		(1,586,644)	(1,637,154)	(4,617)	–
Amortisation of goodwill on consolidation		(22,178)	(22,178)	–	–
Impairment loss for goodwill on consolidation		(465,735)	–	–	–
Other operating expenses		(7,611,170)	(9,891,293)	(231,331)	(192,647)
Profit from operations		55,102,966	40,819,037	37,591,954	23,373,908
Finance costs		(6,863)	(6,131)	–	–
Profit before tax	6	55,096,103	40,812,906	37,591,954	23,373,908
Income tax expense	7	(5,616,619)	(3,750,255)	(2,094,751)	(3,008,085)
Net profit after tax for the year		49,479,484	37,062,651	35,497,203	20,365,823
Earnings per ordinary share					
Basic	8	78.49 sen	59.92 sen		
Diluted	8	77.06 sen	59.84 sen		

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

BALANCE SHEETS

as of December 31, 2002

	Note	The Group		The Company	
		2002 RM	2001 RM	2002 RM	2001 RM
PROPERTY, PLANT AND EQUIPMENT	9	19,704,444	20,281,221	41,902	–
INVESTMENT IN SUBSIDIARY COMPANIES	10	–	–	27,383,250	26,067,867
OTHER INVESTMENTS	11	13,305,541	15,578,266	–	–
GOODWILL ON CONSOLIDATION	12	–	487,913	–	–
CURRENT ASSETS					
Inventories	13	10,373,622	11,013,530	–	–
Trade receivables	14	12,055,368	13,293,820	–	–
Other receivables and prepaid expenses	15	2,501,955	881,366	591,020	299,411
Amount owing by subsidiary companies	10	–	–	50,706,311	38,697,861
Short-term deposits	23	116,720,540	76,398,376	35,825,786	22,337,523
Cash and bank balances		2,268,631	562,979	199,087	49,501
Total Current Assets		143,920,116	102,150,071	87,322,204	61,384,296
CURRENT LIABILITIES					
Trade payables	16	5,266,499	3,429,155	–	–
Other payables and accrued expenses	17	4,546,155	5,788,805	161,191	135,845
Provision for rework and warranty	18	3,500,000	2,800,000	–	–
Amount owing to directors	19	405,000	321,557	405,000	321,557
Dividend payable		13,110,805	5,303,520	13,110,805	5,303,520
Tax liabilities		1,600,253	5,782,730	6,715	75,000
Total Current Liabilities		28,428,712	23,425,767	13,683,711	5,835,922
NET CURRENT ASSETS		115,491,404	78,724,304	73,638,493	55,548,374
		148,501,389	115,071,704	101,063,645	81,616,241
SHARE CAPITAL	20	64,446,600	44,146,000	64,446,600	44,146,000
RESERVES	21	84,054,789	70,925,704	36,617,045	37,470,241
		148,501,389	115,071,704	101,063,645	81,616,241

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

STATEMENTS OF CHANGES IN EQUITY

for the year ended December 31, 2002

THE GROUP

	Share Capital RM	Share Premium RM	Revaluation/ Merger Reserve RM	Retained Profit RM	Total RM
Balance as of January 1, 2001	40,000,000	21,772,126	(16,029,564)	48,798,971	94,541,533
Bonus issue of 4,000,000 new ordinary shares of RM1 each at par	4,000,000	-	-	(4,000,000)	-
Allotment of 146,000 new ordinary shares of RM1 each at RM5.24 per share pursuant to the ESOS	146,000	619,040	-	-	765,040
Dividends (Note 22)	-	-	-	(17,297,520)	(17,297,520)
Net profit after tax for the year	-	-	-	37,062,651	37,062,651
Balance as of December 31, 2001	44,146,000	22,391,166	(16,029,564)	64,564,102	115,071,704
Bonus issue of 17,847,600 new ordinary shares of RM1 each at par	17,847,600	(17,847,600)	-	-	-
Allotment of 2,453,000 new ordinary shares of RM1 each at RM3.69 to RM6.72 per share pursuant to the ESOS	2,453,000	7,829,800	-	-	10,282,800
Net loss not recognised in the income statements:					
Share issue expenses	-	(100,269)	-	-	(100,269)
Dividends (Note 22)	-	-	-	(26,232,330)	(26,232,330)
Net profit after tax for the year	-	-	-	49,479,484	49,479,484
Balance as of December 31, 2002	64,446,600	12,273,097	(16,029,564)	87,811,256	148,501,389

(FORWARD)

STATEMENTS OF CHANGES IN EQUITY (cont'd)

for the year ended December 31, 2002

THE COMPANY

	Share Capital RM	Share Premium RM	Retained Profit RM	Total RM
Balance as of January 1, 2001	40,000,000	21,772,126	16,010,772	77,782,898
Bonus issue of 4,000,000 new ordinary shares of RM1 each at par	4,000,000	–	(4,000,000)	–
Allotment of 146,000 new ordinary shares of RM1 each at RM5.24 per share pursuant to the ESOS	146,000	619,040	–	765,040
Dividends (Note 22)	–	–	(17,297,520)	(17,297,520)
Net profit after tax for the year	–	–	20,365,823	20,365,823
Balance as of December 31, 2001	44,146,000	22,391,166	15,079,075	81,616,241
Bonus issue of 17,847,600 new ordinary shares of RM1 each at par	17,847,600	(17,847,600)	–	–
Allotment of 2,453,000 new ordinary shares of RM1 each at RM3.69 to RM6.72 per share pursuant to the ESOS	2,453,000	7,829,800	–	10,282,800
Net loss not recognised in the income statements: Share issue expenses	–	(100,269)	–	(100,269)
Dividends (Note 22)	–	–	(26,232,330)	(26,232,330)
Net profit after tax for the year	–	–	35,497,203	35,497,203
Balance as of December 31, 2002	64,446,600	12,273,097	24,343,948	101,063,645

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

CASH FLOW STATEMENTS

for the year ended December 31, 2002

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	55,096,103	40,812,906	37,591,954	23,373,908
Adjustments for:				
Depreciation of property, plant and equipment	1,586,644	1,637,154	4,617	–
Provision for rework and warranty	1,071,495	975,224	–	–
Allowance for doubtful debts	530,000	1,800,000	–	–
Impairment loss for goodwill on consolidation	465,735	–	–	–
Allowance for diminution in value of quoted investments	279,746	160,963	–	–
Amortisation of goodwill on consolidation	22,178	22,178	–	–
Loss on disposal of quoted investments	15,750	–	–	–
Interest expenses	6,863	6,131	–	–
Property, plant and equipment written off	56	57,124	–	–
Interest income	(3,118,864)	(2,277,666)	(1,172,334)	(966,930)
Gross dividend income	(654,765)	(285,991)	(37,500,000)	(23,340,000)
Allowance for obsolete inventories no longer required	(452,619)	–	–	–
Gain on disposal of property, plant and equipment	(29,688)	(114,809)	–	–
Allowance for obsolete inventories	–	562,696	–	–
Operating profit/ (loss) before working capital changes	54,818,634	43,355,910	(1,075,763)	(933,022)
(Increase)/ decrease in:				
Inventories	1,092,527	(2,430,799)	–	–
Trade receivables	708,452	(6,476,879)	–	–
Other receivables and prepaid expenses	(687,051)	315,831	–	(1,000)
Increase/ (decrease) in:				
Trade payables	1,837,344	632,945	–	–
Other payables and accrued expenses	(1,173,600)	574,711	25,346	(9,955)
Amount owing to directors	83,443	3,157	83,443	3,157
Cash generated from/ (used in) operations	56,679,749	35,974,876	(966,974)	(940,820)
Tax paid	(9,827,729)	(1,281,648)	(126,226)	(55,885)
Provision for rework and warranty utilised	(371,495)	–	–	–
Tax refunded	–	346,552	–	–
Net cash generated from/ (used in) operating activities	46,480,525	35,039,780	(1,093,200)	(996,705)

(FORWARD)

CASH FLOW STATEMENTS (cont'd)

for the year ended December 31, 2002

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	2,230,024	1,979,255	943,915	668,519
Proceeds from disposal of quoted investments	2,045,000	–	–	–
Dividends received from other investments	638,700	275,869	–	–
Proceeds from disposal of property, plant and equipment	30,100	359,404	–	–
Purchase of property, plant and equipment	(1,079,385)	(2,966,736)	(46,519)	–
Purchase of quoted investments	(67,771)	(10,374,094)	–	–
Dividends received from subsidiary companies	–	–	35,400,000	20,416,800
Increase in amount owing by subsidiary companies	–	–	(12,008,450)	(18,442,599)
Purchase of investment in a subsidiary company	–	–	(1,315,383)	–
Net cash generated from/ (used in) investing activities	3,796,668	(10,726,302)	22,973,563	2,642,720
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares pursuant to the ESOS	10,282,800	765,040	10,282,800	765,040
Dividends paid	(18,425,045)	(11,994,000)	(18,425,045)	(11,994,000)
Share issue expenses	(100,269)	–	(100,269)	–
Short-term deposits held as security value	(52,358)	(20,236)	–	–
Interest paid	(6,863)	(6,131)	–	–
Net cash used in financing activities	(8,301,735)	(11,255,327)	(8,242,514)	(11,228,960)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	41,975,458	13,058,151	13,637,849	(9,582,945)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	75,785,791	62,727,640	22,387,024	31,969,969
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 23)	117,761,249	75,785,791	36,024,873	22,387,024

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

1. 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. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

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 approved accounting standards of the Malaysian Accounting Standards Board (MASB).

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on March 3, 2003.

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 balances and transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

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.

Acquisition of subsidiary companies which meets the criteria for merger accounting under the Companies Act, 1965 and 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 shares issued. The difference between the carrying value of the investment and the nominal value of shares transferred is treated as merger reserves/ deficits in the consolidated financial statements in accordance with the merger relief provisions under Section 60(4) of the Companies Act, 1965. The results of the subsidiary companies being merged are presented as if the merger had been effected throughout the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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. Other revenue are recognised on an accrual basis.

Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing on the transaction dates and, where settlement of liabilities and receivables has not yet taken place at the end of the financial year, at the approximate exchange rates prevailing on that date. All foreign exchange gains or losses are taken up in the income statements.

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

Assets and liabilities	- at closing rate of RMB1 : RM0.4672
Issued capital	- at historical rate
Expenses	- at average rate

Exchange differences due to such currency translation are dealt with through translation reserve account under shareholders' equity.

Income Tax

The tax effects of transactions are generally recognised, using the liability method, when such transactions enter into determination of net income regardless of when they are recognised for tax purposes. However, where timing differences give rise to net deferred tax assets, the tax effects are recognised generally on actual realisation.

Research and Development Expenses

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation of property, plant and equipment is computed on the straight-line method based on the estimated useful lives of the various property, plant and equipment at the following annual rates:

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

	<u>Rates</u>
Leasehold land	1.96%
Buildings	1.96%-2%
Plant and machinery	12%
Fire-fighting and security system	12%
Air-conditioning system	12%
Furniture and fittings	12%
Office equipment	12%
Electrical installation	10%
Motor vehicles	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 revalued assets, the amounts in revaluation reserve account relating to the assets disposed 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 under the acquisition method or at nominal value of the shares issued in exchange for shares in subsidiary companies acquired under the merger method as applicable.

Other investments in quoted shares, unit trusts and bond funds are stated at cost.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

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.

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. This provision is estimated, having regard to service warranty costs experienced over the last few years. Other warranty costs are accrued as and when the liability arises.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

4. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Sales of manufactured goods	114,436,619	94,399,189	–	–
Sales of trading goods	410,574	599,937	–	–
Gross dividends from subsidiary companies	–	–	37,500,000	23,340,000
Management fee	–	–	1,080,000	1,080,000
	114,847,193	94,999,126	38,580,000	24,420,000

5. GENERAL INFORMATION

	The Group		The Company	
	2002	2001	2002	2001
Number of directors and employees at end of year:				
Directors	7	8	7	8
Employees	531	403	5	5

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

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

6. PROFIT BEFORE TAX

Profit before tax is arrived at:

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
After charging:				
Research and development expenses	4,550,940	4,939,554	–	–
Directors' remuneration:				
Fee	207,000	207,000	207,000	207,000
Other emoluments	1,134,000	1,020,970	1,134,000	1,020,970
Estimated value of non-cash benefits	46,800	91,380	46,800	91,380
Provision for rework and warranty	1,071,495	975,224	–	–
Allowance for doubtful debts	530,000	1,800,000	–	–
Allowance for diminution in value of quoted investments	279,746	160,963	–	–
Rental of hostel	116,182	90,243	–	–
Audit fee:				
Current	39,100	39,100	10,000	10,000
Overprovision in prior years	–	(3,000)	–	–
Realised loss on foreign exchange	6,015	–	–	–
Loss on disposal of quoted investments	15,750	–	–	–
Interest on bank overdraft	6,863	6,131	–	–
Property, plant and equipment written off	56	57,124	–	–
Allowance for obsolete inventories	–	562,696	–	–
And crediting:				
Interest on short-term deposits	3,118,864	2,277,666	1,172,334	966,930
Gross dividends from unit trusts quoted in Malaysia	582,465	238,087	–	–
Allowance for obsolete inventories no longer required	452,619	–	–	–
Gross dividends from shares quoted in Malaysia	72,300	47,904	–	–
Gain on disposal of property, plant and equipment	29,688	114,809	–	–
Realised gain on foreign exchange	–	169,373	16,171	–
Gross dividends from subsidiary companies	–	–	37,500,000	23,340,000

7. INCOME TAX EXPENSE

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Estimated tax payable:				
Current	5,636,842	4,239,213	2,157,941	2,998,200
(Under) / overprovision in prior years	(20,223)	(488,958)	(63,190)	9,885
	5,616,619	3,750,255	2,094,751	3,008,085

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

7. INCOME TAX EXPENSE (cont'd)

The Group's income tax expenses for 2002 and 2001 reflect effective tax rates which are lower than the statutory income tax rate due mainly to the pioneer status granted by the Ministry of International Trade and Industry of Malaysia to one of its subsidiary companies for the production and sales of timer, printer, computing scale and industrial controllers.

Under this incentive, 70% of that subsidiary company's statutory income derived from the production of timer, printer, computing scale and industrial controllers are exempted from income tax for a period of five years from May 1, 2000 to April 30, 2005.

The Company's income tax expenses for 2002 and 2001 reflect effective tax rates which are lower than the statutory income tax rate due mainly to certain dividend income from subsidiary companies are exempted from tax.

As of December 31, 2002, the approximate amount of unabsorbed capital allowances and unutilised reinvestment allowances of the Group are as follows:

	2002	2001
	RM	RM
Unabsorbed capital allowances	116,000	7,000
Unutilised reinvestment allowances	1,234,000	1,234,000
	1,350,000	1,241,000

As mentioned in Note 3, the tax effects of timing differences which give rise to net deferred tax assets are recognised generally on actual realisation. As of December 31, 2002, the amount of deferred taxation and tax benefit, calculated at applicable tax rate, which is not recognised in the financial statements, is as follows:

	Deferred Tax Asset/ (Liability)			
	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Tax effect of timing differences between tax capital allowances and depreciation of property, plant and equipment	(1,107,000)	(1,133,000)	-	-
Tax effect of unabsorbed capital allowances	32,000	2,000	-	-
Tax effect in respect of:				
Allowance for doubtful debts	652,000	504,000	-	-
Allowance for obsolete inventories	252,000	378,000	-	-
Provision for rework and warranty	980,000	784,000	-	-
Other timing differences	710,000	351,000	34,000	20,000
	1,519,000	886,000	34,000	20,000
Tax effect in respect of other tax benefit:				
Unutilised reinvestment allowances	346,000	346,000	-	-
	1,865,000	1,232,000	34,000	20,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

8. EARNINGS PER ORDINARY SHARE

	The Group	
	2002 RM	2001 RM
Net profit attributable to ordinary shareholders	49,479,484	37,062,651
	2002 Units	2001 Units
Number of shares in issue as of January 1	44,146,000	40,000,000
Effect of bonus issue	17,847,600	21,847,600
Effect of the exercise of ESOS	1,044,825	7,151
Weighted average number of ordinary shares in issue	63,038,425	61,854,751
Basic earnings per ordinary share (sen)	78.49	59.92
	2002 Units	2001 Units
Weighted average number of ordinary shares in issue	63,038,425	61,854,751
ESOS:		
No. of unissued shares	2,746,957	1,276,113
No. of shares that would have been issued at fair value	(1,574,225)	(1,191,584)
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	64,211,157	61,939,280
Fully diluted earnings per ordinary share (sen)	77.06	59.84

Comparative figures of the basic and fully diluted earnings per ordinary share have been restated to reflect the bonus issue during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

9. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

Cost Unless Stated Otherwise	Beginning of year RM	Additions RM	Disposals RM	End of year RM
2002:				
Short leasehold land				
At 1999 valuation	4,700,000	-	-	4,700,000
Buildings				
At 1999 valuation	2,400,000	-	-	2,400,000
At cost	7,299,429	14,354	*(11,550)	7,302,233
Plant and machinery	7,672,225	444,660	**(57,500)	8,059,385
Fire fighting and security system	202,827	-	-	202,827
Air-conditioning system	280,520	-	-	280,520
Furniture and fittings	406,796	1,308	-	408,104
Office equipment	1,381,016	85,520	(1,390)	1,465,146
Electrical installation	196,839	98,395	-	295,234
Motor vehicles	1,177,374	435,148	(61,850)	1,550,672
	25,717,026	1,079,385	(132,290)	26,664,121
2001	23,391,517	2,966,736	(641,227)	25,717,026

* Overprovision of building cost in prior year.

** Purchased in 2001 and returned to supplier during the year.

Accumulated Depreciation	Beginning of year RM	Charge for the year RM	Disposals RM	End of year RM
2002:				
Short leasehold land				
At 1999 valuation	276,698	92,235	-	368,933
Buildings				
At 1999 valuation	141,187	47,064	-	188,251
At cost	205,770	145,507	-	351,277
Plant and machinery	2,813,155	852,135	-	3,665,290
Fire fighting and security system	105,478	18,636	-	124,114
Air-conditioning system	250,718	28,118	-	278,836
Furniture and fittings	242,239	39,036	-	281,275
Office equipment	636,550	161,561	(1,334)	796,777
Electrical installation	145,386	23,828	-	169,214
Motor vehicles	618,624	178,524	(61,438)	735,710
	5,435,805	1,586,644	(62,772)	6,959,677
2001	4,138,159	1,637,154	(339,508)	5,435,805

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

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

THE COMPANY

Cost Unless Stated Otherwise	Beginning of year RM	Additions RM	Disposals RM	End of year RM
2002:				
Office equipment	–	8,617	–	8,617
Motor vehicle	–	37,902	–	37,902
	–	46,519	–	46,519
2001	–	–	–	–

Accumulated Depreciation	Beginning of year RM	Charge for the year RM	Disposals RM	End of year RM
2002:				
Office equipment	–	827	–	827
Motor vehicle	–	3,790	–	3,790
	–	4,617	–	4,617
2001	–	–	–	–

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Net Book Value:				
Short leasehold land				
At 1999 valuation	4,331,067	4,423,302	–	–
Buildings				
At 1999 valuation	2,211,749	2,258,813	–	–
At cost	6,950,956	7,093,659	–	–
Plant and machinery	4,394,095	4,859,070	–	–
Fire fighting and security system	78,713	97,349	–	–
Air-conditioning system	1,684	29,802	–	–
Furniture and fittings	126,829	164,557	–	–
Office equipment	668,369	744,466	7,790	–
Electrical installation	126,020	51,453	–	–
Motor vehicles	814,962	558,750	34,112	–
	19,704,444	20,281,221	41,902	–

As of December 31, 2002, the unexpired lease period of the Group's short leasehold land is 47 years.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

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

The short leasehold land and certain buildings were revalued in 1999 based on the report of an independent firm of professional valuers using open market value on the existing use basis. The tax effects relating to the increase in the carrying values of the revalued property are not disclosed or provided for as there is no intention to dispose of these assets in the foreseeable future.

The historical costs of the leasehold land and buildings which were revalued are as follows:

	2002	2001
	RM	RM
Cost	3,728,691	3,728,691
Less: Accumulated depreciation	(687,947)	(617,337)
Net book value at end of year	3,040,744	3,111,354

Certain property, plant and equipment of the Group with a total carrying value of RM15,043,342 (2001: RM16,054,233) are pledged to certain local banks as securities for banking facilities granted to a subsidiary company as mentioned in Note 24.

10. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2002	2001
	RM	RM
Unquoted shares, at cost	27,383,250	26,067,867

The subsidiary companies are as follows:

	Country of incorporation	Principal Activity	Percentage of Ownership	
			2002	2001
			2002	2001
DIRECT HOLDINGS				
Uchi Optoelectronic (M) Sdn. Bhd.	Malaysia	Design, research, development and manufacture of miniature data terminals, fuzzy logic controllers, controlled modules for precision weighing scale, dynamic sound improvement processor, PCB assembly, timer, printer, computing scales and industrial controllers	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%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

10. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

	Country of incorporation	Principal Activity	Percentage of Ownership	
			2002	2001
DIRECT HOLDINGS				
Uchi Technologies (Dongguan) Co., Ltd.	China	Manufacturing and trading of electronic modules. However, it has not commenced operations during the year.	100%	–

INDIRECT HOLDINGS

Uchi Industries (M) Sdn. Bhd.	Malaysia	Dormant	100%	100%
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The amount owing by subsidiary companies are as follows:

	The Company	
	2002	2001
	RM	RM
Uchi Optoelectronic (M) Sdn. Bhd.	42,298,761	35,559,178
Uchi Electronic (M) Sdn. Bhd.	8,407,434	3,138,683
Uchi Technologies (Dongguan) Co., Ltd.	116	–
	50,706,311	38,697,861

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

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

	The Company	
	2002	2001
	RM	RM
Management fee received/ receivable:		
Uchi Optoelectronic (M) Sdn. Bhd.	600,000	600,000
Uchi Electronic (M) Sdn. Bhd.	480,000	480,000
Dividends received:		
Uchi Optoelectronic (M) Sdn. Bhd.	37,500,000	19,500,000
Uchi Electronic (M) Sdn. Bhd.	–	3,840,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

11. OTHER INVESTMENTS

	The Group	
	2002	2001
	RM	RM
At cost:		
Investments in shares quoted in Malaysia	3,875,369	3,936,119
Investments in unit trusts quoted in Malaysia	3,718,319	5,650,548
Investments in bond funds quoted in Malaysia	8,000,000	8,000,000
	15,593,688	17,586,667
Less: Allowance for diminution in value:		
Shares quoted in Malaysia	2,023,937	1,776,724
Unit trusts quoted in Malaysia	264,210	231,677
	(2,288,147)	(2,008,401)
	13,305,541	15,578,266

	The Group	
	2002	2001
	RM	RM
Market value of:		
Shares quoted in Malaysia	1,896,388	2,182,413
Unit trusts quoted in Malaysia	3,454,109	5,418,871
Bond funds quoted in Malaysia	8,182,235	8,123,188
	13,532,732	15,724,472
	13,532,732	15,724,472

12. GOODWILL ON CONSOLIDATION

	The Group	
	2002	2001
	RM	RM
Goodwill arising on consolidation	554,447	554,447
Less: Amortisation		
At beginning of year	66,534	44,356
Amortisation during the year	22,178	22,178
Impairment loss recognised during the year	465,735	-
	(554,447)	(66,534)
At end of year	-	487,913

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

13. INVENTORIES

	The Group	
	2002	2001
	RM	RM
At cost:		
Raw materials	5,381,996	8,119,196
Work-in-progress	3,086,690	41,633
Finished goods	1,904,936	2,852,701
	10,373,622	11,013,530
At net realisable value:		
Raw materials	665,109	1,003,496
Less: Allowance for obsolete inventories	(665,109)	(1,003,496)
	-	-
Finished goods	233,746	347,978
Less: Allowance for obsolete inventories	(233,746)	(347,978)
	-	-
	10,373,622	11,013,530

Certain inventories of the Group with a carrying value of RM10,359,243 (2001: RM10,984,121) are pledged to certain local banks as securities for banking facilities granted to a subsidiary company as mentioned in Note 24.

14. TRADE RECEIVABLES

	The Group	
	2002	2001
	RM	RM
Trade receivables	14,385,368	15,093,820
Less: Allowance for doubtful debts	(2,330,000)	(1,800,000)
	12,055,368	13,293,820

Trade receivables comprise amounts receivable for the sale of goods. The credit period granted on sale of goods is 30 to 60 days (2001: 30 to 60 days). An allowance has been made for estimated irrecoverable amounts from the sales of goods of RM2,330,000 (2001: RM1,800,000).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

15. OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Interest receivables	1,187,251	298,411	526,830	298,411
Other receivables	695,115	312,184	–	–
Prepaid expenses	524,187	223,889	–	–
Tax recoverable	63,190	18,492	63,190	–
Refundable deposits	32,212	28,390	1,000	1,000
	2,501,955	881,366	591,020	299,411

16. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The average credit period granted to the Group for trade purchases is 30 to 60 days (2001: 30 to 60 days).

17. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Other payables	1,267,059	2,639,915	25,174	–
Accrued expenses	3,279,096	3,148,890	136,017	135,845
	4,546,155	5,788,805	161,191	135,845

Other payables comprise mainly amount outstanding for ongoing costs.

18. PROVISION FOR REWORK AND WARRANTY

	The Group	
	2002 RM	2001 RM
At beginning of year	2,800,000	1,904,776
Additions	1,071,495	975,224
Less: Utilised	(371,495)	(80,000)
At end of year	3,500,000	2,800,000

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

19. AMOUNT OWING TO DIRECTORS

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

20. SHARE CAPITAL

	The Group and The Company			
	2002		2001	
	No. of shares	RM	No. of shares	RM
Ordinary shares of RM1 each:				
Authorised:				
At beginning of year	50,000,000	50,000,000	50,000,000	50,000,000
Created during the year	50,000,000	50,000,000	–	–
At end of year	100,000,000	100,000,000	50,000,000	50,000,000
Ordinary shares of RM1 each:				
Issued and fully paid:				
At beginning of year	44,146,000	44,146,000	40,000,000	40,000,000
Bonus issue	17,847,600	17,847,600	4,000,000	4,000,000
ESOS	2,453,000	2,453,000	146,000	146,000
At end of year	64,446,600	64,446,600	44,146,000	44,146,000

As approved by the shareholders at the Extraordinary General Meeting held on February 8, 2002, the authorised share capital of the Company was increased from RM50,000,000 comprising 50,000,000 ordinary shares of RM1 each to RM100,000,000 by the creation of an additional 50,000,000 ordinary shares of RM1 each.

During the financial year, the issued and paid up share capital of the Company was increased from RM44,146,000 to RM64,446,600 by way of:

- (i) a bonus issue of 17,847,600 new ordinary shares of RM1 each through capitalisation of an amount of RM17,847,600 from the share premium account on the basis of two new ordinary shares of RM1 each for every five existing ordinary shares of RM1 each held; and
- (ii) issues of 2,453,000 new ordinary shares of RM1 each for cash pursuant to the Employees' Share Option Scheme (ESOS) of the Company at exercise prices ranging from RM3.69 to RM6.72 per ordinary share.

The resultant premium arising from the shares issued pursuant to the ESOS of RM7,829,800 was credited to the share premium account.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

20. SHARE CAPITAL (cont'd)

Under the Company's ESOS which became effective on August 8, 2001, options to subscribe for unissued new ordinary shares of RM1 each in the Company were granted to eligible directors and employees of the Company and its subsidiary companies.

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

Exercisable from	No. of options over ordinary shares of RM1 each				Balance as of 31.12.2002
	Balance as of 1.1.2002	Granted	Exercised	Lapsed	
August 13, 2001	3,214,000	1,094,800*	(2,098,000)	(42,200)	2,168,600
October 9, 2001	70,000	24,000*	(52,000)	(25,200)	16,800
November 9, 2001	63,000	19,600*	(55,000)	(15,400)	12,200
December 10, 2001	154,000	61,600*	(120,000)	–	95,600
February 10, 2002	–	264,600*	(43,000)	–	221,600
March 8, 2002	–	235,200*	(64,000)	(49,000)	122,200
April 11, 2002	–	70,000	(7,000)	(7,000)	56,000
May 10, 2002	–	86,000	(3,000)	–	83,000
June 10, 2002	–	42,000	–	–	42,000
July 12, 2002	–	7,000	–	–	7,000
August 19, 2002	–	7,000	–	–	7,000
October 8, 2002	–	115,000	(9,000)	–	106,000
November 11, 2002	–	49,000	(2,000)	–	47,000
December 10, 2002	–	21,000	–	–	21,000
Total	3,501,000	2,096,800	(2,453,000)	(138,800)	3,006,000

* Inclusive of adjustment made on share options granted due to alteration in capital structure of the Company by way of bonus issue.

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 Kuala Lumpur Stock Exchange 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

20. SHARE CAPITAL((cont'd)

- (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 of RM1 each to be allocated 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.

21. RESERVES

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Non-distributable:				
Share premium	12,273,097	22,391,166	12,273,097	22,391,166
Revaluation reserve	2,038,303	2,038,303	–	–
Merger deficit	(18,067,867)	(18,067,867)	–	–
	(3,756,467)	6,361,602	12,273,097	22,391,166
Distributable:				
Retained profit	87,811,256	64,564,102	24,343,948	15,079,075
	84,054,789	70,925,704	36,617,045	37,470,241

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. This amount arose from the revaluation of the Group's leasehold land and certain buildings as disclosed in Note 9.

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, 2002

22 DIVIDENDS

	The Group and the Company	
	2002	2001
	RM	RM
Dividends declared and paid:		
Final tax exempt dividend of 6 sen (2001:12 sen) per ordinary share, for 2001 and 2000 respectively	3,789,456	4,800,000
Special tax exempt dividend of 4 sen (2001:18 sen) per ordinary share, for 2001 and 2000 respectively	2,526,304	7,200,000
Special dividend of 15 sen gross per ordinary share, less tax, for 2001	6,821,021	–
Dividends declared and payable:		
Interim dividend of 6 sen, less tax (2001: 6 sen tax exempt) per ordinary share, for 2002 and 2001 respectively	2,784,093	2,648,760
Special tax exempt interim dividend of 16 sen (2001: 6 sen) per ordinary share, for 2002 and 2001 respectively	10,311,456	2,648,760
	26,232,330	17,297,520

The directors also proposed a final dividend of 22 sen per ordinary share, tax exempt, in respect of the current financial year. The proposed final dividend if payable in respect of all ordinary shares in issue as at the date of the issue of the financial statements would amount to RM14,235,892 and have not been included as liabilities in the financial statements. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and the date of entitlement of dividend has not yet been determined as at the date of the issue of the financial statements.

23. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Short-term deposits with licensed banks	80,589,234	76,398,376	23,425,926	22,337,523
Short-term deposits with finance companies	36,131,306	–	12,399,860	–
	116,720,540	76,398,376	35,825,786	22,337,523
Cash and bank balances	2,268,631	562,979	199,087	49,501
	118,989,171	76,961,355	36,024,873	22,387,024
Less: short-term deposits held as security value	(1,227,922)	(1,175,564)	–	–
	117,761,249	75,785,791	36,024,873	22,387,024

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

23. CASH AND CASH EQUIVALENTS (cont'd)

The short-term deposits held as security value are pledged to the banks to secure banking facilities obtained by the Group.

The effective interest rates are as follows:

	The Group		The Company	
	2002 %	2001 %	2002 %	2001 %
Short-term deposits with licensed banks	3.20 - 4.05	3.20 - 4.25	3.20 - 4.05	3.20 - 4.25
Short-term deposits with finance companies	3.20 - 4.05	—	3.20 - 4.05	—

24. BANKING FACILITIES - SECURED

As of December 31, 2002, the Group has bank overdraft and other banking facilities totalling RM12.33 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 RM1,227,922;
- (iv) Corporate guarantee from a subsidiary company for RM2.25 million; and
- (v) Corporate guarantee from the Company for RM4.98 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 average effective interest rate of the bank overdraft is 7.4% (2001: 7.8%).

25. LEASE COMMITMENTS

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

	The Group	
	2002 RM	2001 RM
Not later than 1 year	3,600	9,720

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

26. CONTINGENT LIABILITY- UNSECURED

The Company is contingently liable for guarantees given to local banks up to RM4.98 million in respect of banking facilities granted to certain subsidiary companies.

27. SUBSEQUENT EVENT

Subsequent to December 31, 2002, the Company allotted 262,000 new ordinary shares of RM1 each for cash pursuant to the ESOS at exercise prices ranging from RM3.69 to RM6.85 per share.

28. COMPARATIVE FIGURES

During the financial year, the presentation of the financial statements of a subsidiary have been changed to comply with the requirements of MASB 20, Provisions, Contingent Liabilities and Contingent Assets. Provision for rework and warranty which was previously included in other payables and accrued expenses have now been disclosed separately. The relevant comparative figures have been reclassified on the face of the Group's balance sheets as follows to conform with this presentation:

	The Group	
	Amount as previously reported RM	Amount as restated RM
Other payables and accrued expenses	8,588,805	5,788,805
Provision for rework and warranty	–	2,800,000

29. FINANCIAL INSTRUMENTS

a. Financial Risk Management Objectives and Policies

The operations of the Group 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 has formulated a financial risk management framework whose principal objective is to minimise the Group's exposures to risks and/ or costs associated with the financing, investing and operating activities of the Group.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

29. FINANCIAL INSTRUMENTS (cont'd)

(ii) Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group'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 does 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 uses an investment committee to monitor fluctuations in market prices and 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 practises 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 reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

b. Financial Assets

The Group's principal financial assets are cash and bank balances, demand deposits, trade and other receivables and equity investments.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

c. Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities include trade and other payables, and provision for rework and warranty.

Equity instruments are recorded at the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

29. FINANCIAL INSTRUMENTS (cont'd)

d. 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.

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/ (buy) the following amounts under forward contracts:

	RM	Average Exchange Rate per unit of Ringgit Malaysia RM
US Dollar	20,930,000	3.8055 and 3.809
Euro	(475,000)	3.349
	<u>20,455,000</u>	

All of these contracts mature within one month of the balance sheet date.

The net deferred gain arising on such contracts as of December 31, 2002 of approximately RM126,000 will be recognised in the underlying transactions in the first quarter of 2003.

e. Credit Risk

The financial instruments which potentially subject the Group to credit risk are trade receivables and foreign currency forward contracts. Concentration of credit risk with respect to trade receivables is limited due to a number of customers in various industries and geographical locations. The Group is exposed to credit risk with respect to foreign currency forward contracts in the event of non-performance by the counterparties to these financial instruments which are major financial institutions. The directors are of the opinion that the risk of incurring material losses related to this credit risk is remote.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

29. FINANCIAL INSTRUMENTS (cont'd)

f. Fair Values

The carrying amounts and the estimated fair values of the Group's financial instruments as of December 31, 2002 are as follows:

	Note	The Group Carrying Amount RM	Fair Value RM
Financial assets			
Other investments - quoted shares, unit trusts and bond funds	11	13,305,541	13,532,732
Off Balance Sheet Item			
Foreign Currency Forward Contracts		—	20,581,000

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.

30. SEGMENTAL REPORTING

Business Segments

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

- manufacturing of miniature data terminals, fuzzy logic controllers, controlled modules for precision weighing scale, dynamic sound improvement processor, PCB assembly, timer, printer, computing scales and industrial controllers.
- trading of complete electric module and saturated paper for PCB lamination.
- others (includes investment holdings).

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

30. SEGMENTAL REPORTING (cont'd)

THE GROUP

2002	Manufacturing RM	Trading RM	Others RM	Elimination RM	Total RM
Revenue					
External sales	114,436,619	410,574	–	–	114,847,193
Inter-segment sales	–	8,683,661	38,580,000	(47,263,661)	–
Total revenue	<u>114,436,619</u>	<u>9,094,235</u>	<u>38,580,000</u>	<u>(47,263,661)</u>	<u>114,847,193</u>
Results					
Profit from operations	55,412,333	261,936	37,528,209	(38,099,512)	55,102,966
Finance costs	(6,863)	–	–	–	(6,863)
Impairment loss	–	(870,040)	–	870,040	–
Profit/ (loss) before tax	<u>55,405,470</u>	<u>(608,104)</u>	<u>37,528,209</u>	<u>(37,229,472)</u>	<u>55,096,103</u>
Income tax expense	(5,532,787)	(89,081)	(2,094,751)	2,100,000	(5,616,619)
Profit/ (loss) after tax	<u>49,872,683</u>	<u>(697,185)</u>	<u>35,433,458</u>	<u>(35,129,472)</u>	<u>49,479,484</u>
Other information					
Capital additions	1,029,551	397,246	46,519	(393,931)	1,079,385
Depreciation and amortisation	1,251,041	286,894	536,622	–	2,074,557
Consolidated Balance Sheet Assets					
Segment assets	<u>125,421,887</u>	<u>31,668,506</u>	<u>116,815,992</u>	<u>(96,976,284)</u>	<u>176,930,101</u>
Liabilities					
Segment liabilities	<u>56,805,617</u>	<u>25,352,183</u>	<u>13,946,664</u>	<u>(67,675,752)</u>	<u>28,428,712</u>
2001					
Revenue					
External sales	94,399,189	599,937	–	–	94,999,126
Inter-segment sales	–	13,641,152	24,420,000	(38,061,152)	–
Total revenue	<u>94,399,189</u>	<u>14,241,089</u>	<u>24,420,000</u>	<u>(38,061,152)</u>	<u>94,999,126</u>
Results					
Profit from operations	40,527,434	343,069	23,288,534	(23,340,000)	40,819,037
Finance costs	(6,128)	(3)	–	–	(6,131)
Profit before tax	<u>40,521,306</u>	<u>343,066</u>	<u>23,288,534</u>	<u>(23,340,000)</u>	<u>40,812,906</u>
Income tax expense	(3,794,034)	128,664	(3,008,085)	2,923,200	(3,750,255)
Profit after tax	<u>36,727,272</u>	<u>471,730</u>	<u>20,280,449</u>	<u>(20,416,800)</u>	<u>37,062,651</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2002

30. SEGMENTAL REPORTING (cont'd)

2001	Manufacturing RM	Trading RM	Others RM	Elimination RM	Total RM
Other information					
Capital additions	2,863,279	2,163,212	–	(2,059,755)	2,966,736
Depreciation and amortisation	1,498,168	94,895	66,269	–	1,659,332
Consolidated Balance Sheet Assets					
Segment assets	105,668,438	17,426,438	87,134,881	(71,732,286)	138,497,471
Liabilities					
Segment liabilities	52,840,234	10,412,930	5,837,022	(45,664,419)	23,425,767

Geographical segments

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

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

	Sales revenue by geographical market	
	2002 RM	2001 RM
United States	776,137	650,869
European countries	114,071,056	94,348,257
	114,847,193	94,999,126

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.

	Carrying amount of segment assets		Capital additions	
	2002 RM	2001 RM	2002 RM	2001 RM
Malaysia	175,549,340	138,497,471	1,035,765	2,966,736
China	1,380,761	–	43,620	–
	176,930,101	138,497,471	1,079,385	2,966,736

STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

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 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, 2002 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,

Date: March 3, 2003

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 3, 2003**.)

OW CHOOI KHIM

Before me,

GM. GOVINDASAMY
COMMISSIONER FOR OATHS

LIST OF PROPERTIES

Location	Description	Tenure / Date of Expiry of Lease	Age (Years)	Land Area / Built-up Area (Sq. Ft)	Net Book Value at 31.12.2002 (RM)	Date of Last Revaluation
REGISTERED BENEFICIALOWNER: UCHI OPTOELECTRONIC (M) SDN. BHD.						
HS (D) 4360/PT No. 3054 (New Lot No. 4971) Mukim 1, Seberang Perai Tengah, Pulau Pinang (Tingkat Perusahaan 4A, Perai FTZ Phase II, Perai)	Industrial Land	60 years leasehold expiring on 1.1.2050	–	140,083	2,262,434	26.5.1999
HS (D) 4360/PT No. 3054 (New Lot No. 4971) Mukim 1, Seberang Perai Tengah, Pulau Pinang (Tingkat Perusahaan 4A, Perai FTZ Phase II, Perai)	Factory Building	60 years leasehold expiring on 1.1.2050	8	33,144	2,211,749	26.5.1999
			2	92,864	6,950,956	–
REGISTERED BENEFICIALOWNER: UCHI INDUSTRIES (M) SDN. BHD.						
HS (D) 4319/PT No. 3048 (New Lot No. 4972) Mukim 1, Seberang Perai Tengah, Pulau Pinang (Tingkat Perusahaan 4A, Perai FTZ Phase II, Perai)	Vacant Industrial Land	60 years leasehold expiring on 6.12.2049	–	140,178	2,068,633	26.5.1999

SHAREHOLDINGS STATISTICS

as of March 28, 2003

ANALYSIS OF SHAREHOLDINGS

Share Capital

Authorised	:	RM 100,000,000.00
Issued and Fully Paid Up	:	RM 64,809,600.00
Class of Shares	:	Ordinary shares of RM 1.00 each with equal voting rights

Size of Shareholdings	No. of Holders		No. of Shares		%	
	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1 - 999	182	2	42,820	1,040	0.07	0.00
1,000 - 10,000	802	21	1,924,163	79,680	2.97	0.12
10,001 - 100,000	118	41	4,273,622	1,669,000	6.59	2.58
100,001 - 3,240,479	20	17	9,299,619	9,397,860	14.35	14.50
3,240,480 and above	0	3	0	38,121,796	0.00	58.82
Total	1,122	84	15,540,224	49,269,376	23.98	76.02

SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	No. of		No. of	
	Shares held	%	Shares held	%
	Direct		Indirect	
Eastbow International Limited	23,629,757	36.46	–	–
Ironbridge Worldwide Limited	11,207,039	17.29	–	–
HSBC Nominees (Asing) Sdn. Bhd. Qualifier: BOB HK for Arisaig Asean Fund Limited	3,285,000	5.07	–	–
Kao, De-Tsan also known as Ted Kao	211,400	0.33	23,629,757*	36.46
Kao, Te-Pei also known as Edward Kao	1,075,700	1.66	11,207,039+	17.29
Total	39,408,896	60.81	34,836,796	53.75

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

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

SHAREHOLDINGS STATISTICS (cont'd)

as of March 28, 2003

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	Eastbow International Limited	23,629,757	36.46
2	Ironbridge Worldwide Limited	11,207,039	17.29
3	HSBC Nominees (Asing) Sdn Bhd Qualifier: BOB HK for Arisaig Asean Fund Limited	3,285,000	5.07
4	HSBC Nominees (Asing) Sdn Bhd Qualifier: BOB HK for Arisaig Asian Small Companies Fund Ltd	2,025,000	3.12
5	Yayasan Islam Terengganu	1,777,419	2.74
6	Chang, Shin-Fang	1,600,000	2.47
7	HSBC Nominees (Tempatan) Sdn Bhd Qualifier: HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)	1,344,000	2.07
8	Amanah Raya Nominees (Tempatan) Sdn Bhd Qualifier: Skim Amanah Saham Bumiputera	1,234,000	1.90
9	Citicorp Nominees (Asing) Sdn Bhd Qualifier: TNTC for Government Of Singapore Investment Corporation Pte Ltd	1,171,700	1.81
10	Kao, Te-Pei also known as Edward Kao	1,071,020	1.65
11	Universal Trustee (Malaysia) Berhad Qualifier: Alliance First Fund	740,220	1.14
12	AMMB Nominees (Tempatan) Sdn Bhd Qualifier: Amtrustee Berhad for Pacific Pearl Fund (5/1-9)	512,000	0.79
13	HSBC Nominees (Asing) Sdn Bhd Qualifier: BNY Brussels for Herald Investment Trust Plc (Stewart Ivory)	500,000	0.77
14	Malaysia Nominees (Tempatan) Sendirian Berhad Qualifier: Malaysian Trustees Berhad for Alliance Vision Fund (00-10033-000)	456,000	0.70
15	Cheong Siew Chyuan	446,000	0.69
16	Citicorp Nominees (Asing) Sdn Bhd Qualifier: American International Assurance Company Limited (P Core)	440,860	0.68

SHAREHOLDINGS STATISTICS (cont'd)

as of March 28, 2003

LIST OF THIRTY LARGEST SHAREHOLDERS (cont'd)

No.	Name of Shareholders	No. of Shares	%
17	HSBC Nominees (Asing) Sdn Bhd Qualifier: HSBC Trustee (S) Ltd for Pheim Apec Growth Fund Limited	370,000	0.57
18	HSBC Nominees (Asing) Sdn Bhd Qualifier: JPMCB for Driehaus International Discovery	368,935	0.57
19	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pheim Asset Management Sdn Bhd for Employees Provident Fund	360,000	0.56
20	BHLB Trustee Berhad Qualifier: TA Growth Fund	358,000	0.55
21	UOBM Nominees (Asing) Sdn Bhd Qualifier: BNP Paribas Peregrine Securities Pte Ltd for Capital Intelligence Limited	264,000	0.41
22	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pheim Asset Management Sdn Bhd for Magnum 4D (Selangor) Sdn. Bhd.	264,000	0.41
23	HSBC Nominees (Tempatan) Sdn Bhd Qualifier: HSBC (M) Trustee Bhd for The Hwang-DBS Select Opportunity Fund (3969)	250,000	0.39
24	Universal Trustee (Malaysia) Berhad Qualifier: Alliance First Fund	239,780	0.37
25	Citicorp Nominees (Asing) Sdn Bhd Qualifier: American International Assurance Company Limited (AIAEquity FD)	228,200	0.35
26	Kao, De-Tsan also known as Ted Kao	211,400	0.33
27	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pheim Asset Management Sdn Bhd for Employees Provident Fund (029)	208,200	0.32
28	Universal Trustee (Malaysia) Berhad Qualifier: TA Islamic Fund	205,000	0.32
29	Chang, Shin-Fang	200,000	0.31
30	Mayban Nominees (Asing) Sdn Bhd Qualifier: HSBC Provident Fund Trustee (Hong Kong) Limited for AIG Asian Fund (066-010166-475)	182,000	0.28
TOTAL		55,149,530	85.09

SHAREHOLDINGS STATISTICS (cont'd)

as of March 28, 2003

DIRECTOR'S SHAREHOLDINGS

Name of Directors	No. of		No. of	
	Shares held	%	Shares held	%
	Direct		Indirect	
Kao, De-Tsan also known as Ted Kao	211,400	0.33	23,629,757*	36.46
Kao, Te-Pei also known as Edward Kao	1,075,700	1.66	11,207,039+	17.29
Dato'Hong Tok Hiang @ Fang Chok Seong	21,401	0.03	–	–
Huang, Teng-Yen	15,400	0.02	–	–
Ng Hai Suan @ Ooi Hoay Seng	70,000	0.11	240,000#	0.37
Kao Wang, Ying-Ying	–	–	–	–
Chang, Shin-Fang	1,800,000	2.78	–	–

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

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

By virtue of his substantial interest in Richfield Sdn. Bhd. and deemed interest by virtue of section 122A of the Companies Act, 1965 held through Mr. Ooi Swee Aik.

PROXY FORM

UCHI TECHNOLOGIES BERHAD (457890-A)

(Incorporated in Malaysia)

NUMBER OF SHARES HELD

I/We, _____ of _____ being a Member of the above Company hereby appoint _____ or failing him, _____ of _____ or failing him, the Chairman of the Meeting, as my/our proxy, to vote for me/us on my/our behalf at the FIFTH ANNUAL GENERAL MEETING of the Company to be held at the Room Laurel II, Evergreen Laurel Hotel, 53 Persiaran Gurney, 10250 Penang on WEDNESDAY, MAY 28, 2003 at 3.00 p.m. and at any adjournment thereof.

I/We hereby indicate with an "X" in the spaces provided how I/we wish my/our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Audited Financial Statements of the Company for the year ended December 31, 2002 together with the Reports of the Directors and of the Auditors thereon.		
2. To declare a Final Dividend of 22 Sen per share, exempt from Income Tax for the year ended December 31, 2002.		
3. To approve the payment of Directors' fees for the year ended December 31, 2002.		
4. To re-elect Mr. Kao, Te-Pei also known as Edward Kao, a director retiring under the provision of Article 131 of the Articles of Association of the Company.		
5. To re-elect Dato' Hong Tok Hiang @ Fang Chok Seong, DSDK, SMS, AMK, PJK, JP, a director retiring under the provision of Article 131 of the Articles of Association of the Company.		
6. To consider and if thought fit, to pass the following 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."		
7. To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.		
8. <u>Special Business</u> <u>Ordinary Resolution</u> To approve the resolution pursuant to Section 132D of the Companies Act, 1965.		

Signed this _____ day of _____ 2003

Signature of Member

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-AJalan Burma, 10350 Penang at least 48 hours before the time for holding the Meeting or any adjournments thereof.

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THE SECRETARY

UCHI TECHNOLOGIES BERHAD (457890-A)

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



POSTAGE

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(457896-A)

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