PROTEGE ASSOCIATES SDN BHD (675767-H)
SUITE C-06-06, PLAZA MONT' KIARA
2 JALAN KIARA, MONT' KIARA
50480 KUALA LUMPUR, MALAYSIA
GEN +603 6201 9301 FAX +603 6201 7302
www.protege.com.my

Protégé ASSOCIATES

BRAND | FINANCE | MARKET

27 May 2019

The Board of Directors
UWC Berhad
PMT 744-745, Jalan Cassia Selatan 5/1
Taman Perindustrian Batu Kawan
14110 Bandar Cassia, Pulau Pinang
Malaysia

Dear Sir/Madam,

Executive Summary of the Strategic Analysis of the Engineering Supporting Industry in Malaysia

This Executive Summary of the 'Strategic Analysis of the Engineering Supporting Industry in Malaysia' by Protégé Associates Sdn. Bhd. ("Protégé Associates") for inclusion in the prospectus of UWC Berhad ("UWC") in relation to the listing of UWC on the Main Market of Bursa Malaysia Securities Berhad.

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Tan Chin How is a Director of Protégé Associates. He has 15 years of experience in consulting and market research for multiple industries ranging from manufacturing, information technology, renewable energy, steel, oil and gas, aquaculture to various other sectors. He has also provided his market research expertise to government agencies such as Malaysian Technology Development Corporation Sdn Bhd, Department of Fisheries Malaysia and Malaysian Green Technology Corporation.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of this report. We believe that this report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present an overall view of the industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

TAN CHIN HOW
Director

1 INTRODUCTION TO THE ENGINEERING SUPPORTING INDUSTRY

Engineering supporting industry ("ESI") is an industry involved in the production of intermediate metal products that are used to produce various finished products. In terms of segmentation, the ESI in Malaysia comprises eight different segments, which are moulds and dies, machining, metal casting, metal stamping, surface engineering, heat treatment, forging and metal fabrication (Source: Malaysian Investment Development Authority ("MIDA")).

Moulds and dies segment manufactures moulds and dies that are required for use in the manufacturing industry. A mould is a container for liquid substance and molten metal to be poured into it and form the metal products in the same shape as the mould as the substance is solidified. On the other hand, a die is a block of metal of specific shape or pattern cut and is used for shaping a metal workpiece through mechanical forces.

Machining segment involves the production of high-precision machined parts and components through advanced computer numerical control ("CNC") machines that are capable of multi-axis machining, and other high-level technological equipment. Some examples of precision machined parts include shafts, pins, brushes, jigs and other machined components like parts found in a hard disk drive. As CNC machines are commonly used in the machining activities, the fabricated parts are highly accurate with manufacturing tolerances as low as one to five micrometre. The capabilities of a CNC machine in carrying out multi-axis machining also expand the range of products that can be produced.

Metal casting segment includes foundries, die casting, magnesium injection moulding (Thixomoulding©) and investment casting. Foundries are factories that conduct metal castings, a process of melting metals into liquid form and subsequently pouring it into a mould to produce a specific metal product. Die casting is a manufacturing process whereby molten metal is injected into dies at high pressures to form a casting that takes the shape of the die used. On the other hand, Magnesium injection moulding (Thixomoulding©) is a process which uses magnesium alloys that are heated into a semi-solid state and injected at high speeds into moulds to produce precision moulded components. Lastly, investment casting is a casting process whereby a three dimensional ("3D") wax version of the desired product is created and subsequently dipped into a ceramic suspension that hardens over the wax structure, creating a ceramic mould. Investment casting is often seen in the aerospace, machinery and automotive industries due to its capability of producing complex shapes with accurate tolerances.

Metal stamping segment produces stamped metal parts, also known as sheet metal parts, for the electrical and electronics ("E&E"), automotive and machinery and equipment ("M&E") industries.

Surface engineering refers to the process of modifying the surface of a metal product with other components and is typically conducted via plating processes.

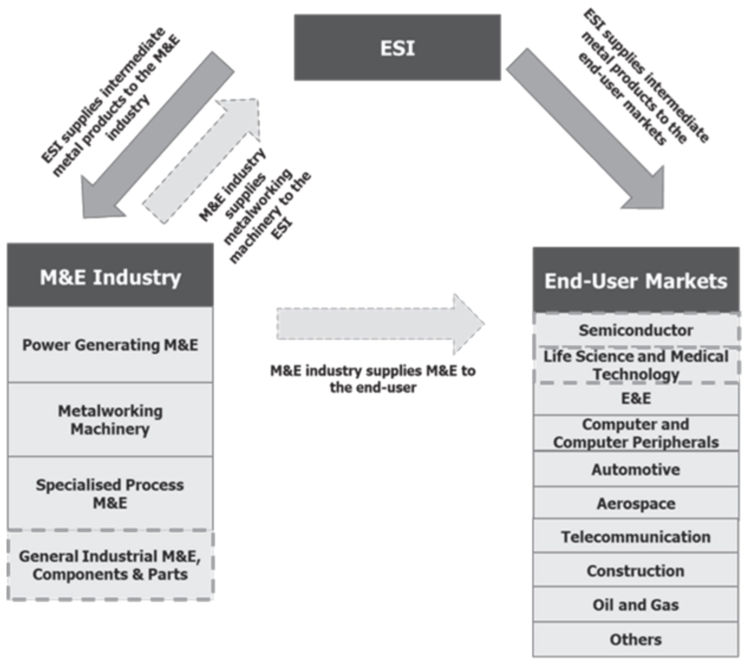
Heat treatment segment involves the heating and cooling of metals to alter their physical and mechanical properties.

Forging is a process that involves the application of physical force to bend and alter the physical shape of a metal into a desired form and is heavily used in metal manufacturing involving iron and steel.

Metal fabrication is the process of manufacturing metal products through bending, welding and assembling activities. Products can range from simple household items to large-scale metal fabricated structures used for skyscrapers and oil drilling platforms.

The ESI comprises 2 user industries, namely the M&E industry and the end-user markets.

Figure 1: User Industries of the ESI



Notes:

denotes supply from the ESI

denotes supply from the M&E industry

denotes the key customer markets of UWC and its subsidiaries (collectively, the "UWC Group")

Source: MIDA and Protégé Associates

M&E industry revolves around the production of a wide range of M&E. It is a user of intermediate metal products manufactured by the ESI. The M&E industry includes power generating M&E, metalworking machinery, specialised process M&E and general industrial M&E components and parts.

Power generating M&E refers to the M&E used to generate power from various energy resources. Products in this segment mainly comprise boilers, condensers, electric generating sets, turbines and engines.

Metalworking machinery refers to the machineries used in working with metal. These machineries are also catered to the ESI to perform various metalworking processes to produce intermediate metal products.

Specialised process M&E refers to the M&E that are specifically designed and produced for the use in a particular process or industry.

General industrial M&E, components and parts refers to common M&E and its components and parts which cater to multiple end-user industries.

End-user markets consist of industries that ultimately use the intermediate metal products produced by the ESI. These end-users are primarily manufacturers of various products, ranging from semiconductor, life science and medical technology products, E&E, to other products such as computer and computer peripherals, as well as products of automotive, aerospace and telecommunication industries. Specifically, large-scale metal fabricated structures cater mainly to the oil and gas and construction industries.

2 OVERVIEW OF THE M&E INDUSTRY AND SELECTED END-USER MARKETS

Overview of the M&E Industry in Malaysia

Malaysia has been a net importer of M&E. Total M&E import has been rising from RM54.57 billion in 2013 to RM73.62 billion in 2018, representing a compound annual growth rate ("CAGR") of 6.2%. The M&E imported into Malaysia was mainly sourced from countries such as the United States ("US"), Japan, Singapore, China, Thailand and Germany. On a positive note, total M&E export from Malaysia has also been expanding throughout the same period. In 2013, total M&E export stood at RM27.07 billion and it grew by a CAGR of 8.5% to RM40.63 billion in 2018. The M&E produced in Malaysia was mainly exported to countries such as Singapore, the US, Japan, Germany, the United Kingdom, Indonesia, Thailand, Hong Kong and Australia.

Overview of the Global Semiconductor Industry

The global semiconductor industry posted total sales of USD468.8 billion in 2018, representing a 13.7% increase from USD412.2 billion in 2017, according to the Semiconductor Industry Association, an organisation that represents the voice of the US semiconductor industry. Growth was mainly driven by an ever-increasing number of devices embedding semiconductor technology throughout the world, as more E&E devices are being created for the convenience of humankind.

Overview of the Global Life Science and Medical Technology Industry

Life science generally refers to the combination of scientific study involving organisms, which includes microorganisms, plants, animals and human beings, with technological advances. On the other hand, medical technology generally refers to the application of knowledge to develop products that can help to improve the healthcare sector, especially in the field of diagnosis and treatment. The development of life science is often associated with medical technology, due to their similarities in fundamental drivers, namely an aging population and prevalence of chronic diseases. At present, medical technology focuses on incorporating new technologies or improving existing technologies embedded in consumer-oriented medical devices and healthcare equipment. This is also one of the main targets of life science companies. The innovation in the life science and medical technology industry has manifested in many new products, ranging from the invention of new medical devices such as needle-free diabetes care to surgical robot for operations.

3 STRATEGIC ANALYSIS OF THE ESI IN MALAYSIA

Historical Industry Performance and Growth Forecast

Protégé Associates has provided the historical performance and growth forecast of the ESI in Malaysia based on a combination of resources, including the data from the Department of Statistics Malaysia and the annual reports of public listed companies. The historical market size of the ESI in Malaysia is derived from the aggregate sales values of manufactured products from various metalworking activities in the ESI sourced from the Department of Statistics Malaysia. The findings are then supplemented by the annual reports of public listed companies to ascertain the historical scenario and future prospects of the ESI in Malaysia. Revenue of the Malaysian private companies in the ESI is also obtained through company searches to supplement the findings and computation.

The ESI in Malaysia is dependent on export demand as the industry exports to multiple end-user markets, including semiconductor, life science and medical technology, M&E and others. Accordingly, the performance of the industry as a whole underwent cyclical year-on-year growth in the past years from 2015 to 2018 in tandem with the fluctuation in global economic growth and a volatile foreign currency exchange, notably the US Dollar that affects the export demand.

The cyclical growth performance can also be attributed to the cyclical nature of technology-based end-user market, notably the semiconductor industry. The cyclical nature of the semiconductor industry with frequent introduction of new or better electronic devices has resulted in older technology becoming obsolete at a faster pace. As a result, pricing of existing devices tends to depreciate in order to remain competitive in the marketplace. The downward pricing pressure is also passed to the entire value chain of the semiconductor industry, including the ESI which supplies various parts and components.

The estimated market size (in terms of sales value of manufactured products in Malaysia) and growth forecast of the ESI in Malaysia is shown in the following figure.

Figure 2: Estimated Market Size (in terms of sales value of manufactured products in Malaysia) and Growth Forecast of the ESI in Malaysia, 2014-2023

Year	Market Size (RM billion)	Growth Rate (%)
2014	6.49	-
2015	7.15	10.1
2016	7.34	2.7
2017	8.08	10.1
2018	8.39	3.8
2019	9.22	10.0
2020	9.50	3.0
2021	10.41	9.5
2022	10.71	2.9
2023	11.73	9.5

Notes:

1. *CAGR (2019-2023) (base year of 2018): 6.9%;*
2. *All figures are rounded;*
3. *Figures from 2019 to 2023 are projection.*
4. *The estimated market size and growth forecast exclude sales of products from metal fabrication activities which range from simple household items to large-scale metal fabricated structures for skyscrapers and oil drilling platform.*

Source: Department of Statistics Malaysia and Protégé Associates

In 2015, the global economy registered a slower growth of 3.4% (2014:3.6%). However, the ESI in Malaysia recorded a strong 10.1% growth from RM6.49 billion in 2014 to RM7.15 billion in 2015. Growth in the year was mainly attributed to a strengthened US Dollar against the Malaysian Ringgit that spurred the external demand for intermediate metal products from the ESI in Malaysia. The strengthening of US Dollar has also improved the external demand for the locally manufactured products in the end-user markets, and accordingly led to higher local demand for the intermediate metal products of the ESI in Malaysia. In 2016, the ESI in Malaysia continued to grow albeit at a slower rate of 2.7% in tandem with a global economic growth at 3.4% (2015:3.4%) that softened the consumer sentiments, leading to a lower demand from end-user markets. During the year, growth of the ESI in Malaysia was largely supported by a continued strengthening of US Dollar to increase the demand for the intermediate metal products from the ESI in Malaysia.

In 2017, the ESI in Malaysia registered another strong expansion of 10.1% in tandem with a higher global economic growth at 3.8%, alongside betterment in consumer sentiment to spend more. Accordingly, it spurred higher manufacturing activities among the M&E industry and end-user markets of ESI, leading to higher demand for intermediate metal products from the ESI in Malaysia. The ESI in Malaysia is estimated to worth RM8.08 billion in 2017. In 2018, the ESI in Malaysia grow at a slower rate of 3.8% in tandem with a weaker global economic growth at 3.6%. Going forward, the ESI in Malaysia is projected to continue exhibiting cyclical growth throughout the period of 2019 to 2023, largely due to uncertainties in the global economy in the long term and a volatile foreign currency exchange that are expected to continue impacting the export demand for the intermediate metal products from the ESI in Malaysia.

Growth in the short term (2019-2020) is likely to be affected by the growing trend of protectionism (the governmental actions and policies of protecting its domestic industries from foreign competition through the implementation of tariff, import quotas, products standards or government subsidies) by various countries. The trend of trade protectionism has the potential to adversely impact global trading activities, posing a downside risk to global economic growth. As the end-user markets of the ESI in Malaysia are sensitive to economic cycles and are affected by the conditions in the global economy, any adverse impact on the global economy, triggered by the trade protectionism policies, is likely to adversely affect the ESI in Malaysia. In the medium to long term (2021-2023), the ESI in Malaysia is likely to experience cyclical growth as the industry continues to be exposed to the fluctuation of global economic growth and foreign currency exchange. The ESI in Malaysia is also projected to remain buoyant in the long term and register a CAGR of 6.9% from RM8.39 billion in 2018 to RM11.73 billion in 2023.

Competitive Analysis

The ESI in Malaysia is highly competitive with around 2,000 market players (Source: MIDA) comprising domestic players as well as foreign players establishing their manufacturing facilities in Malaysia. For the purpose of comparison, Protégé Associates has selected the following key market players that are comparable to the UWC Group based on the following criteria:

- Registered an annual turnover of between RM80 million and RM190 million (excluding inter-company sales) based on the latest publicly available financial information (The threshold is selected based on Protégé Associates' study on the list of companies in the ESI in Malaysia and their financials);

- Involved in the production of sheet metal parts and precision machined components; and

- Caters to the semiconductor and/or the life science and medical technology industries.

The selected comparable market players are Frencken Mechatronics (M) Sdn Bhd ("Frencken"), Kobay Technology Berhad ("Kobay Technology"), Alpha Precision Turning and Engineering Sdn Bhd ("Alpha") and Synturn (M) Sdn Bhd ("Synturn"). These market players cater to a wide range of end-user markets and may not entirely be the same as UWC Group.

Figure 3: Comparison between UWC Group with Selected Key Market Players

Company	Frencken	Kobay Technology	Alpha	Synturn	UWC Group
End-user Markets of the Sheet Metal Parts and Precision Machined Components					
Semiconductor	✓	✓	x	✓	✓
Life Science and Medical Technology	✓	✓	✓	x	✓
Others	Analytical, Industrial/ factory automation	Aerospace, oil and gas	Aerospace, automotive, oil and gas, automation, textile	Imaging and printing, machinery and automotive, telecommunication, energy	Telecommunication, M&E
Financial year ended	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.07.2018
Financial Information					
Revenue (RM million)	184.4	156.6(4)	89.3	146.7	136.5
Adjusted profit before tax ("PBT")/(loss before tax)(3) (RM million)	18.6	15.2	12.3	(5.1)	29.3
Adjusted PBT margin (%)(3)	10.1	9.7	13.8	-	21.5
Adjusted profit after tax ("PAT")/(loss after tax)(3) (RM million)	14.9	9.8	9.0	(1.6)	23.2
Adjusted PAT margin (%)(3)	8.1	6.2	10.1	-	17.0

Notes:

1. *The list of market players is not exhaustive;*
2. *The above figures only provide an indication and are not considered directly comparable due to the following reasons:*
   a. *Not all market players have the same financial year end;*
   b. *The financial figures of Kobay Technology and UWC Group are at the group level; and*
   c. *Not all companies carry out activities that are completely the same with each other or in the same geographical area as these companies may include contributions from their other business activities. They may also have operations or serve customers in different geographical areas.*
3. *Excluding other income and dividend income.*
4. *Includes revenue generated from property development division of RM12.1 million.*

Source: Companies Commission of Malaysia, audited consolidated financial statements of Kobay Technology and UWC, and Protégé Associates

Market Share Analysis

For the financial year ended 31 July 2018, UWC Group garnered revenue of RM136.5 million, equivalent to 1.6% share of the ESI in Malaysia during the year. This is based on UWC Group's revenue of RM136.5 million against the market size (in terms of sales value of manufactured products in Malaysia) of the ESI in Malaysia of RM8.39 billion in 2018.

4 DEMAND AND SUPPLY CONDITIONS

Demand Conditions

Technological Advancement

Technological advancement has facilitated an increasing use of E&E products incorporating semiconductor technology, and life science and medical technology products. As the ESI relies heavily on the performance of its end-user markets, the ESI stands to benefit from the rapid evolving technological trends which are expected to drive the demand for semiconductor and life science and medical technology products. Key technological trends in the semiconductor and life science and medical technology industries at present are detailed below.

Invention of new technologies has been driving the growth of the semiconductor industry through the creation of new and innovative electronic devices. Some notable inventions in the past few years include the introduction of augmented reality ("AR"), virtual reality ("VR"), and three dimensional ("3D") printing, which came about from extensive research and development ("R&D") efforts by the technology and E&E companies. Occurring hand-in-hand is the creation of new electronic devices, namely AR glasses, VR headsets, and 3D printing machines.

Advancement of telecommunication technologies impacts the number and types of integrated circuits ("ICs") used in devices and the transmission infrastructure. As such, the advancement of telecommunication technologies and development of semiconductor products often occur hand-in-hand to provide mutual support. The latest telecommunication technologies attribute to the development of the fifth-generation wireless broadband technology ("5G") that provides faster speed and wider coverage. 5G technology is expected to have a greater number of multiple input and output streams, and is set to have a higher data transmission rate than the present fourth-generation wireless broadband technology. The greater data transmission rate alongside the expansion in input and output streams require the support of more advanced semiconductor technology.

Internet of Things ("IoT") refers to the network of physical objects enabled to communicate with one another through the use of electronics, software, sensors and network connectivity embedded within them. There has been a growing prominence of IoT, leading to an increasing pervasiveness of sensors and semiconductors in industrial and consumer products, ranging from cloud computing, drone cameras, smart home devices, wearable technology, to smart manufacturing where manufacturing equipment are connected to each other through a network system.

Life Science and Medical Technology is being progressively developed towards enhancing the solutions to keep human being safe and healthy. A notable trend in the healthcare sector refers to the adoption of Internet of Medical Things ("IoMT") in medical devices to keep track of one's health condition using the embedded connectivity and sensor technology. Continuous tracking of health condition using IoMT devices generates data for the healthcare providers to identify health issues at early stage.

Strong Government Support towards the M&E Industry and End-User Markets

Local demand for intermediate metal products from the ESI in Malaysia is driven by the M&E industry as well as end-user markets, including the semiconductor and life science and medical technology industries. The three industries receive strong government support through their inclusion in the Third Industrial Master Plan ("IMP3") to promote growth.

Expansion in the Global Economy

On the global front, the global economy has registered a 3.6% growth in 2018, compared to 3.8% growth registered in 2017. Global economy is projected to expand by a steady growth of 3.3% and 3.6% in 2019 and 2020 respectively. An expanding global economy helps to improve the consumer confidence and accordingly, fuel the spending on products offered by the end-user markets. This is then translated into higher production from the end-user markets and accordingly, driving more demand for the intermediate metal products from the ESI in Malaysia.

A Growing and Aging Population

According to the United Nations, global population was estimated to be at 7.63 billion in 2018. 61.2% of the population, or around 4.67 billion population are adults aged 15 to 59, followed by the children aged below 15 (25.8% or 1.97 billion population) and older persons aged 60 and above (13.0% or close to 1.00 billion population). Global population is projected to reach 9.77 billion by 2050, with the older population to double by 2050. With an increase in older demography, demand for healthcare is likely to increase and hence driving more demand for life science and medical technology products.

Protectionism by Major Economies

Global trading avenue has witnessed a rising trend of trade protectionism, led by the major economies, notably the US, China and the European Union. The trend of trade protectionism has the potential to adversely impact global trading activities, posing a downside risk to global economic growth. According to the International Monetary Fund ("IMF"), the protectionism measures are estimated to cost the global economy USD430.0 billion lost in GDP or lower global growth as much as 0.5% by 2020. Furthermore, impact of the downside risk may increase if the uncertainties over trade protectionism are prolonged. Within the ESI in Malaysia, the end-user markets are sensitive to economic cycles and are affected by the conditions in the global economy. As such, any adverse impact on the global economy, triggered by the trade protectionism policies and the resulted uncertainties, is likely to adversely affect the demand for intermediate metal products from the ESI in Malaysia. Despite the uncertainties from the rising trend of trade protectionism, the IMF has projected the global economy to continue to grow at 3.3% and 3.6% in 2019 and 2020 respectively, thus supporting the growth of the ESI in Malaysia. In Malaysia, the trade dispute between the major economies has marginal impact on the domestic market to date, according to the Malaysia External Trade Development Corporation. In addition, a special task force has been established by the Ministry of International Trade and Industry ("MITI") to analyse the trend of protectionism and increase the export of potential goods that can fill the demand and supply gap between the US and China. These initiatives are expected to lower the impact of the protectionism trend to the local economy. Nonetheless, the trade protectionism trend, if prolongs, is set to pose further uncertainties to the global economy as well as to the ESI in Malaysia.

Supply Conditions

Expansion within the ESI

In order to retain its competitive advantages in the global marketplace, market players have been investing in upgrading facilities and acquiring latest manufacturing technologies in order to meet the expectation of outsourcing companies. On top of that, market players with the required technical capabilities and capacities further strengthen their competitive strength by offering total manufacturing solutions and integrated services with niche production concept which require design and development capabilities to meet the stringent quality standards.

Growing Sophistication of Manufacturing Technology

Within the ESI, the advancement in technostructure facilities and resources is a strong growth factor. Technostructure facilities and resources here include the various state-of-the-art machine tools, the use of computer system along with advanced computer-aided design and other related design and engineering software, R&D facilities, quality control facilities, etc. Advancement of technostructure allows the ESI to produce metal products of higher precision and minimise human errors.

Support from the Public Sector

Being a vital part of the larger M&E industry for metal fabrication services and parts and components supply, the ESI is also included in the IMP3 in order to catalyse future growth of the M&E industry. Measures introduced by the government include special support programmes in the form of business advisory services and other assistance, which are expected to drive the growth of the ESI in Malaysia.

Downward Pricing Pressure from Customers

The ESI tends to face challenges of downward pricing pressure from technology-based user industry, notably the semiconductor industry. The cyclical nature of the semiconductor industry with frequent introduction of new or better electronic devices has resulted in older technology becoming obsolete at a faster pace. As a result, pricing of existing devices tends to depreciate in order to remain competitive in the marketplace. The downward pricing pressure is also passed to the entire value chain of the semiconductor industry, including the ESI which supplies various parts and components. Market players in the ESI are challenged to lower their margin or find ways to reduce their production cost in order to fulfil the orders of their customers.

5 PROSPECTS AND OUTLOOK OF THE ESI IN MALAYSIA

In 2018, the market size (in terms of sales value of manufactured products in Malaysia) of the ESI in Malaysia is estimated to be at RM8.39 billion. Going forward, the ESI in Malaysia is projected to undergo cyclical growth in tandem with a fluctuation in global economic growth and uncertainties in the foreign currency exchange. Nonetheless, the ESI in Malaysia is supported by technological advancement arising from the invention of new technologies, advancement in telecommunication technologies, IoT and the development in life science and medical technology that spur demand from the end-user markets particularly in semiconductor and life science and medical technology industries. Protégé Associates has projected the ESI in Malaysia to expand by a CAGR of 6.9% from RM8.39 billion in 2018 to RM11.73 billion in 2023.

<u>Outlook of the M&E Industry in Malaysia</u>

The M&E industry in Malaysia is expected to continue growing in tandem with an anticipated growth in the global economy. IMF has projected the global economy to expand by 3.3% and 3.6% in 2019 and 2020 respectively. When the economy is growing, consumer spending is likely to increase, thus leading to higher growth in the manufacturing sector. Accordingly, the manufacturing sector is more likely to invest in production expansion or improvement, which translates into higher demand for M&E in Malaysia.

Outlook of the Global Semiconductor Industry

The global semiconductor industry is projected to expand in tandem with various emerging technology trends around the world that contribute to a higher demand for semiconductor products. The invention of new technologies leads to the creation of new electronic devices. Furthermore, a growing prominence of IoT is set to increase the number of connected 'things', thus driving the demand for semiconductor. Other than that, advancement of the telecommunication technologies, notably the development of 5G wireless broadband technology that provides higher data transmission rate, is likely to spur more development within the semiconductor industry to produce ICs that support the new broadband technology.

Outlook of the Semiconductor Industry in Singapore

The semiconductor industry in Singapore is set to expand moving forward, driven by the emerging technology trends around the world (including the invention of new electronic devices, growing prominence of IoT and the advancement of telecommunication technologies) to increase the demand for semiconductor. In terms of supply, the semiconductor industry in Singapore is committed to position the country as a global semiconductor manufacturing hub in line with the Singapore Semiconductor Vision 2020 which aims to increase the energy efficiency and productivity of the semiconductor manufacturing industry. Strong commitment within the industry, coupled by the collaboration between public and private sectors, are set to drive the growth of the semiconductor industry in Singapore going forward.

Outlook of the Global Life Science and Medical Technology Industry

Global population was estimated to be at 7.63 billion in 2018, with 13.0% or almost 1.00 billion of the population aged 60 and above. It is expected that the global population will reach 9.77 billion by 2050, with the older population to double in the same year. The aging population offers the opportunities for the life science and medical technology industry to cater to the growing need for healthcare and medical products. A latest healthcare trend attributes to the adoption of IoMT, a collection of medical devices and application that can perform machine-to-machine communication, to help to monitor, inform and notify healthcare providers using connectivity and sensor technology.

Outlook of the Life Science and Medical Technology Industry in Singapore

Singapore has been a popular destination for multinational market players in the field of life science and medical technology to expand their production capacities and to extend their R&D activities. A key success factor for Singapore to attract foreign investment into the life science and medical technology space attributes to the government's prolonged commitment to invest in research and innovation activities to develop a knowledge-based economy and society. The key public investment plan in Singapore attributes to its five-year Research, Innovation and Enterprise ("RIE") plan. In the RIE 2020 plan for the period of 2016 to 2020, a budget of SGD19 billion has been allocated to develop four technology domains, namely the advanced manufacturing and engineering, health and biomedical sciences, urban solutions and sustainability, as well as services and digital economy. Under the health and biomedical sciences domains which also cover life science and medical technology related activities, an industry alignment fund is allocated to develop integrated capabilities and programmes to address major challenges faced by the biomedical and sciences industry. Strong government support towards enhancing the health and biomedical science ecosystem is set to provide the growth impetus to the life science and medical technology industry in Singapore moving forward.

9. RISK FACTORS

Before investing in our Shares, you should pay particular attention that our Group and our activities are governed by the legal, regulatory and business environment in Malaysia and other foreign jurisdictions that we have a presence in currently and in the future. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters set forth in this Prospectus and the key risks below.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 We are dependent on our continuing ability to identify and deploy the latest technology

The demand for our services, in particular, the life science and medical technology, and semiconductor industries is characterised by technological changes and advancement in industry standards. Our customers are continuously improving their products in order to keep up with technological demands of the market, and in turn, would require us to enhance our capabilities in order to meet their new product requirements. Our continued success and ability to satisfy the requirements of our customers, therefore, depends largely on our ability to offer product and service capabilities that meet the changing market requirements, including conformity with the applicable industry standards. To do this, we are required to constantly anticipate technological changes, and invest in new technologies and upgrade our machinery and equipment in a timely manner as part of our business operations.

If we do not keep abreast with latest technological changes, or are unable to fund expenditures in the acquisition of new machinery and equipment to support our businesses, our competitive position may weaken and we could lose potential orders from our customers to our competitors. This may, in turn, affect our business operations and financial performance.

9.1.2 Absence of long-term contracts with our customers

Due to the nature of the life science and medical technology, and semiconductor industries, which are subject to technological changes and rapid advancement in industry standards, and therefore, frequent product design or specification changes, our customers typically do not enter into long-term purchase commitments with us, but would instead provide us with short-term rolling forecast of their potential orders which ranges from 6 to 12 months. Our sales are secured by way of purchase orders from our customers from time to time, which may vary from their forecasted volume.

Without a long-term contract, there can be no assurance that we will not lose any of our customers, or that our customers will continue to purchase our products in the future. The termination of our business relationship or a reduction in orders from any of our major customers may have an adverse impact on our financial performance and business operations.

9.1.3 We are dependent on our major customers

For the Financial Years/Period Under Review, our top 2 major customers, namely Customer A and Agilent contributed approximately 41.2%, 53.7%, 57.5% and 49.6% respectively to our revenue as follows:

	FYE 2016		FYE 2017		FYE 2018		FPE 2019	
	Revenue contribution (RM'000)	%	Revenue contribution (RM'000)	%	Revenue contribution (RM'000)	%	Revenue contribution (RM'000)	%
Customer A	11,625	15.2	21,166	23.0	43,053	31.5	11,458	19.4
Agilent	19,830	26.0	28,273	30.7	35,495	26.0	17,845	30.2
Total	**31,455**	**41.2**	**49,439**	**53.7**	**78,548**	**57.5**	**29,303**	**49.6**

We are dependent on our above major customers for revenue. Further information on Customer A and Agilent is provided in Section 7.20 of this Prospectus. Revenue contribution from Customer A increased significantly from approximately RM11.6 million for the FYE 2016 to approximately RM43.1 million for the FYE 2018 mainly due to increase in orders for chassis and cold plates, in line with the growth of the semiconductor industry and growing demand for electronic products. However, for the FPE 2019, we recorded lower sales of approximately RM11.5 million to Customer A, compared to approximately RM24.5 million for the FPE 2018, mainly due to Customer A undertaking modification and upgrading works on the chassis and cold plates during the current financial period.

Revenue contribution from Agilent also increased significantly from approximately RM19.8 million for the FYE 2016 to approximately RM35.5 million for the FYE 2018 in line with the growing need for healthcare and medical products. We received higher recurring orders for diffusion pump and various metal piece-parts for laboratory and analysis equipment. We also began the production and sub-assembly of new components for chemical analysis instruments for Agilent. For the FPE 2019, we recorded a slight decline in our sales to Agilent to approximately RM17.8 million from approximately RM18.7 million for the FPE 2018.

In addition, we also derived a higher GP margin from Customer A as compared to our other customers during the Financial Years/Period Under Review. This is mainly due to the complexity of the products which we fabricated for Customer A, in terms of technical and production requirements, and shorter lead time for delivery. Our GP margin improved from 27.1% for the FYE 2017 to 31.4% for the FYE 2018, mainly attributed to higher sales contribution from Customer A. However, our GP margin decreased from 31.5% for the FPE 2018 to 30.4% for the FPE 2019 mainly attributed to lower sales to Customer A.

Although we have business relationships with these customers for more than 8 years as at the LPD, there is no assurance that we will be able to retain these customers or maintain or increase our current level of business activities with them. Any cancellation or delay in orders from these major customers, or termination of relationship with them may have an adverse impact on our business operations and financial performance if we are unable to secure other customers who can contribute such similar proportions of revenue contributed by these major customers in a timely manner.

In addition, should there be any adverse changes to these major customers' business operations and financial performance, as well as external factors that are beyond their control, our business operations and financial performance may also be adversely affected. This may result in decline in their demand for our products and services.

9.1.4 The market in which we operate is highly competitive

According to the IMR Report, the engineering supporting industry in Malaysia is highly competitive with around 2,000 market players. We may face increased competition in the future as new players enter the market and existing competitors expand their services. Competitors entering the engineering supporting industry may engage in aggressive customer acquisition campaigns or possess more advanced machinery and equipment. Our competitors may also have more financial, technical and marketing resources, which could enhance their ability to fund internal growth, respond more quickly to new or emerging technologies, and to meet changes in customers' requirements. In addition, some competitors could also have lower cost structures than us.

There is no assurance that we are able to compete successfully against our competitors and maintain our market share. Any loss of potential orders from our customers to our competitors may adversely affect our business operations and financial performance.

9.1.5 We are dependent on our Executive Directors and Key Senior Management

Our success and achievements are largely attributable to the continued efforts of our Executive Directors and Key Senior Management who are directly responsible for the strategic direction, leadership, business planning and development, and management of our business operations. In this regard, our continuous success will depend largely upon the continued employment and performance of our Executive Directors and Key Senior Management. If we lose any of our Executive Directors and Key Senior Management, and are unable to recruit suitable replacement personnel in a timely manner, our business operations and financial performance may be adversely affected, and we may be unable to continue to compete effectively in the engineering supporting industry.

For the Financial Years/Period Under Review and up to the LPD, we have not experienced any loss of our Executive Directors or Key Senior Management, which disrupted our Group's business operations and financial performance. Nonetheless, there is no assurance that we will be successful in retaining our Executive Directors and Key Senior Management or ensuring a smooth succession should any changes occur.

9.1.6 Disruptions to our manufacturing facility and business operations

Our business operations are dependent on our manufacturing facility running smoothly and efficiently. Our production activities are supported by our wide range of metal fabrication machinery and equipment comprising, among others, cutting machines, milling machines, turning machines and polishing machines. While there are maintenance policies in place on the upkeep of our machinery and equipment, they may be out of service on occasion due to unanticipated failures or damages sustained during our business operations.

Further, our machinery and equipment are also subject to catastrophic loss due to natural disasters such as floods and fires. These unexpected events may cause interruptions to our production activities and manufacturing floor. Any prolonged interruptions will affect our production schedules and may affect the timely delivery of our products to our customers.

Although we have not previously experienced any major disruptions to our manufacturing facilities that adversely affected our business operations and financial performance, there is no assurance that there will not be any such disruptions in the future which will have an adverse impact on our business operations and financial performance.

9.1.7 Our profitability may be affected by foreign exchange fluctuation

Our export sales, which accounted for approximately 44.7%, 52.2%, 41.4% and 49.1% respectively of our revenue for the Financial Years/Period Under Review, are predominantly denominated in USD.

We currently do not use any financial instrument to hedge our exposure against transactions in foreign currency. We try to minimise our exposure to foreign currency movements by maintaining the receipt from our overseas customers in a foreign currency account for payment to overseas suppliers, subject to compliance with Bank Negara Malaysia's Supplementary Notice on Foreign Exchange Administration Rules whereby 75% of our foreign currency proceeds from our export sales are converted into RM. We also constantly monitor and review our need to hedge. Should this exposure become substantial, we may need to enter into derivative contracts with banking institutions to minimise the impact of the foreign exchange fluctuation.

9.1.8 Fluctuation in steel and aluminium prices

The primary raw materials we use in our metal fabrication activities are steel and aluminium, which accounted for approximately 29.2%, 26.6%, 23.2% and 35.3% of our total raw materials purchased for the Financial Years/Period Under Review respectively. In addition, we also purchase steel and aluminium parts and components fabricated by third party fabricators, which accounted for approximately 28.0%, 32.0%, 34.9% and 29.3% of our total raw materials purchased for the Financial Years/Period Under Review respectively.

The prices of steel or aluminium fluctuate according to, among others, market supply and demand conditions, prevailing energy costs and governmental regulations. We do not enjoy automatic pass through of increased prices for our raw materials to our customers and we may not be successful in negotiating such cost increases with customers in our pricing negotiations. As such, any sudden significant increase in steel or aluminium prices would cause an increase in our manufacturing cost, erode our profitability and affect our financial performance.

For the Financial Years/Period Under Review and up to the LPD, we have not encountered any major increase in cost arising from fluctuation in steel or aluminium prices. However, there is no assurance that our profitability will not be adversely affected by any fluctuation in steel or aluminium prices in the future.

9.1.9 We may incur increased capital expenditure in the future and therefore may require additional financing

Our ability to expand our business operations is dependent upon our continued capital expenditures, which include the purchase of new machinery and equipment. In this regard, we have allocated part of our proceeds from the Public Issue to purchase new machinery and equipment over the next 3 years. Upon full utilisation of such proceeds, we may require additional funds to continue investing in new machinery and equipment and we may not generate sufficient cash flows from operations or have the capital resources to meet our future capital expenditures. If this occurs, we may need to raise funds either in the form of debt or equity financing. There can be no assurance that we will be able to obtain additional borrowings on terms acceptable to us. Further, additional borrowings, if obtained, will increase our exposure to interest rate fluctuations.

As at 31 January 2019, our total borrowings amounted to approximately RM49.1 million. Any future increase in interest rates will increase our borrowing costs and reduce our profitability. Higher interest rates may also adversely affect our ability to service our debt repayment obligations and limit our ability to obtain additional borrowings.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We are dependent on the performance of the end-user markets of our major customers

Our business is dependent on the performance of the end-user markets of our major customers. The outlook of these end-user markets may be affected by business and industry risks such as the political and economic stability of the country, shortage of labour supply as well as fluctuations in the labour and raw material costs. A decline in the performance of these end-user markets may have an adverse impact on our business operations and financial performance.

9.2.2 We are subject to risks relating to the economics, political, legal, regulatory or social environment in the markets in which we operate

Our business is subject to risks associated with conducting business internationally as we sell our products overseas and purchase some raw materials from foreign suppliers. We are therefore susceptible to changes in economic, political, legal, regulatory or social conditions as well as operational risks in the countries where we are operating or having business dealings with.

Our financial condition and results of operations could be affected by a variety of factors, among others:

(i) additional taxation requirements or additional licences, permits or requirements imposed on foreign-owned corporations that may increase the costs of our operation;

(ii) changes in foreign trade laws and investment laws that may affect our operation;

(iii) changes in import and/or export duties and/or trade tariffs imposed;

(iv) political and economic instability, including global and regional macroeconomic disruptions, natural calamities, epidemics or other such risks; and

(v) risks with respect to social and political crises resulting from terrorism and war.

The above factors, which are beyond our control, will also have a direct impact on the demand for our products which may affect our business operations and financial performance. Whilst we practise prudent financial management and efficient operating procedures, there can be no assurance that any adverse economic, political and/or regulatory developments will not materially affect our business operations and financial performance.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 No prior market for our Shares and it is uncertain whether an active or sustainable market will ever develop

Prior to our IPO, there has been no prior public market for our Shares. Accordingly, there is no assurance that an active market for our Shares will develop upon Listing or, if developed, that such a market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

In addition, there can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Main Market upon our Listing. There is also no assurance that the market price of our Shares will not decline below the IPO Price.

9.3.2 Investors in our IPO will suffer immediate dilution in NA

Our pro forma NA per Share as at 31 January 2019 of RM0.42 per Share, after taking into account the Public Issue and after adjusting for the use of the proceeds from our IPO, is lower than the IPO Price. This represents an immediate dilution in NA per Share of RM0.40 or 48.8% from the IPO Price to our new investors.

9.3.3 Volatility of share prices traded on Bursa Securities

The performance of Bursa Securities is dependent on external factors such as the performance of the regional and global stock exchanges and the flows of foreign funds. The sentiment is also induced by factors such as economic and political conditions and the growth potential of the various sectors of the economy. These factors constantly contribute to the volatility of share prices witnessed on Bursa Securities and this adds risks to the market price of our Shares. Nevertheless, our profitability is not dependent on the performance of Bursa Securities as our business activities have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about 10 Market Days after the close of the Public Issue before the trading of our Shares commences. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities market (both local and foreign), our industry or us specifically during this period that would adversely affect the market price of our Shares when they begin trading.

In addition, the market price of our Shares may fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

(i) variations in our financial results and operations;

(ii) success or failure of our Key Senior Management in implementing business and growth strategies;

(iii) gain or loss of an important business relationship;

(iv) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(v) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;

(vi) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;

(vii) additions or departures of our Key Senior Management;

(viii) fluctuation in stock market prices and volume; or

(ix) involvement in litigation.

There is no assurance that the market price of our Shares will not be subject to volatility due to market sentiments.

9.3.4 The interest of our Promoters who controls our Group may not be aligned with the interest of our shareholders

Upon Listing, our Promoters will hold approximately 70.7% of our enlarged number of issued Shares. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group including the election of Directors, the timing and payment of dividends as well as having voting control over our Group. Our Promoters will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law or by relevant guidelines or regulations.

As a step towards good corporate governance, we have appointed 3 Independent Non-Executive Directors and set up an Audit Committee to ensure that, among others, all future transactions involving related parties are entered into on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to our minority shareholders. Our Audit Committee will in that sense represents the interest of the minority shareholders and the general public at large.

Nonetheless, there can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders.

9.3.5 Failure or delay in our Listing

Below is a non-exhaustive list of possible occurrences or events which could cause a delay or termination of our Listing:

(i) our Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;

(ii) identified investors fail to subscribe for the portions of IPO Shares allocated to them;

(iii) we are unable to meet the public shareholding spread requirement of the Listing Requirements of having at least 25% of our enlarged number of issued Shares for which listing is sought to be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each, at the point of our Listing;

(iv) the revocation of approvals from relevant authorities prior to our Listing or Admission for whatever reason other than the reasons specified in paragraph (v) below;

(v) if the SC issues a stop order pursuant to Section 245 of the CMSA prior to our Listing or if permission is not granted by Bursa Securities for our Listing before the expiration of 6 weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC pursuant to Section 243 of the CMSA; or

(vi) the occurrence of any event or circumstance beyond the control of our Group.

If any event in paragraphs (i), (ii), (iii), (iv) or (vi) above occurs, investors will not receive any of our IPO Shares and we will return in full (without interest or any share of revenue or benefit arising therefrom) all monies paid in respect of any application for our IPO Shares in compliance with Section 243(2) of the CMSA. However, if our IPO Shares have been issued and allotted to investors, we can only repay the monies paid in respect of our IPO Shares by a cancellation of our IPO Shares pursuant to a capital reduction exercise in accordance with Sections 116 or 117 of the Act. Such cancellation can be implemented by either:

(i) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya; or

(ii) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

Therefore, there is a risk that monies paid in respect of our IPO Shares cannot be recovered in a timely manner.

Should the event in paragraph (v) above occur, the issue of our IPO Shares shall be considered void and the investors will not receive any IPO Shares. In such event, and pursuant to Sections 243(2) and 245(7) of the CMSA, as the case may be, we shall be liable to forthwith repay, without interest, all monies received from our IPO Shares and if such monies are not repaid within 14 days after we become liable to pay or within 14 days of the stop order, we will be liable to repay the monies together with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

9.3.6 Uncertainty of dividend payments

Our ability to declare dividends to our shareholders is dependent on, among others, our future financial performance, cash flow position, capital requirements and other obligations, and our ability to implement our business plans. Deterioration of these factors could have an effect on our business, which in turn will affect our ability to declare dividends to our shareholders. As such, there is no assurance that we will be able to pay dividends to our shareholders.

Furthermore, dividend payments are not guaranteed and our Board may decide, at its discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

10.1 RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS

10.1.1 Related party transactions

Pursuant to the Listing Requirements, a “related party transaction” is a transaction entered into by a listed corporation or its subsidiaries that involves the interest (direct or indirect) of a related party. A “related party” of a listed corporation is:

(i) a director, having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation, its subsidiaries or holding company or a chief executive of the listed corporation, its subsidiaries or holding company; or

(ii) a major shareholder including any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed corporation or its subsidiaries or holding company, having an interest or interests in 1 or more voting shares in a corporation and the number or aggregate number of those shares is:

(a) 10% or more of the total number of voting shares in the corporation; or

(b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation; or

(iii) a person connected with such director or major shareholder.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)

Save as disclosed below, there is no other material related party transaction entered or to be entered into by our Group for the Financial Years/Period Under Review and up to the LPD:

			Transaction value				
Transacting parties	**Nature of relationship**	**Nature of transaction**	**FYE 2016 RM'000**	**FYE 2017 RM'000**	**FYE 2018 RM'000**	**FPE 2019 RM'000**	**1 February 2019 up to the LPD RM'000**
Purchaser UWC **Vendor** • Dato' Ng Chai Eng • Lau Chee Kheong	Dato' Ng Chai Eng and Lau Chee Kheong are our Executive Directors and major shareholders	Acquisition of UWC Holdings (This is a one-off transaction pursuant to our internal reorganisation for the Listing)	-	-	34,885 (Represents 41.4% of our Group's NA as at 31 July 2018)	-	-
		Acquisition of UWC Industrial (This is a one-off transaction pursuant to our internal reorganisation for the Listing)	-	-	24,475 (Represents 29.1% of our Group's NA as at 31 July 2018)	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				
			FYE 2016 RM'000	**FYE 2017 RM'000**	**FYE 2018 RM'000**	**FPE 2019 RM'000**	**1 February 2019 up to the LPD RM'000**
Purchaser Empire Castle Sdn Bhd **Vendor** UWC Holdings	Lau Chee Hong, who is a substantial shareholder of Empire Castle Sdn Bhd, is a person connected to Lau Chee Kheong, our Executive Director and major shareholder. Lau Chee Hong is the brother of Lau Chee Kheong	Disposal of a property by UWC Holdings to a related party (This is a one-off transaction)	-	-	-	13,000 (Represents 12.8% of our Group's NA as at 31 January 2019)	-
Purchaser • Dato' Ng Chai Eng • Lau Chee Kheong • Tan Kean Hean **Vendor** UWC Group	• Dato' Ng Chai Eng and Lau Chee Kheong are our Executive Directors and major shareholders • Tan Kean Hean is a director of UWC Automation	Disposal of motor vehicles by our Group to related parties (This is a one-off transaction)	-	-	-	658 (Represents 0.6% of our Group's NA as at 31 January 2019)	-
Purchaser UWC Automation **Vendor** • Eastern Boutique Hotel • MCTEC Resources	Dato' Ng Chai Eng and Lau Chee Kheong are our Executive Directors and major shareholders	Acquisition of machinery and equipment by UWC Automation from related parties (This is a one-off transaction)	-	2,713 (Represents 3.6% of our Group's NA as at 31 July 2017)	527 (Represents 0.6% of our Group's NA as at 31 July 2018)	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)

			Transaction value				
Transacting parties	**Nature of relationship**	**Nature of transaction**	**FYE 2016 RM'000**	**FYE 2017 RM'000**	**FYE 2018 RM'000**	**FPE 2019 RM'000**	**1 February 2019 up to the LPD RM'000**
Purchaser • Dato' Ng Chai Eng • Lau Chee Kheong **Vendor** UWC Holdings	Dato' Ng Chai Eng and Lau Chee Kheong are our Executive Directors and major shareholders	Disposal by UWC Holdings of the entire equity interest held in UVC Technology by way of Dividend-in-Specie (This is a one-off transaction)	-	-	6,500 (Represents 7.7% of our Group's NA as at 31 July 2018)	-	-
Customer • Atnesis • Eastern Boutique Hotel(2) • MCTEC Resources(3) • UMedic Healthcare Sdn Bhd (formerly known as UWC Healthcare Sdn Bhd) • UWC Precision Engineering Co Ltd • UWHM • UVC Technology **Supplier** UWC Holdings	Dato' Ng Chai Eng and Lau Chee Kheong, who are our Executive Directors and major shareholders, are/were also directors and/or substantial shareholders of the customers	Sale of sheet metal and precision machined parts by UWC Holdings to related parties(1)	947 (Represents 1.2% of our Group's revenue for the FYE 2016)	253 (Represents 0.3% of our Group's revenue for the FYE 2017)	185 (Represents 0.1% of our Group's revenue for the FYE 2018)	10 (Negligible as compared to our Group's revenue for the FPE 2019)	-

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)

			Transaction value				
Transacting parties	**Nature of relationship**	**Nature of transaction**	**FYE 2016 RM'000**	**FYE 2017 RM'000**	**FYE 2018 RM'000**	**FPE 2019 RM'000**	**1 February 2019 up to the LPD RM'000**
Customer UWC Group **Supplier** • Eastern Boutique Hotel[2] • MCTEC Resources[3] • OST Integration Sdn Bhd	Dato' Ng Chai Eng and Lau Chee Kheong, who are our Executive Directors and major shareholders, are/were also directors and substantial shareholders of the suppliers	Purchase of sheet metal and precision machined parts by our Group from related parties[1]	2,047 (Represents 3.7% of our Group's cost of sales for the FYE 2016)	2,139 (Represents 3.2% of our Group's cost of sales for the FYE 2017)	41 (Negligible as compared to our Group's cost of sales for the FYE 2018)	-	-
Customer UWC Group **Supplier** • MCTEC Resources[3] • OST Integration Sdn Bhd	Dato' Ng Chai Eng and Lau Chee Kheong, who are our Executive Directors and major shareholders, are/were also directors and substantial shareholders of the suppliers	Subcontractor services in metal fabrication works provided by related parties to our Group[1]	1,236 (Represents 2.3% of our Group's cost of sales for the FYE 2016)	539 (Represents 0.8% of our Group's cost of sales for the FYE 2017)	-	-	-
Lessor MCTEC Resources **Lessee** UWC Holdings	Dato' Ng Chai Eng and Lau Chee Kheong, who are our Executive Directors and major shareholders, were also directors and substantial shareholders of MCTEC Resources	Rental of machinery and equipment by UWC Holdings from a related party[1]	-	37 (Represents 0.1% of our Group's cost of sales for the FYE 2017)	-	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction value FYE 2016 RM'000	 FYE 2017 RM'000	 FYE 2018 RM'000	 FPE 2019 RM'000	 1 February 2019 up to the LPD RM'000
Lessor • MCTEC Resources • Atnesis • UVC Technology **Lessee** UWC Group	Dato' Ng Chai Eng and Lau Chee Kheong, who are our Executive Directors and major shareholders, are/were also directors and substantial shareholders of the lessors	Rental of factory space and hostel by our Group from related parties(1)	421 (Represents 14.8% of our Group's other income for the FYE 2016)	319 (Represents 11.0% of our Group's other income for the FYE 2017)	10 (Represents 0.1% of our Group's other income for the FYE 2018)	-	-
Lessor UWC Holdings **Lessee** UWHM	Dato' Ng Chai Eng and Lau Chee Kheong, who are our Executive Directors and major shareholders, are also directors and substantial shareholders of UWHM	Rental of factory space by UWC Holdings to a related party(1)	-	39 (Represents 1.3% of our Group's other income for the FYE 2017)	3 (Negligible as compared to our Group's other income for the FYE 2018)	-	-
Supplier UWC Holdings **Recipient** UWHM	Dato' Ng Chai Eng and Lau Chee Kheong, who are our Executive Directors and major shareholders, are also directors and substantial shareholders of the UWHM	Provision of management services (finance and human resource services) by UWC Holdings to a related party(1)	18 (Represents 0.6% of our Group's other income for the FYE 2016)	-	-	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)

Notes:

(1) We have ceased transactions with these related parties and do not expect to enter into any future transaction of such nature with these related parties.

(2) Eastern Boutique Hotel was formerly known as UWC Precision Engineering Sdn Bhd ("**UWC Precision**") before it assumed its current name in April 2018. Back then, UWC Precision was principally involved in the manufacturing of engineering precision parts. For the FYE 2016 and FYE 2017, the UWC Group had, in its ordinary course of business, sold sheet metal parts to UWC Precision according to its designs and specifications. The UWC Group had also purchased precision machined parts which require lower level of precision from UWC Precision.

(3) MCTEC Resources was formerly known as UWC Resources (M) Sdn Bhd ("**UWC Resources**") before it assumed its current name in May 2018. MCTEC Resources is principally involved in the manufacturing of machinery parts. For the FYE 2016 and FYE 2017, the UWC Group had, in its ordinary course of business, sold sheet metal parts to UWC Resources according to its designs and specifications. The UWC Group had also purchased precision machined parts or subcontracted services to fabricate precision machined parts which require lower level of precision from UWC Resources.

Our Directors confirm that all the related party transactions outlined above were transacted on an arm's length basis and on normal commercial terms which are not unfavourable to our Group.

Upon Listing, to safeguard the interest of our Group and our minority shareholders, our Audit Committee will review the terms of related party transactions and ensure that any related party transactions are carried out on an arm's length basis and on terms which are not more favourable to the related parties than those normally agreed with other customers and suppliers, and are not detrimental to our minority shareholders.

In the event that there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the nature and extent of his interest including all matters in relation to the proposed related party transaction that he is aware or should reasonably be aware of, which is not in our best interest. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transaction.

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, our Directors, major shareholders and/or persons connected with them which have any interest, direct or indirect, in the proposed related party transactions will also abstain from voting in respect of their direct and/or indirect shareholdings. Such interested Director and/or major shareholder will also undertake to ensure that persons connected with them, if any, will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

10.1.2 Transactions entered into that are unusual in their nature or conditions

Our Board has confirmed that there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company or any of our subsidiaries was a party in respect of the Financial Years/Period Under Review.

10.1.3 Loans and financial assistance made to or for the benefit of related parties

Our Board has confirmed that there are no outstanding loans and financial assistance made by us to or for the benefit of any related party during the Financial Years/Period Under Review and up to the LPD, save for a corporate guarantee provided by UWC Holdings for the benefit of Atnesis in respect of banking facilities amounting to RM1.0 million granted by Hong Leong Bank Berhad to Atnesis.

Dato' Ng Chai Eng and Lau Chee Kheong, who are our Executive Directors and major shareholders, are also directors and substantial shareholders of Atnesis. The said corporate guarantee provided by UWC Holdings had been discharged on 30 April 2018.

The financial assistance was not made on arm's length basis as it was provided free of cost. Going forward, we will not be providing any such financial assistance to or for the benefit of related parties.

10.2 CONFLICTS OF INTEREST

10.2.1 Interest in similar business

As at the LPD, none of our Directors and substantial shareholder have any interest, direct or indirect in any businesses or corporations that (i) carry on a similar trade as that of our Group; or (ii) are customers or suppliers of our Group and their interests in other businesses and corporations as set out in Section 5.2.4 of this Prospectus would not give rise to a situation of conflict of interest with our Group.

10.2.2 Declarations by advisers on conflicts of interest

(i) Declaration by HLIB

HLIB, its subsidiaries and associated companies as well as its penultimate holding company, namely Hong Leong Financial Group Berhad, and the subsidiaries and associated companies of Hong Leong Financial Group Berhad (collectively, the "**Hong Leong Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and funds management and credit transaction services businesses.

The Hong Leong Group has engaged, and may in the future engage, in transactions with and perform services for our Group. In addition, in the ordinary course of business, any member of the Hong Leong Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with our Group, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of our Group.

The Hong Leong Group may have, in the ordinary course of its business, granted credit facilities to our Group. As at the LPD, our Group has outstanding credit facilities with the Hong Leong Group amounting to approximately RM15.6 million comprising term loans of approximately RM8.0 million and bankers' acceptances of RM7.6 million. We will repay RM6.0 million of the term loans owing to the Hong Leong Group with the gross proceeds to be raised from the Public Issue.

Notwithstanding the above, HLIB is of the view that the aforesaid lending relationship would not give rise to a conflict of interest situation in its capacity as the Principal Adviser, Underwriter and Placement Agent for our IPO as:

(a) HLIB is a licensed investment bank and its appointment as the Principal Adviser, Underwriter and Placement Agent for our IPO and the extension of the credit facilities by the Hong Leong Group arose in its ordinary course of business;

(b) the conduct of the Hong Leong Group in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013 and, where applicable, the CMSA, as well as the Hong Leong Group's own internal controls and checks; and

(c) the said credit facilities are not material when compared to audited NA of the Hong Leong Group as at 30 June 2018 of RM17.8 billion.

(ii) Declaration by WYNCORP Advisory Sdn Bhd

WYNCORP Advisory Sdn Bhd confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Corporate Finance Adviser for our IPO.

(iii) Declaration by Wong Beh & Toh

Wong Beh & Toh confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Solicitors in respect of our IPO.

(iv) Declaration by BDO PLT

BDO PLT confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Auditors and Reporting Accountants in respect of our IPO.

(v) Declaration by Protégé Associates Sdn Bhd

Protégé Associates Sdn Bhd confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Independent Market Researcher in respect of our IPO.

10.3 SALIENT TERMS OF ENGAGEMENT AND SCOPE OF WORK OF OUR CORPORATE FINANCE ADVISER

The salient terms of engagement and scope of work of our Corporate Finance Adviser are, among others, as follows:

(i) in consultation with our Promoters and Principal Adviser, advising on the restructuring exercise and equity structure of our Company in preparation for the Listing;

(ii) in consultation with our Promoters and Principal Adviser, assisting on conceptualising, advising, planning and implementing the Listing, including the offer structure, size and method of achieving the optimal public shareholding spread, pricing of the ordinary shares, the enlarged issued share capital and other related capital/financial matters. For the avoidance of doubt, the role of our Corporate Finance Adviser does not involve making available, offer for subscription or purchase or issue an invitation to subscribe for or purchase securities in relation to the Listing;

(iii) in consultation with our Principal Adviser, advising us on the suitable candidates for the various professionals for the Listing;

(iv) in consultation with our Promoters and Principal Adviser, assisting us in reviewing the submission documents and this Prospectus and, where applicable, advising on all relevant matters that may arise in the process of implementation of the Listing;

(v) together with our Principal Adviser, advising us on the regulatory requirements and compliance matters, including the appropriate corporate governance structure, in relation to the Listing; and

(vi) participating in the due diligence working group to verify the information, data, documents and representations by our Directors contained in this Prospectus and submissions to the relevant authorities.

11. FINANCIAL INFORMATION

11.1 HISTORICAL COMBINED AND CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND FINANCIAL POSITION

11.1.1 Historical financial performance

We were incorporated in Malaysia under the Act on 29 March 2018. On 4 June 2018, we completed the Acquisitions which resulted in UWC Holdings and UWC Industrial becoming our wholly-owned subsidiaries. As such, the financial statements of our Group comprise:

(i) the combined statements of financial position as at 31 July 2016 and 31 July 2017;

(ii) the consolidated statements of financial position as at 31 July 2018 and 31 January 2019;

(iii) the combined statements of profit or loss and other comprehensive income for the FYE 2016 and FYE 2017;

(iv) the consolidated statements of profit or loss and other comprehensive income for the FYE 2018 and FPE 2019;

(v) the combined statements of changes in equity for the FYE 2016 and FYE 2017;

(vi) the consolidated statements of changes in equity for the FYE 2018 and FPE 2019;

(vii) the combined statements of cash flows for the FYE 2016 and FYE 2017; and

(viii) the consolidated statements of cash flows for the FYE 2018 and FPE 2019.

The combined financial statements for the FYE 2016 and FYE 2017 as well as the consolidated financial statements for the FYE 2018 and FPE 2019 were prepared based on separate audited financial statements of UWC for the FYE 2018 and FPE 2019, and UWC Holdings, UWC Industrial and UWC Automation for the Financial Years/Period Under Review. All intra-group transactions and balances have been eliminated on combination and consolidation.

The historical financial information presented below should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out in Section 11.3 of this Prospectus and the Accountants' Report, together with its related notes, as set out in Section 12 of this Prospectus.

	<--------------------Audited-------------------->			Unaudited	Audited
	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FPE 2018 RM'000	FPE 2019 RM'000
Revenue	76,311	92,158	136,495	67,806	59,138
Cost of sales	(54,869)	(67,225)	(93,616)	(46,429)	(41,176)
GP	21,442	24,933	42,879	21,377	17,962
Other income	2,838	2,909	7,861	941	10,607
Dividend income	8,067	350	150	150	-
Administrative and other expenses	(8,370)	(9,037)	(11,802)	(5,916)	(6,547)
Finance costs	(378)	(820)	(1,761)	(650)	(1,233)
PBT	23,599	18,335	37,327	15,902	20,789
Taxation	(4,208)	(3,472)	(6,103)	(3,627)	(3,449)
PAT attributable to owners of the parent	19,391	14,863	31,224	12,275	17,340
Other comprehensive income	-	-	-	-	-

	<--------------------Audited-------------------->			Unaudited	Audited
	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FPE 2018 RM'000	FPE 2019 RM'000
Total comprehensive income attributable to owners of the parent	**19,391**	**14,863**	**31,224**	**12,275**	**17,340**
GP margin[(1)] (%)	28.1	27.1	31.4	31.5	30.4
EBITDA[(2)]	27,375	23,134	45,391	19,337	25,722
EBITDA margin[(3)] (%)	35.9	25.1	33.3	28.5	43.5
PBT margin[(4)] (%)	30.9	19.9	27.3	23.5	35.2
PAT margin[(5)] (%)	25.4	16.1	22.9	18.1	29.3
Basic and diluted EPS[(6)] (sen)	5.3	4.1	8.5	3.3	4.7
Number of Shares in issue after our IPO ('000)	366,800	366,800	366,800	366,800	366,800
Adjusted PBT[(7)]	12,694	15,076	29,316	14,811	10,182
Adjusted PAT attributable to owners of the parent[(7)]	8,486	11,604	23,213	11,184	6,733
Adjusted PBT margin[(8)] (%)	16.6	16.4	21.5	21.8	17.2
Adjusted PAT margin[(9)] (%)	11.1	12.6	17.0	16.5	11.4
Adjusted basic and diluted EPS[(10)] (sen)	2.3	3.2	6.3	3.0	1.8

Notes:

(1) Computed as GP divided by revenue.

(2) Computed as follows:

		<-------------------Audited------------------->			Unaudited	Audited
		FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FPE 2018 RM'000	FPE 2019 RM'000
PAT		19,391	14,863	31,224	12,275	17,340
Add:	Taxation	4,208	3,472	6,103	3,627	3,449
	Finance costs	378	820	1,761	650	1,233
	Depreciation	4,850	5,441	7,743	3,509	4,459
Less:	Interest income	(264)	(274)	(253)	(131)	(169)
	Amortisation of grants	(1,188)	(1,188)	(1,187)	(593)	(590)
EBITDA		**27,375**	**23,134**	**45,391**	**19,337**	**25,722**

(3) Computed as EBITDA divided by revenue.

(4) Computed as PBT divided by revenue.

(5) Computed as PAT divided by revenue.

(6) Computed as PAT divided by the enlarged total number of 366,800,002 Shares after our IPO.

(7) Adjusted to exclude other income and dividend income for the Financial Years/Period Under Review.

(8) Computed as adjusted PBT divided by revenue.

(9) Computed as adjusted PAT divided by revenue.

(10) Computed as adjusted PAT divided by the enlarged total number of 366,800,002 Shares after our IPO.

11.1.2 Historical combined and consolidated statements of financial position

The table below sets out the summary of our audited combined statements of financial position as at 31 July 2016 and 31 July 2017 as well as our audited consolidated statement of financial position as at 31 July 2018 and 31 January 2019, which has been extracted from the Accountants' Report in Section 12 of this Prospectus.

	<------------------------Audited------------------------>			Unaudited	Audited
	31 July 2016 RM'000	31 July 2017 RM'000	31 July 2018 RM'000	31 January 2018 RM'000	31 January 2019 RM'000
Total non-current assets	58,578	76,250	92,480	87,383	97,738
Total current assets	55,696	60,179	87,702	67,431	86,257
Total assets	**114,274**	**136,429**	**180,182**	**154,814**	**183,995**
Total non-current liabilities	24,270	25,546	44,931	32,092	41,860
Total current liabilities	27,249	36,452	51,078	35,998	40,622
Total liabilities	**51,519**	**61,998**	**96,009**	**68,090**	**82,482**
Invested equity/Share capital	3,120	3,134	59,360	3,134	59,360
Reorganisation debit reserve	-	-	(1)(56,226)	-	(1)(56,226)
Reserves	59,635	71,297	81,039	83,590	98,379
NA	**62,755**	**74,431**	**84,173**	**86,724**	**101,513**

Note:

(1) Represents the difference between consideration paid and the share capital of the combining entities.

11.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our capitalisation and indebtedness as at 30 April 2019, and after adjusting for the Public Issue and use of proceeds.

	Unaudited as at 30 April 2019 RM'000	After the Public Issue and use of proceeds RM'000
Indebtedness		
Current		
Secured and guaranteed	18,911	18,911
Non-current		
Secured and guaranteed	31,841	13,841
Total indebtedness	**50,752**	**32,752**
Shareholders' equity	**110,336**	**163,320**
Total capitalisation and indebtedness	**161,088**	**196,072**
Gearing ratio[1] (times)	0.5	0.2

Note:

(1) Computed as total indebtedness divided by shareholders' equity.

11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of our financial condition and results of operations for the Financial Years/Period Under Review should be read in conjunction with the accompanying notes, assumptions and bases set out in the Accountants' Report as set out in Section 12 of this Prospectus.

The discussion and analysis contain data derived from our audited combined and consolidated financial statements as well as forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ significantly from those projected in the forward-looking statements. The factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 9 of this Prospectus.

11.3.1 Review of operations

We are an investment holding company. Through our subsidiaries, we are principally involved in the following business segments:

(i) **Sheet metal fabrication and assembly** : This involves the provision of fabrication services to produce metal piece-parts, and the assembly of these metal products into machine structures, metal enclosures and metal chassis, or finished products

(ii) **Machining** : This involves the provision of fabrication services to produce precision machined components

Please refer to Section 7 of this Prospectus for further information on our business activities.

An analysis of our financial condition and results of operations are as follows:

(i) Revenue

Our primary source of revenue is derived from our sheet metal fabrication and assembly segment. The deliverables to our customers usually take the form of customised metal piece-parts which are used by our customers to produce finished products in various industries. We also provide assembly services to our customers, where we either sub-assemble the metal piece-parts produced by us into machine structures, metal enclosures and metal chassis, or fully assemble them into finished products according to the designs and specifications provided by our customers.

Our sheet metal fabrication and assembly segment recorded an increase in revenue from RM67.3 million for the FYE 2016 to RM119.8 million for the FYE 2018, representing a compounded annual growth rate of approximately 33.4%. Such increase in revenue was mainly contributed by our customers in the semiconductor and life science and medical technology industries, which was in line with the continued growth of these industries, driven by the increasing use of electronic products as well as the growing need for healthcare and medical products. However, for the FPE 2019, revenue from this segment decreased to RM50.0 million from RM59.6 million for the previous corresponding period mainly due to lower sales to Customer A.

To complement our core business operation in sheet metal fabrication and assembly, we ventured into the machining segment through UWC Automation, where we fabricate precision machined metal components of various shapes and sizes according to our customers' designs and specifications. The products from our machining segment are primarily used by our sheet metal fabrication and assembly segment for further assembly into intermediate metal products or finished products according to our customers' designs and specifications. In line with the growth of our sheet metal fabrication and assembly segment for the FYE 2016 to FYE 2018, our machining segment also recorded an increase in revenue from RM9.0 million for the FYE 2016 to RM16.7 million for the FYE 2018, representing a compounded annual growth rate of approximately 36.2%. For the FPE 2019, revenue from this segment increased to RM9.2 million from RM8.2 million for the previous corresponding period.

We market our products and services in both the local and foreign markets, where the majority of our customers are MNCs with operations based in Malaysia and overseas. Local market contributed approximately 55.3%, 47.8%, 58.6% and 50.9% to our revenue for the Financial Years/Period Under Review, while foreign markets contributed approximately 44.7%, 52.2%, 41.4% and 49.1% to our revenue for the Financial Years/Period Under Review respectively. The majority of our foreign sales are derived from our customers in Singapore.

Our revenue is recognised upon delivery to and acceptance of our products and services by our customers. Our sales are primarily denominated in RM and USD. We do not practise any fixed pricing policy. The selling prices of our products and services are determined and negotiated on a case-to-case basis, and may vary according to various factors such as, among others, design, specifications and requirements, volume of order, raw material prices, delivery lead time as well as future prospects of new orders from our customers.

Our deliverables to customers are measured in terms of number of pieces. Due to the nature of our business where our products are customised based on our customers' orders, our products vary in terms of design, specification, size, fabrication processes and materials required. Accordingly, different unit selling price is applied to our products despite similar measurement unit in terms of size and quantity.

(a) Revenue by business segments

The table below sets out our revenue by business segments for the Financial Years/Period Under Review:

	<-----Audited				----->		Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sheet metal fabrication and assembly segment	67,288	88.2	78,212	84.9	119,769	87.7	59,573	87.9	49,988	84.5
Machining segment	9,023	11.8	13,946	15.1	16,726	12.3	8,233	12.1	9,150	15.5
Total	**76,311**	**100.0**	**92,158**	**100.0**	**136,495**	**100.0**	**67,806**	**100.0**	**59,138**	**100.0**

(b) Revenue by geographical locations

The table below sets out our revenue by geographical locations of our customers for the Financial Years/Period Under Review:

	<-----Audited				----->		Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	42,168	55.3	44,031	47.8	80,032	58.6	38,473	56.7	30,104	50.9
Foreign										
Singapore	23,814	31.2	36,973	40.1	45,361	33.2	24,001	35.4	23,954	40.5
USA	3,864	5.0	5,356	5.8	3,765	2.8	1,831	2.7	1,460	2.5
China	3,287	4.3	1,987	2.2	2,267	1.7	1,206	1.8	1,650	2.8
France	983	1.3	2,051	2.2	3,210	2.3	1,924	2.8	1,198	2.0
United Kingdom	1,683	2.2	863	0.9	378	0.3	95	0.2	1	*
Others[(1)]	512	0.7	897	1.0	1,482	1.1	276	0.4	771	1.3
	34,143	44.7	48,127	52.2	56,463	41.4	29,333	43.3	29,034	49.1
Total	**76,311**	**100.0**	**92,158**	**100.0**	**136,495**	**100.0**	**67,806**	**100.0**	**59,138**	**100.0**

Notes:

* Negligible.

(1) Others include Australia, Costa Rica, Denmark, Germany, Hong Kong, India, Japan, Mexico, Netherlands, Philippines, Poland, Spain, Sweden, Thailand and Vietnam.

(c) **Revenue by subsidiaries**

The table below sets out our revenue by subsidiaries for the Financial Years/Period Under Review:

	<---Audited				--->		Unaudited		Audited	
	FYE 2016		**FYE 2017**		**FYE 2018**		**FPE 2018**		**FPE 2019**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
UWC Holdings[(1)]	13,085	17.2	5,677	6.2	6,091	4.4	3,105	4.6	1,822	3.1
UWC Industrial[(1)]	54,203	71.0	72,535	78.7	113,678	83.3	56,468	83.3	48,166	81.4
UWC Automation	9,023	11.8	13,946	15.1	16,726	12.3	8,233	12.1	9,150	15.5
Total	**76,311**	**100.0**	**92,158**	**100.0**	**136,495**	**100.0**	**67,806**	**100.0**	**59,138**	**100.0**

Note:

(1) Both UWC Holdings and UWC Industrial are principally involved in sheet metal fabrication and assembly services. UWC Holdings caters primarily to the local market, while UWC Industrial caters to the foreign markets as well as customers in Malaysia with a LMW status or are located within the designated free trade zones in Malaysia.

(d) **Commentaries on revenue**

<u>Comparison between FYE 2016 and FYE 2017</u>

For the FYE 2017, our total revenue increased by RM15.9 million or approximately 20.8% to RM92.2 million (FYE 2016: RM76.3 million). Revenue from our sheet metal fabrication and assembly segment increased by RM10.9 million to RM78.2 million (FYE 2016: RM67.3 million) mainly attributed to the following factors:

(i) increase in orders from our customers in the semiconductor industry, in line with growing demand for electronic products. In particular:

- we recorded additional sales of RM9.6 million from RM11.6 million for the FYE 2016 to RM21.2 million for the FYE 2017 from Customer A, being our key customer in the semiconductor industry. During the financial year, apart from higher recurring orders for cold plates and chassis from Customer A, we also commenced the production of new model of chassis for the said customer with sales amounting to RM5.2 million. Chassis and cold plates are used by Customer A in its testing equipment used to conduct functional testing on the chipsets manufactured by Customer A; and

- we received additional orders from Teradyne, where revenue from the said customer increased by RM3.6 million from RM0.7 million for the FYE 2016 to RM4.3 million for the FYE 2017, mainly due to commencement of production of 2 models of manipulator for the said customer with sales amounting to RM4.0 million; and

(ii) additional orders from Agilent, being our key customer in the life science and medical technology industry, where revenue from the said customer increased by RM5.3 million from RM13.4 million for the FYE 2016 to RM18.7 million for the FYE 2017. During the financial year, apart from higher recurring orders for diffusion pump and various metal piece-parts for laboratory and analysis equipment from Agilent, we also began the production and sub-assembly of components for chemical analysis instruments for the said customer with sales amounting to RM4.2 million.

The abovementioned revenue growth was partly offset by lower sales to M S Elevators Sdn Bhd, being one of our customers in the vertical transportation industry. Sales to the said customer decreased by RM6.2 million from RM7.1 million for the FYE 2016 to RM0.9 million for the FYE 2017, in line with our plan to gradually reduce our exposure to the vertical transportation industry in order to focus on the semiconductor and life science and medical technology industries. This is in response to the growing demand from our customers in the semiconductor and life science and medical technology industries mainly due to the increase in demand for electronic, healthcare and medical products. These industries also command higher GP margin due to the complexity and higher level of precision required as compared to the vertical transportation industry.

For the FYE 2017, revenue from our machining segment increased by RM4.9 million to RM13.9 million for the FYE 2017 (FYE 2016: RM9.0 million) mainly attributed to the following factors:

(i) increase in orders from Agilent, where additional sales of RM3.2 million was recorded for the FYE 2017 from RM6.4 million for the FYE 2016 to RM9.6 million for the FYE 2017. This is in line with the increased orders from Agilent for our sheet metal fabrication and assembly segment, whereby we also sell precision machined components to Agilent as part of our integrated services; and

(ii) additional orders of RM1.1 million for precision machined components from Teledyne e2v Semiconductors SAS, being one of our customers in the semiconductor industry based in France, increasing from RM1.0 million for the FYE 2016 to RM2.1 million for the FYE 2017.

For the FYE 2017, RM47.1 million or approximately 51.2% of our total revenue are denominated in USD (FYE 2016: RM33.5 million or approximately 44.0%). During the financial year, our revenue increased by RM1.8 million due to the strengthening of USD against RM as follows:

			Variance due to movement in exchange rate	
	FYE 2016	**FYE 2017**	**FYE 2017**	**Increase**
Revenue (USD'000)	8,096	10,941	10,941	-
Revenue (RM'000)	33,541	47,141	(2)45,330	1,811
Exchange rate (RM per USD)	(1)4.1431	(1)4.3088	(2)4.1431	0.1657

Notes:

(1) Based on the average foreign exchange rates used in our combined financial statements to convert our sales denominated in USD to RM.

(2) Computed based on the average foreign exchange rate used for the FYE 2016.

Local market accounted for approximately 47.8% of our revenue for the FYE 2017, while foreign markets contributed the remaining 52.2%, with Singapore being the principal market for our foreign sales accounting for approximately 40.1% of our revenue. For the FYE 2017, sales derived from the Singapore market increased by RM13.2 million to RM37.0 million (FYE 2016: RM23.8 million) mainly due to additional orders from Agilent and Teradyne as explained above.

In terms of revenue by subsidiaries, revenue contribution from both UWC Industrial and UWC Automation was on an increasing trend, mainly due to higher orders from our customers in the semiconductor and life science and medical technology industries. However, revenue generated by UWC Holdings decreased by RM7.4 million to RM5.7 million for the FYE 2017 (FYE 2016: RM13.1 million) mainly due to the decline in revenue contribution from one of our customers in the vertical transportation industry by RM6.2 million as explained above.

<u>Comparison between FYE 2017 and FYE 2018</u>

For the FYE 2018, our total revenue increased by RM44.3 million or approximately 48.0% to RM136.5 million (FYE 2017: RM92.2 million). Revenue from our sheet metal fabrication and assembly segment increased by RM41.6 million to RM119.8 million for the FYE 2018 (FYE 2017: RM78.2 million) mainly attributed to the following factors:

(i) increase in orders from our customers in the semiconductor industry, in line with growing demand for electronic products. In particular:

- our sales to Customer A increased by RM21.9 million from RM21.2 million for the FYE 2017 to RM43.1 million for the FYE 2018. This was mainly due to higher recurring orders for chassis and cold plates from Customer A, as well as the production of new model of chassis and cold plates for the said customer during the financial year with sales amounting to RM14.1 million; and

- we received an increase in orders of RM12.5 million from RM1.9 million for the FYE 2017 to RM14.4 million for the FYE 2018 from Plexus. During the financial year, we began the production of several new products such as metal structures, card cages, board casings and others for Plexus. These products were used by Plexus to fabricate memory chip testing equipment for Teradyne, and Plexus has been authorised by Teradyne to purchase those components from our Group as we are a qualified supplier to Teradyne; and

(ii) increase in orders from Agilent, where revenue from the said customer increased by RM7.0 million from RM18.7 million for the FYE 2017 to RM25.7 million for the FYE 2018. During the financial year, due to growing demand for life science and medical technology products, we received higher recurring orders from Agilent for diffusion pump and various metal piece-parts for laboratory and analysis equipment. We also recorded increase in sales of RM3.9 million from the production and sub-assembly of components for chemical analysis instruments which first commenced in the FYE 2017.

For the FYE 2018, revenue from our machining segment increased by RM2.8 million to RM16.7 million (FYE 2017: RM13.9 million) mainly attributed to the overall increase in orders from our customers in the semiconductor industry, in line with growing demand for electronic products. In particular:

(i) we recorded additional orders of RM1.1 million for precision machined components from Teledyne e2v Semiconductors SAS, being one of our customers in the semiconductor industry based in France, increasing from RM2.1 million for the FYE 2017 to RM3.2 million for the FYE 2018; and

(ii) we recorded additional sales of RM1.2 million for precision machined components from Jabil Circuit Sdn Bhd, one of our Malaysian-based customers which is principally involved in the provision of electronics manufacturing services, increasing from RM0.1 million for the FYE 2017 to RM1.3 million for the FYE 2018.

For the FYE 2018, RM69.4 million or approximately 50.8% of our total revenue are denominated in USD (FYE 2017: RM47.1 million or approximately 51.2%). During the financial year, our revenue decreased by RM4.3 million due to the strengthening of RM against USD as follows:

			Variance due to movement in exchange rate	
	FYE 2017	**FYE 2018**	**FYE 2018**	**(Decrease)**
Revenue (USD'000)	10,941	17,087	17,087	-
Revenue (RM'000)	47,141	69,356	(2)73,624	(4,268)
Exchange rate (RM per USD)	(1)4.3088	(1)4.0589	(2)4.3088	(0.2499)

Notes:

(1) Based on the average foreign exchange rates used in our combined and consolidated financial statements to convert our sales denominated in USD to RM.

(2) Computed based on the average foreign exchange rate used for the FYE 2017.

Local market accounted for approximately 58.6% of our revenue for the FYE 2018, while foreign markets contributed the balance 41.4%, with Singapore remaining as the principal market for our foreign sales accounting for approximately 33.2% of our revenue for the FYE 2018. For the FYE 2018, sales derived from the local market increased by approximately RM36.0 million to RM80.0 million (FYE 2017: RM44.0 million) mainly due to higher demand from Customer A and Plexus, while the Singapore market increased by approximately RM8.4 million to RM45.4 million (FYE 2017: RM37.0 million) mainly due to higher demand from Agilent as explained above.

In terms of revenue by subsidiaries, revenue contribution from both UWC Industrial and UWC Automation was on an increasing trend, mainly due to higher orders from our customers in the semiconductor and life science and medical technology industries.

Comparison between FPE 2018 and FPE 2019

For the FPE 2019, our total revenue decreased by RM8.7 million or approximately 12.8% to RM59.1 million (FPE 2018: RM67.8 million). Revenue from our sheet metal fabrication and assembly segment decreased by RM9.6 million to RM50.0 million (FPE 2018: RM59.6 million) mainly attributed to lower sales to Customer A. Our sales to Customer A decreased by RM13.0 million from RM24.5 million for the FPE 2018 to RM11.5 million for the FPE 2019 mainly due to lower recurring orders for chassis and cold plates from the said customer during the current financial period. Orders from Customer A slowed down during the current financial period as it undertook modifications and upgrading works on the chassis and cold plates. The new models of chassis and cold plates will be used by Customer A in its testing equipment to conduct functional testing on a new type of chipsets to be developed and manufactured by Customer A.

The abovementioned decrease in sales to Customer A was partly offset by the following factors:

(i) we received additional orders from Bromma (Malaysia) Sdn Bhd, being our key customer in the heavy equipment industry, where revenue from the said customer increased by RM1.9 million from RM4.7 million for the FPE 2018 to RM6.6 million for the FPE 2019. During the current financial period, we received higher recurring orders from the said customer for metal piece-parts for container spreaders, which are used for lifting containers at ports or container terminals; and

(ii) we recorded an increase in sales of RM0.9 million to a customer in the semiconductor industry from RM0.03 million for the FPE 2018 to RM1.0 million for the FPE 2019. During the current financial period, we commenced the production and sub-assembly of new types of components for electronic measurement and testing instruments for the said customer.

For the FPE 2019, revenue from our machining segment increased by RM1.0 million to RM9.2 million (FPE 2018: RM8.2 million) mainly attributed to additional sales of precision machined components of RM1.7 million to Jabil Circuit Sdn Bhd. However, the increase was partially offset by lower sales of precision machined components of RM0.7 million to Teledyne e2v Semiconductors SAS.

For the FPE 2019, RM32.5 million or approximately 55.0% of our total revenue was denominated in USD (FPE 2018: RM32.5 million or approximately 47.9%). During the financial period, our revenue decreased by RM0.5 million due to the strengthening of RM against USD as follows:

			Variance due to movement in exchange rate	
	FPE 2018	**FPE 2019**	**FPE 2019**	**(Decrease)**
Revenue (USD'000)	7,740	7,876	7,876	-
Revenue (RM'000)	32,454	32,546	(2)33,024	(478)
Exchange rate (RM per USD)	(1)4.1930	(1)4.1323	(2)4.1930	(0.0607)

Notes:

(1) Based on the average foreign exchange rates used in our consolidated financial statements to convert our sales denominated in USD to RM.

(2) Computed based on the average foreign exchange rate used for the FPE 2018.

Local market accounted for approximately 50.9% of our revenue for the FPE 2019, while foreign markets contributed the balance 49.1%, with Singapore remaining as the principal market for our foreign sales accounting for approximately 40.5% of our revenue for the FPE 2019. For the FPE 2019, sales derived from the local market decreased by approximately RM8.4 million to RM30.1 million (FPE 2018: RM38.5 million) mainly due to our lower sales to Customer A, while the Singapore market remained relatively consistent at RM24.0 million (FPE 2018: RM24.0 million).

In terms of revenue by subsidiaries, the decrease in revenue contribution from UWC Industrial was mainly due to our lower sales to Customer A as explained above.

(ii) Cost of sales

Our cost of sales comprises 3 main components, namely material costs, direct labour costs and production overheads. Our cost of sales has been increasing from RM54.9 million for the FYE 2016 to RM93.6 million for the FYE 2018 in tandem with our revenue growth during the Financial Years/Period Under Review. However, our cost of sales decreased from RM46.4 million for the FPE 2018 to RM41.2 million for the FPE 2019 in line with our decrease in revenue.

- **Material costs**

  Material costs represent the key component, accounting for approximately 53.0%, 49.0%, 53.8% and 47.9% of our cost of sales for the Financial Years/Period Under Review respectively. Please refer to Section 7.5 of this Prospectus for further details of the raw materials purchased by us to be used in our production activities.

  We source our raw materials from both local and foreign suppliers. We obtain quotations for raw materials from our suppliers before we submit our quotation to our customers. Actual purchases of raw materials will only be made upon confirmation of orders from our customers.

  Due to the nature of our business where our products are customised according to our customers' orders, the raw materials consumed for each product vary in terms of type of metal, shape, size and thickness specified by our customers. As such, despite similar measurement unit in terms of quantity being used, the material cost varies from one product to another depending on our customers' requirements. During the Financial Years/Period Under Review, we have not experienced any substantial increase in cost of sales due to fluctuation in unit cost of raw materials.

- **Direct labour costs**

  Direct labour costs consist of salaries, wages, allowances, performance incentives and other staff-related costs incurred in relation to production workers. They accounted for approximately 15.1%, 16.6%, 15.6% and 17.4% of our cost of sales for the Financial Years/Period Under Review respectively.

- **Production overheads**

  Production overheads mainly consist of depreciation of production machinery and equipment, subcontractors' charges, forwarding and freight charges, utilities costs, indirect staff costs for employees deployed in the ancillary functions supporting the production activities such as quality assurance, product development, store-keeping and maintenance as well as upkeep and maintenance costs. They accounted for approximately 31.9%, 34.4%, 30.6% and 34.7% of our cost of sales for the Financial Years/Period Under Review respectively.

(a) Cost of sales by cost components

The table below sets out our cost of sales by cost components for the Financial Years/Period Under Review:

	<----------------------------Audited		---------------------------->				Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Material costs	29,078	53.0	32,919	49.0	50,337	53.8	25,655	55.2	19,726	47.9
Direct labour costs	8,300	15.1	11,177	16.6	14,628	15.6	6,947	15.0	7,175	17.4
Production overheads	17,491	31.9	23,129	34.4	28,651	30.6	13,827	29.8	14,275	34.7
Total	**54,869**	**100.0**	**67,225**	**100.0**	**93,616**	**100.0**	**46,429**	**100.0**	**41,176**	**100.0**

(b) Cost of sales by business segments

The table below sets out our cost of sales by business segments for the Financial Years/Period Under Review:

	<----------------------------Audited		---------------------------->				Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sheet metal fabrication and assembly segment	47,666	86.9	56,140	83.5	80,936	86.5	39,909	86.0	33,813	82.1
Machining segment	7,203	13.1	11,085	16.5	12,680	13.5	6,520	14.0	7,363	17.9
Total	**54,869**	**100.0**	**67,225**	**100.0**	**93,616**	**100.0**	**46,429**	**100.0**	**41,176**	**100.0**

(c) Cost of sales by subsidiaries

The table below sets out our cost of sales by subsidiaries for the Financial Years/Period Under Review:

	<-----Audited				----->		Unaudited		Audited	
	FYE 2016		**FYE 2017**		**FYE 2018**		**FPE 2018**		**FPE 2019**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
UWC Holdings	7,485	13.7	3,313	4.9	3,749	4.0	1,933	4.2	1,140	2.8
UWC Industrial	40,181	73.2	52,827	78.6	77,187	82.5	37,976	81.8	32,673	79.3
UWC Automation	7,203	13.1	11,085	16.5	12,680	13.5	6,520	14.0	7,363	17.9
Total	**54,869**	**100.0**	**67,225**	**100.0**	**93,616**	**100.0**	**46,429**	**100.0**	**41,176**	**100.0**

We carry out our business operations solely in Malaysia and as such, do not maintain an analysis of our cost of sales by geographical location.

(d) Commentaries on cost of sales

Comparison between FYE 2016 and FYE 2017

For the FYE 2017, our cost of sales increased by RM12.3 million or approximately 22.4% to RM67.2 million (FYE 2016: RM54.9 million) in line with our revenue growth.

The overall increase in cost of sales was mainly due to the following reasons:

(i) our material costs increased by RM3.8 million or approximately 13.1% as a result of higher consumption of materials in line with the increased orders from our customers as explained under Section 11.3.1(i) of this Prospectus;

(ii) our direct labour costs increased by RM2.9 million or approximately 34.9% as a result of:

- additional headcounts employed for our production which increased from 355 employees as at 31 July 2016 to 480 employees as at 31 July 2017; and

- higher payout of overtime allowances and performance incentives due to increased production activities to fulfil the increased orders from our customers during the financial year; and

(iii) our production overheads increased by RM5.6 million or approximately 32.0% mainly due to:

- increase in depreciation charges by RM0.5 million due to the purchase of new machinery and equipment which are used in our production activities;

- increase in subcontractors' charges as well as forwarding and freight charges by RM2.7 million and RM0.5 million respectively, in tandem with the increased orders from our customers;

- increase in indirect staff costs by RM0.5 million, arising from additional headcounts employed in our ancillary functions supporting the production activities, which increased from 112 employees as at 31 July 2016 to 149 employees as at 31 July 2017, as well as higher payout of overtime allowances and performance incentives in line with growing sales during the financial year;

- increase in utilities costs by RM0.5 million, in line with the increased production activities to fulfil the increased orders from our customers; and

- additional upkeep and maintenance costs of RM0.4 million due to higher utilisation of our machinery and equipment in line with the increased production activities during the financial year.

Comparison between FYE 2017 and FYE 2018

For the FYE 2018, our cost of sales increased by RM26.4 million or approximately 39.3% to RM93.6 million (FYE 2017: RM67.2 million) in line with our revenue growth.

The overall increase in cost of sales was mainly due to the following reasons:

(i) increase in material costs by RM17.4 million or approximately 52.9% as a result of higher consumption of materials in line with the increased orders from our customers as explained under Section 11.3.1(i) of this Prospectus;

(ii) increase in direct labour costs by RM3.4 million or approximately 30.4% as a result of:

- additional headcounts employed for our production which increased from 480 employees as at 31 July 2017 to 504 employees as at 31 July 2018; and

- higher payout of overtime allowances and performance incentives due to the increased production activities to fulfil the increased orders from our customers during the financial year; and

(iii) increase in production overheads by RM5.6 million or approximately 24.2% mainly due to:

- increase in depreciation charges by RM2.0 million due to purchase of new machinery and equipment which are used in our production activities;

- increase in indirect staff costs by RM1.9 million, arising from additional headcounts employed in our ancillary functions supporting the production activities, which increased from 149 employees as at 31 July 2017 to 172 employees as at 31 July 2018, as well as higher payout of overtime allowances and performance incentives in line with growing sales during the financial year;

- increase in utilities costs by RM0.5 million, in line with the increased production activities to fulfil the increased orders from our customers; and

- additional upkeep and maintenance costs of RM1.2 million as a result of additional costs incurred to recalibrate and set up our existing machinery and equipment following our relocation to our new manufacturing plant in Batu Kawan, Penang, as well as higher utilisation of our machinery and equipment in line with the increased production activities during the financial year.

Comparison between FPE 2018 and FPE 2019

For the FPE 2019, our cost of sales decreased by RM5.2 million or approximately 11.2% to RM41.2 million (FPE 2018: RM46.4 million) in line with our decrease in revenue.

The decrease in cost of sales was mainly due to the decrease in material costs by RM6.0 million or approximately 23.3% to RM19.7 million (FPE 2018: RM25.7 million) as a result of lower consumption of materials in line with the reduced orders from Customer A as explained under Section 11.3.1(i) of this Prospectus.

The above decrease in cost of sales was partly offset by:

(i) increase in direct labour costs by RM0.3 million or approximately 4.3% mainly due to payout of performance incentive in January 2019 to reward our employees in line with our improved performance for the FYE 2018; and

(ii) net increase in production overheads by RM0.5 million or approximately 3.6% mainly due to:

- increase in depreciation charges by RM0.9 million arising from the purchase of new machinery and equipment which are used in our production activities during the FYE 2018;

- increase in indirect staff costs by RM0.5 million mainly due to payout of performance incentive in January 2019 to reward employees in line with our improved performance for the FYE 2018; and

- decrease in upkeep and maintenance costs by RM0.7 million during the current financial period mainly due to the absence of one-off costs incurred during the FPE 2018 to recalibrate and set up our machinery and equipment following our relocation to our new manufacturing plant in Batu Kawan, Penang.

(iii) GP and GP margin

(a) GP and GP margin by business segments

The table below sets out our GP and GP margin by business segments for the Financial Years/Period Under Review:

GP

	<------Audited------				------>		Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sheet metal fabrication and assembly segment	19,622	91.5	22,072	88.5	38,833	90.6	19,664	92.0	16,175	90.1
Machining segment	1,820	8.5	2,861	11.5	4,046	9.4	1,713	8.0	1,787	9.9
Total	**21,442**	**100.0**	**24,933**	**100.0**	**42,879**	**100.0**	**21,377**	**100.0**	**17,962**	**100.0**

GP margin

	<------Audited		------>	Unaudited	Audited
	FYE 2016	FYE 2017	FYE 2018	FPE 2018	FPE 2019
	%	%	%	%	%
Sheet metal fabrication and assembly segment	29.2	28.2	32.4	33.0	32.4
Machining segment	20.2	20.5	24.2	20.8	19.5
Overall GP margin	**28.1**	**27.1**	**31.4**	**31.5**	**30.4**

(b) Commentaries on GP and GP margin

Comparison between FYE 2016 and FYE 2017

Backed by higher revenue in both our business segments for the FYE 2017, our GP increased by RM3.5 million or approximately 16.4% to RM24.9 million during the financial year.

Our GP margin decreased from 28.1% for the FYE 2016 to 27.1% for the FYE 2017 mainly due to the increase in direct labour costs and production overheads during the FYE 2017 as explained under Section 11.3.1(ii)(d) of this Prospectus.

Comparison between FYE 2017 and FYE 2018

Backed by the improved sales performance for the FYE 2018, our GP increased by RM18.0 million or approximately 72.3% during the financial year. This was in line with the improved GP from both our business segments for the FYE 2018.

Our GP margin improved from 27.1% for the FYE 2017 to 31.4% for the FYE 2018, mainly attributed to higher sales contribution from Customer A, which increased from 23.0% of our revenue for the FYE 2017 to 31.5% of our total revenue for the FYE 2018, as well as higher GP margin derived from Customer A as compared to our other customers. We were able to command better GP margin from our sales to Customer A mainly due to the complexity of the products which we fabricated for Customer A, in terms of technical and production requirements, and shorter lead time for delivery.

Comparison between FPE 2018 and FPE 2019

Our GP decreased by RM3.4 million or approximately 15.9% to RM18.0 million for the FPE 2019 (FPE 2018: RM21.4 million) mainly due to lower GP recorded from our sheet metal fabrication and assembly segment in line with the decrease in revenue from the said segment during the financial period.

Our GP margin decreased from 31.5% for the FPE 2018 to 30.4% for the FPE 2019 mainly attributed to lower sales to Customer A, for which we derive a higher GP margin from Customer A as compared to our other customers as explained above. Sales to Customer A decreased from 36.1% of our total revenue for the FPE 2018 to 19.4% of our total revenue for the FPE 2019.

(iv) Other income

The table below sets out our other income for the Financial Years/Period Under Review:

	<---------------------------Audited-------------------------->						Unaudited		Audited	
	FYE 2016		**FYE 2017**		**FYE 2018**		**FPE 2018**		**FPE 2019**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Amortisation of grants(1)	1,188	41.9	1,188	40.9	1,187	15.1	593	63.0	590	5.6
Gain on disposal of machinery and motor vehicle	-	-	126	4.3	-	-	-	-	181	1.7
Gain on disposal of property classified as held for sale	-	-	-	-	-	-	-	-	8,612	81.2
Gain on disposal of investment	-	-	-	-	6,000	76.3	-	-	-	-
Gain on foreign exchange	1,015	35.8	874	30.0	-	-	-	-	628	5.9
Interest income	264	9.3	274	9.4	253	3.2	131	13.9	169	1.6
Scrap income(2)	132	4.6	125	4.3	362	4.6	100	10.6	334	3.1
Others(3)	239	8.4	322	11.1	59	0.8	117	12.5	93	0.9
Total	**2,838**	**100.0**	**2,909**	**100.0**	**7,861**	**100.0**	**941**	**100.0**	**10,607**	**100.0**

Notes:

(1) Being amortisation of grants received from MIDA, Northern Corridor Implementation Authority and Small and Medium Industries Development Corporation. The grants serve to assist our Group in acquiring and upgrading our machinery and equipment, improving our manufacturing processes as well as procuring the necessary training for our employees.

(2) Scrap income comprises proceeds from disposal of scrap metals.

(3) Others include reimbursements from related parties for financial and administrative support, rental income from related parties for the rental of factory space and hostel, service charges and reimbursements from our customers for costs incurred on their behalf as well as reversal of allowance for doubtful debts.

Commentaries on other income

<u>Comparison between FYE 2016 and FYE 2017</u>

Our other income remained relatively consistent for the FYE 2017, marginally higher by RM0.1 million or approximately 3.6% as compared to the FYE 2016.

<u>Comparison between FYE 2017 and FYE 2018</u>

For the FYE 2018, our other income increased by RM5.0 million mainly due to a one-off gain on disposal of investment in UVC Technology amounting to RM6.0 million.

UVC Technology was previously principally involved in the manufacturing and trading of elevators and elevator components before it ceased its business operations in 2016, and remained as a property holding company that owned one of the manufacturing plants in Bukit Minyak, Penang from where we carried out our business operations. In view that the said manufacturing plant was no longer in use following our relocation to our new manufacturing plant in Batu Kawan, Penang, UWC Holdings disposed of its investment in UVC Technology via the Dividend-in-Specie in March 2018 for a consideration of RM6.5 million, which was determined based on the market value of the property held by UVC Technology, and recognised a gain on disposal as follows:

	RM'000
Fair value of UVC Technology, determined based on the market value of the property held by UVC Technology	6,500
Less: Carrying amount of the investment in UVC Technology held by UWC Holdings prior to the Dividend-in-Specie	(500)
Gain on disposal of investment	**6,000**

<u>Comparison between FPE 2018 and FPE 2019</u>

For the FPE 2019, our other income increased by RM9.7 million mainly due to a one-off gain on disposal of our manufacturing plant in Bukit Minyak, Penang amounting to RM8.6 million.

Following our relocation to our new manufacturing plant in Batu Kawan, Penang, our subsidiary, namely UWC Holdings disposed of the old manufacturing plant in Bukit Minyak, Penang to Empire Castle Sdn Bhd in November 2018 for a cash consideration of RM13.0 million and recognised a gain on disposal as follows:

	RM'000
Disposal consideration	13,000
Less: Carrying amount of the property	(3,735)
Consent fee payable to Penang Development Corporation	(653)
Gain on disposal	**8,612**

(v) Dividend income

UVC Technology was formerly a subsidiary of UWC Holdings before being disposed of via the Dividend-in-Specie in March 2018. In this regard, the financial statements of our Group for the Financial Years/Period Under Review were prepared without combining or consolidating the financial statements of UVC Technology, and our investment in UVC Technology (held by UWC Holdings) was classified as other investment.

As disclosed in Section 11.3.1(iv) of this Prospectus, UVC Technology was involved in the manufacturing and trading of elevators and elevator components before it ceased its business operations in 2016. We received a special dividend income of RM8.1 million following the cessation of business by UVC Technology in 2016. Thereafter, the dividend income from UVC Technology decreased to RM0.4 million for the FYE 2017, and to RM0.2 million for the FYE 2018. We did not receive any dividend income for the FPE 2019.

(vi) Administrative and other expenses

Our administrative and other expenses increase from RM8.4 million for the FYE 2016 to RM11.8 million for the FYE 2018, in line with the expansion of our operations. The key components of our administrative and other expenses throughout the Financial Years/Period Under Review, consist of:

- staff costs for employees deployed in the business support functions such as finance, sales and marketing, purchasing and information technology, which accounted for approximately 41.2%, 40.9% and 36.5% of our administrative and other expenses respectively;

- directors' remuneration, which accounted for approximately 15.3%, 14.1% and 11.3% of our administrative and other expenses respectively;

- depreciation of office buildings, office equipment, furniture and fittings as well as motor vehicles used by our business support functions, which accounted for approximately 7.5%, 7.9% and 8.5% of our administrative and other expenses respectively; and

- transportation and travelling costs comprising carriage outwards, fuel costs, travelling and accommodation costs incurred by our employees in performing their assigned duties and responsibilities, which accounted for approximately 4.3%, 5.8% and 6.5% of our administrative and other expenses respectively.

The table below sets out a breakdown of our administrative and other expenses for the Financial Years/Period Under Review:

	<------Audited------				------>		Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Advertisement	66	0.8	50	0.6	117	1.0	76	1.3	31	0.5
Depreciation of property, plant and equipment	628	7.5	710	7.9	1,007	8.5	426	7.2	446	6.8
Directors' remuneration	1,278	15.3	1,279	14.1	1,334	11.3	646	10.9	1,088	16.6
Entertainment	79	0.9	74	0.8	73	0.6	38	0.6	44	0.7
Legal and professional fees	199	2.4	211	2.3	740	6.2	412	7.0	1,069	16.3
Loss on foreign exchange	228	2.7	270	3.0	1,163	9.9	1,114	18.8	-	-
Office supplies and postage	341	4.1	378	4.2	531	4.5	154	2.6	184	2.8
Quit rent and assessment	78	0.9	95	1.1	119	1.0	49	0.8	84	1.3
Road tax and car insurance	44	0.5	45	0.5	44	0.4	2	*	1	*
Scholarship	-	-	-	-	93	0.8	28	0.5	14	0.2
Staff costs	3,447	41.2	3,697	40.9	4,309	36.5	1,836	31.0	2,622	40.0
Staff welfare	183	2.2	164	1.8	302	2.6	68	1.2	146	2.2
Stamp duty	275	3.3	337	3.7	16	0.1	3	*	1	*
Sundry wages	299	3.6	281	3.1	131	1.1	116	2.0	3	*
Training and seminar	113	1.4	130	1.4	125	1.1	64	1.1	44	0.7
Transportation and travelling costs	366	4.3	522	5.8	769	6.5	452	7.6	316	4.8
Upkeep and maintenance	118	1.4	195	2.2	297	2.5	139	2.3	81	1.2
Utilities costs	296	3.5	277	3.1	150	1.3	72	1.2	64	1.0
Others(1)	332	4.0	322	3.5	482	4.1	221	3.7	309	4.7
Total	**8,370**	**100.0**	**9,037**	**100.0**	**11,802**	**100.0**	**5,916**	**100.0**	**6,547**	**100.0**

Notes:

* Negligible.

(1) Others include, among others, audit fees and bank charges.

Commentaries on administrative and other expenses

Comparison between FYE 2016 and FYE 2017

For the FYE 2017, our administrative and other expenses increased by RM0.6 million or approximately 7.1% mainly attributed to the increase in staff costs by RM0.3 million due to annual increment and higher performance incentives awarded to the employees in line with the continued growth of our revenue.

Comparison between FYE 2017 and FYE 2018

For the FYE 2018, our administrative and other expenses increased by RM2.8 million or approximately 31.1% mainly attributed to:

(i) increase in loss on foreign exchange by RM0.9 million as a result of the strengthening of RM against USD during the financial year where the exchange rate strengthened from RM4.2830/USD(1) at the beginning of the financial year to RM4.0650/USD(1) at the end of the financial year;

(ii) increase in staff costs by RM0.6 million mainly due to annual increment and higher performance incentives and allowances in line with the improved performance of our Group;

(iii) increase in legal and professional fees by RM0.5 million mainly due to professional fees in relation to our Listing and loan application; and

(iv) higher depreciation charges by RM0.3 million due to purchase of furniture and fittings, office equipment, computer system and passenger motor vehicles during the financial year to cater for our business expansion.

Comparison between FPE 2018 and FPE 2019

For the FPE 2019, our administrative and other expenses increased by RM0.6 million or approximately 10.2% mainly attributed to:

(i) increase in directors' remuneration by RM0.4 million mainly due to increment in line with the improved performance of our Group for the FYE 2018;

(ii) increase in legal and professional fees by RM0.7 million mainly due to professional fees in relation to our Listing; and

(iii) increase in staff costs by RM0.8 million mainly due to annual increment and higher performance incentives and allowances in line with the improved performance of our Group for the FYE 2018.

The above increase was partly offset by the decrease in loss on foreign exchange of RM1.1 million during the financial period as a result of the strengthening of USD against RM during the financial period where the exchange rate strengthened from RM4.0675/USD(2) at the beginning of the financial period to RM4.0905/USD(2) at the end of the financial period.

Notes:

(1) Being the middle rates prevailing as at 5.00 p.m. on 1 August 2017 and 31 July 2018 respectively, as published by Bank Negara Malaysia.

(2) Being the middle rates prevailing as at 5.00 p.m. on 1 August 2018 and 31 January 2019 respectively, as published by Bank Negara Malaysia.

(vii) Finance costs

The table below sets out our finance costs for the Financial Years/Period Under Review:

	<---Audited---				--->		Unaudited		Audited	
	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:										
• term loans	189	50.0	536	65.4	760	43.1	258	39.7	625	50.7
• hire purchases	118	31.2	243	29.6	762	43.3	300	46.2	408	33.1
• banker's acceptances	70	18.5	40	4.9	239	13.6	92	14.1	200	16.2
• bank overdrafts	1	0.3	1	0.1	-	-	-	-	-	-
Total	**378**	**100.0**	**820**	**100.0**	**1,761**	**100.0**	**650**	**100.0**	**1,233**	**100.0**

Commentaries on finance costs

Comparison between FYE 2016 and FYE 2017

For the FYE 2017, our finance costs increased by RM0.4 million mainly attributed to the following factors:

(i) higher interest expenses on term loans by RM0.3 million, mainly due to finance costs incurred on term loans utilised in March 2016 to part-finance the acquisition of lands and construction of our new manufacturing plant in Batu Kawan, Penang; and

(ii) higher interest expenses on hire purchases by RM0.1 million, as a result of additional hire purchase arrangements amounting to RM5.5 million being utilised to part-finance the purchase of new machinery and equipment during the FYE 2017.

Comparison between FYE 2017 and FYE 2018

For the FYE 2018, our finance costs increased by RM1.0 million mainly attributed to the following factors:

(i) higher interest expenses on term loans by RM0.3 million, mainly due to additional term loans utilised to part-finance the construction of our new manufacturing plant located in Batu Kawan, Penang;

(ii) higher interest expenses on hire purchases by RM0.6 million, as a result of additional hire purchase arrangements amounting to RM11.9 million being utilised to part-finance the purchase of new machinery and equipment during the financial year; and

(iii) higher interest expenses on banker's acceptances by RM0.2 million mainly due to additional banker's acceptances being utilised for our working capital purposes.

Comparison between FPE 2018 and FPE 2019

For the FPE 2019, our finance costs increased by RM0.6 million mainly attributed to the following factors:

(i) higher interest expenses on term loans by RM0.3 million mainly due to additional term loans utilised to part-finance the construction of our manufacturing plant located in Batu Kawan, Penang;

(ii) higher interest expenses on hire purchases by RM0.1 million, as a result of additional hire purchase arrangements being utilised to part-finance the purchase of new machinery and equipment during the financial period; and

(iii) higher interest expenses on banker's acceptances by RM0.1 million mainly due to additional banker's acceptances being utilised for our working capital purposes.

(viii) PBT and PBT margin

Our PBT and PBT margin for the Financial Years/Period Under Review are set out below:

	<------------------Audited------------------->			Unaudited	Audited
	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FPE 2018 RM'000	FPE 2019 RM'000
PBT	23,599	18,335	37,327	15,902	20,789
PBT margin (%)	30.9	19.9	27.3	23.5	35.2
Adjusted PBT(1)	12,694	15,076	29,316	14,811	10,182
Adjusted PBT margin (%)	16.6	16.4	21.5	21.8	17.2

Note:

(1) Adjusted to exclude other income and dividend income for the Financial Years/Period Under Review.

Commentaries on PBT and PBT margin

Comparison between FYE 2016 and FYE 2017

We recorded lower PBT for the FYE 2017 as compared to the FYE 2016 mainly due to lower dividend income from our investment in UVC Technology of RM0.4 million for the FYE 2017 as compared to RM8.1 million for the FYE 2016. Further information on our dividend income is set out in Section 11.3.1(v) of this Prospectus. However, the decline in PBT was partly offset by an increase in GP of RM3.5 million from RM21.4 million for the FYE 2016 to RM24.9 million for the FYE 2017 due to higher revenue for the FYE 2017. Our PBT margin declined from approximately 30.9% for the FYE 2016 to approximately 19.9% for the FYE 2017.

Excluding other income and dividend income, our adjusted PBT of RM15.1 million for the FYE 2017 was higher than our adjusted PBT of RM12.7 million for the FYE 2016. Our adjusted PBT margin for the FYE 2017 remained relatively constant at approximately 16.4% (FYE 2016: 16.6%).

Comparison between FYE 2017 and FYE 2018

For the FYE 2018, our PBT increased by approximately RM19.0 million mainly due to:

(i) an increase of approximately RM18.0 million in GP as a result of higher revenue for the FYE 2018; and

(ii) an increase of approximately RM6.0 million in other income mainly due to the gain from the disposal of investment in UVC Technology.

However, the above increase in PBT was partly offset by an increase of RM2.8 million in our administrative and other expenses, and RM1.0 million in our finance costs for the FYE 2018. Our PBT margin improved from approximately 19.9% for the FYE 2017 to approximately 27.3% for the FYE 2018.

Excluding other income and dividend income, our adjusted PBT of RM29.3 million for the FYE 2018 was higher than our adjusted PBT of RM15.1 million for the FYE 2017. Our adjusted PBT margin improved from approximately 16.4% for the FYE 2017 to approximately 21.5% for the FYE 2018, in line with our improved GP margin for the FYE 2018 as explained in Section 11.3.1(iii) of this Prospectus.

Comparison between FPE 2018 and FPE 2019

For the FPE 2019, our PBT increased by approximately RM4.9 million mainly due to an increase of approximately RM8.6 million in our other income as a result of gain from the disposal of our manufacturing plant in Bukit Minyak, Penang. However, the increase in PBT was partly offset by a decrease of approximately RM3.4 million in GP in tandem with lower revenue for the FPE 2019. As a result, our PBT margin improved from approximately 23.5% for the FPE 2018 to approximately 35.2% for the FPE 2019.

Excluding other income and dividend income, our adjusted PBT of RM10.2 million for the FPE 2019 was lower than our adjusted PBT of RM14.8 million for the FPE 2018 due mainly to lower GP for the current financial period. Our adjusted PBT margin decreased from approximately 21.8% for the FPE 2018 to approximately 17.2% for the FPE 2019 due to lower GP, coupled with higher administrative and other expenses and finance costs as explained above.

(ix) Taxation

Our taxation together with the comparison between our effective and statutory tax rates for the Financial Years/Period Under Review are set out below:

	<-------------------Audited------------------->			Unaudited	Audited
	FYE 2016 RM'000	**FYE 2017 RM'000**	**FYE 2018 RM'000**	**FPE 2018 RM'000**	**FPE 2019 RM'000**
Income tax					
• current year provision	3,217	3,514	4,893	3,409	2,999
• under/(over) provision in prior year	376	(277)	(27)	-	-
Deferred tax					
• current year provision	119	322	815	(54)	(216)
• under/(over) provision in prior year	486	(87)	272	272	(19)
Real property gain tax	10	-	150	-	685
Overall tax expenses	**4,208**	**3,472**	**6,103**	**3,627**	**3,449**
Effective tax rate (%)	17.8	18.9	16.4	22.8	16.6
Statutory tax rate (%)					
• on the first RM500,000 of chargeable income	19.0	18.0	18.0	18.0	18.0
• balance of chargeable income	24.0	24.0	24.0	24.0	24.0

For the Financial Years/Period Under Review, we do not have any outstanding or provision for withholding tax.

Commentaries on taxation

Our effective tax rate for the FYE 2016 was lower than the statutory tax rate mainly due to the following:

(i) dividend income from UVC Technology and amortisation of grants which were not subject to income tax; and

(ii) reinvestment allowance claimed on qualifying capital expenditure for the acquisition of machinery and equipment.

However, the above was partly offset by:

(i) depreciation of property, plant and equipment which were not deductible for income tax purposes;

(ii) under-provision of tax expenses in prior year due to over-estimation of capital allowances; and

(iii) under-provision of deferred tax expenses in prior year mainly due to under-estimation of capital allowances on our qualifying fixed assets.

Comparison between FYE 2016 and FYE 2017

Our effective tax rate for the FYE 2017 was lower than the statutory tax rate mainly due to the following:

(i) amortisation of grants and dividend income from UVC Technology which were not subject to income tax;

(ii) reinvestment allowance claimed on qualifying capital expenditure for the acquisition of machinery and equipment; and

(iii) over-provision of income tax expenses in prior year mainly due to under-estimation of reinvestment allowance.

Our effective tax rate for the FYE 2017 was higher as compared to the FYE 2016 mainly due to lower non-taxable income reported for the FYE 2017. The increase was partly offset by the reversal of income tax expense, which was over-provided in prior year.

Comparison between FYE 2017 and FYE 2018

Our effective tax rate for the FYE 2018 was lower than the statutory tax rate mainly due to the following:

(i) gain on disposal of investment in UVC Technology, amortisation of grants and dividend income from UVC Technology, all of which were not subject to income tax; and

(ii) reinvestment allowance claimed on qualifying capital expenditure for the acquisition of machinery and equipment.

However, the above was partly offset by depreciation of property, plant and equipment which were not deductible for tax purposes.

Our effective tax rate for the FYE 2018 was lower as compared to the previous financial year mainly due to higher non-taxable income and reinvestment allowance recorded for the FYE 2018.

Comparison between FPE 2018 and FPE 2019

Our effective tax rate for the FPE 2019 was lower than the statutory tax rate mainly due to the following:

(i) real property gain tax on the gain on disposal of our manufacturing plant in Bukit Minyak, Penang, which was subject to a lower rate as compared to income tax;

(ii) amortisation of grants, which was not subject to income tax; and

(iii) reinvestment allowance claimed on qualifying capital expenditure for the acquisition of machinery and equipment.

However, the above was partly offset by depreciation of property, plant and equipment which were not deductible for tax purposes.

Our effective tax rate for the FPE 2019 was lower as compared to the previous financial period mainly due to higher non-taxable income and reinvestment allowance recorded for the FPE 2019.

(x) PAT and PAT margin

Our PAT and PAT margin for the Financial Years/Period Under Review are set out below:

	<-----------------------Audited---------------------->			Unaudited	Audited
	FYE 2016 RM'000	**FYE 2017 RM'000**	**FYE 2018 RM'000**	**FPE 2018 RM'000**	**FPE 2019 RM'000**
PAT	19,391	14,863	31,224	12,275	17,340
PAT margin (%)	25.4	16.1	22.9	18.1	29.3
Adjusted PAT(1)	8,486	11,604	23,213	11,184	6,733
Adjusted PAT margin (%)	11.1	12.6	17.0	16.5	11.4

Note:

(1) Adjusted to exclude other income and dividend income for the Financial Years/Period Under Review.

Commentaries on PAT and PAT margin

Comparison between FYE 2016 and FYE 2017

We recorded lower PAT and PAT margin for the FYE 2017 as compared to the FYE 2016 mainly due to the reasons set out in Sections 11.3.1(viii) and 11.3.1(ix) of this Prospectus.

Excluding other income and dividend income, our adjusted PAT of RM11.6 million for the FYE 2017 was higher than our adjusted PAT of RM8.5 million for the FYE 2016 mainly due to increase in GP as a result of higher revenue for the FYE 2017. Our adjusted PAT margin for the FYE 2017 improved to 12.6% (FYE 2016: 11.1%) in line with our improved adjusted PAT for the FYE 2017.

Comparison between FYE 2017 and FYE 2018

We recorded higher PAT and PAT margin for the FYE 2018 as compared to the FYE 2017 mainly due to the reasons set out in Sections 11.3.1(viii) and 11.3.1(ix) of this Prospectus.

Excluding other income and dividend income, our adjusted PAT of RM23.2 million for the FYE 2018 was higher than our adjusted PAT of RM11.6 million for the FYE 2017 mainly due to increase in GP as a result of higher revenue for the FYE 2018. Our adjusted PAT margin for the FYE 2018 improved to 17.0% (FYE 2017: 12.6%) in line with our improved adjusted PAT for the FYE 2018.

Comparison between FPE 2018 and FPE 2019

We recorded higher PAT and PAT margin for the FPE 2019 as compared to the FPE 2018 mainly due to the reasons set out in Sections 11.3.1(viii) and 11.3.1(ix) of this Prospectus.

Excluding other income and dividend income, our adjusted PAT of RM6.7 million for the FPE 2019 was lower than our adjusted PAT of RM11.2 million for the FPE 2018 mainly due to the decrease in GP as a result of lower revenue for the FPE 2019. Our adjusted PAT margin for the FPE 2019 decreased to 11.4% (FPE 2018: 16.5%) in line with our decrease in adjusted PAT for the FPE 2019.

11.3.2 Significant factors affecting our financial condition and results of operations

Our financial position and results of operations have been, and are expected to be, affected by the following significant factors:

(i) Demand and supply conditions

Our revenue and profit are dependent on the demand and supply conditions of the engineering supporting industry in Malaysia as set out in Section 8 of this Prospectus. In particular, our services are driven by technological advancement in the semiconductor and life science and medical technology industries, where we stand to benefit from the evolving technological trends such as, among others, invention of new technologies and advancement of telecommunication technologies. In addition, technological advancement in these industries will also lead to a need for us to invest and upgrade our machinery and equipment to keep up with the new technology trend as part of our business operations.

The demand and supply of our services are also influenced by other factors such as support from the government and public sector, expansion in the global economy, a growing an aging population, protectionism by major economies as well as downward pricing pressure from our customers.

(ii) Dependency on major customers

Due to the nature of the semiconductor and life science and medical technology industries, which are subject to technological changes and rapid advancement in industry standards, and therefore, frequent product design or specification changes, our customers typically do not enter into long-term purchase commitments with us, but would instead provide us with short-term rolling forecast of their potential orders which ranges from 6 to 12 months. Our sales are secured by way of purchase orders from our customers from time to time, which may vary from their forecasted volume.

Our future performance, to a certain extent, depends on our ability to secure repeat orders from our major customers. In the event our major customers reduce the orders placed with us, our business volume may decrease, which could result in an adverse impact on our business operations and financial performance.

Despite the lack of formal long-term contracts with our customers, we have developed business relationship with 4 of our top 5 major customers for more than 8 years as at the LPD and have continued to receive orders from them. We work closely with them to ensure customer satisfaction and participate in the production of first article for their new products so that we stand a better chance to secure new orders from them.

(iii) Foreign exchange fluctuation

We are exposed to foreign exchange risk as our export sales, which accounted for approximately 44.7%, 52.2%, 41.4% and 49.1% of our revenue for the Financial Years/Period Under Review respectively, are predominantly denominated in USD.

As such, any significant fluctuations in foreign exchange between RM and USD may have an impact on our reported income as they are required to be stated in RM in our financial statements. Any unfavourable movement in the USD against the RM may adversely affect our profitability.

The impact of foreign exchange fluctuations on our financial performance during the Financial Years/Period Under Review, which arose due to timing differences between our billings and actual receipts of payments from our customers, was as follows:

	<------------------Audited------------------>			Unaudited	Audited
	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FPE 2018 RM'000	FPE 2019 RM'000
Net gain/(loss) on foreign exchange	787	604	(1,163)	(1,114)	628
As a percentage of PBT (%)	3.3	3.3	(3.1)	(7.0)	3.0

Based on the above, we are exposed to foreign exchange gains or losses during the conversion of foreign currency into RM, mainly arising from the timing differences between our billings and the actual receipts of payments from our foreign customers.

We closely monitor the movement of the foreign exchange to manage our foreign currency risks. We also maintain foreign currency accounts whereby collections arising from our foreign sales are used to settle our purchases in the same foreign currency. This would provide, to a certain extent, a natural hedge against the foreign exchange fluctuations.

(iv) Impact of inflation

The business, financial condition or results of our operations for the Financial Years/Period Under Review were not materially affected by the impact of inflation. Nevertheless, there can be no assurance that future inflation would not have an impact on our business operations and financial performance.

(v) Government/Economic/Fiscal/Monetary policies

We are subject to the risks of government, economic, fiscal or monetary policies as set out in Section 9.2.2 of this Prospectus. Any unfavourable change in these policies may materially affect our business operations and financial performance. For the Financial Years/Period Under Review, our results were not adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies. Our business is also subject to Bank Negara Malaysia's Supplementary Notice on Foreign Exchange Administration Rules that govern, among others, investment abroad and export of goods, further details of which are set out in Section 9.1.7 of this Prospectus.

11.3.3 Significant changes on the financial position

There are no significant changes that have occurred, which may have a material effect on the financial position and results of our Group since the FYE 2018, being our most recent annual financial statements.

11.4 LIQUIDITY AND CAPITAL RESOURCES

11.4.1 Working capital

Our working capital is funded through cash generated from our operating activities, credit extended by our suppliers, various credit facilities extended to us by financial institutions as well as our existing cash and bank balances.

As at 31 January 2019, we have:

(i) cash and bank balances of RM15.2 million;

(ii) working capital of RM45.7 million, being the difference between current assets of RM86.3 million and current liabilities of RM40.6 million; and

(iii) credit facilities, which consist of term loans, bank overdraft and trade lines (comprising letter of credit, trust receipt, banker's acceptance and bank guarantee), with a total limit of RM59.2 million, of which RM18.3 million has yet to be utilised.

After taking into consideration our existing level of cash and bank balances, expected cash flows to be generated from our operations, banking facilities available and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

11.4.2 Cash flow summary

The table below sets out the summary of our combined statements of cash flows for the FYE 2016 and FYE 2017 as well as our consolidated statement of cash flow for the FYE 2018 and FPE 2019, and should be read in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus.

	<------------------Audited------------------>			Unaudited	Audited
	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FPE 2018 RM'000	FPE 2019 RM'000
Net cash from operating activities	31,818	6,710	17,363	18,565	1,302
Net cash from/(used in) investing activities	(27,438)	(10,189)	(14,539)	(7,070)	2,968
Net cash from/(used in) financing activities	3,923	(1,512)	2,626	(707)	(2,194)
Net (decrease)/increase in cash and cash equivalents	8,303	(4,991)	5,450	10,788	2,076
Effect of foreign exchange rates changes	4	-	-	-	-
Cash and cash equivalents at beginning of the financial year	4,341	12,647	7,656	7,656	13,107

	<------------------Audited------------------>			Unaudited	Audited
	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FPE 2018 RM'000	FPE 2019 RM'000
Cash and cash equivalents at end of the financial year	12,647	7,656	13,106	18,444	15,183

Commentaries on cash flow

FYE 2016

Net cash from operating activities

For the FYE 2016, we recorded net cash from operating activities of RM31.8 million. During the financial year, our cash inflows comprised mainly collection from our customers amounting to RM76.6 million.

The above cash inflows were partly offset by the following payments during the financial year:

(i) payment for purchases amounting to RM25.6 million; and

(ii) payment of Directors' and staff remuneration amounting to RM16.4 million.

Net cash used in investing activities

For the FYE 2016, we recorded net cash used in investing activities of RM27.4 million, which was mainly attributed to:

(i) payment of RM23.8 million for the acquisition of lands and construction of our new manufacturing plant in Batu Kawan, Penang;

(ii) payment of RM3.4 million for the purchase of production machinery and equipment; and

(iii) investment of RM23.3 million in short-term money market funds from licensed financial institutions for additional returns on the surplus cash.

The above cash outflows were partly offset by proceeds of RM15.2 million from partial disposal of units held in the short-term money market funds and dividend income from UVC Technology amounting to RM8.1 million.

Net cash from financing activities

For the FYE 2016, we recorded net cash from financing activities of RM3.9 million. During the financial year, we drew down the following banking facilities:

(i) RM12.3 million from term loans to part-finance the acquisition of lands and construction of our new manufacturing plant in Batu Kawan, Penang; and

(ii) RM9.6 million from banker's acceptances for our working capital purposes.

The above cash inflows were partly offset by the following payments during the financial year:

(i) repayment of banking facilities amounting to RM13.0 million;

(ii) repayment of government loan, which was obtained for the purchase of new machinery and equipment amounting to RM0.5 million; and

(iii) payment of dividends of RM4.5 million.

FYE 2017

Net cash from operating activities

For the FYE 2017, we recorded net cash from operating activities of RM6.7 million. Our cash inflows comprised mainly collection from our customers amounting to RM88.1 million.

The above cash inflows were partly offset by the following payments during the financial year:

(i) payment for purchases amounting to RM44.8 million;

(ii) payment of Directors' and staff remuneration amounting to RM20.4 million; and

(iii) payment of income taxes amounting to RM3.7 million.

Net cash used in investing activities

For the FYE 2017, we recorded net cash used in investing activities of RM10.2 million, which was mainly attributed to:

(i) payment of RM11.5 million for the construction of our new manufacturing plant in Batu Kawan, Penang;

(ii) payment of RM5.0 million for the purchase of production machinery and equipment; and

(iii) investment of RM4.6 million in short-term money market funds from licensed financial institutions for additional returns on the surplus cash.

The above cash outflows were partly offset by proceeds of RM11.3 million from partial disposal of units held in the short-term money market funds.

Net cash from financing activities

For the FYE 2017, we recorded net cash used in financing activities of RM1.5 million. Our cash outflows were mainly for the following purposes:

(i) repayment of banking facilities amounting to RM3.4 million; and

(ii) payment of dividends of RM3.2 million.

The above cash outflows were partly offset by cash inflows of RM5.1 million from the drawdown of banker's acceptances for our working capital purposes.

FYE 2018

Net cash from operating activities

For the FYE 2018, we recorded net cash from operating activities of RM17.4 million. Our cash inflows comprised mainly collection from our customers amounting to RM124.5 million.

The above cash inflows were partly offset by the following payments during the financial year:

(i) payment for purchases amounting to RM65.8 million;

(ii) payment of Directors' and staff remuneration amounting to RM25.8 million; and

(iii) payment of income taxes amounting to RM5.5 million.

Net cash used in investing activities

For the FYE 2018, we recorded net cash used in investing activities of RM14.5 million, which was mainly attributed to:

(i) payment of RM6.3 million for the construction and renovation of our new manufacturing plant in Batu Kawan, Penang;

(ii) payment of RM7.5 million for the purchase of production machinery and equipment; and

(iii) payment of RM2.1 million for the purchase of furniture, fittings office equipment and computer system.

The above cash outflows were partly offset by proceeds of RM1.4 million from partial disposal of units held in the short-term money market funds.

Net cash from financing activities

For the FYE 2018, we recorded net cash from financing activities of RM2.6 million. During the financial year, we drew down the following banking facilities:

(i) RM15.0 million from term loans to part-finance the construction of our new manufacturing plant in Batu Kawan, Penang; and

(ii) RM28.4 million from banker's acceptances for our working capital purposes.

The above cash inflows were partly offset by the following payments during the financial year:

(i) repayment of banking facilities amounting to RM25.8 million; and

(ii) payment of dividends of RM15.0 million.

FPE 2019

Net cash from operating activities

For the FPE 2019, we recorded net cash from operating activities of RM1.3 million. Our cash inflows comprised mainly collection from our customers amounting to RM64.1 million.

The above cash inflows were partly offset by the following payments during the financial period:

(i) payment for purchases amounting to RM36.5 million;

(ii) payment of Directors' and staff remuneration amounting to RM14.4 million; and

(iii) payment of income taxes amounting to RM2.8 million.

Net cash from investing activities

For the FPE 2019, we recorded net cash from investing activities of RM3.0 million, which was mainly attributed to the net proceeds of RM12.3 million arising from the disposal of our manufacturing plant in Bukit Minyak, Penang.

The above cash inflows were partly offset by:

(i) payment of RM6.1 million for the construction and renovation of the extensions to our new manufacturing plant in Batu Kawan, Penang;

(ii) payment of RM3.7 million for the purchase of production machinery and equipment; and

(iii) payment of RM0.4 million for the purchase of furniture, fittings office equipment and computer system.

Net cash from financing activities

For the FPE 2019, we recorded net cash used in financing activities of RM2.2 million. Our cash outflows were mainly for the repayment of banking facilities amounting to RM13.6 million, which were partly offset by cash inflows of RM10.6 million from the drawdown of banker's acceptance for our working capital purposes and RM0.8 million from the drawdown of term loans to part-finance the construction of our new manufacturing plant in Batu Kawan, Penang.

11.4.3 Borrowings

Our total outstanding bank borrowings as at 31 January 2019 stood at RM49.1 million as follows:

				As at 31 January 2019		
Type of borrowings	**Purpose**	**Tenure**	**Interest rate per annum %**	**Payable within 12 months RM'000**	**Payable after 12 months RM'000**	**Total RM'000**
Term loans	Finance purchase of land and construction of our new manufacturing plant	10 years	1.10% + Effective Cost of Funds	1,490	6,912	8,402

				As at 31 January 2019		
Type of borrowings	**Purpose**	**Tenure**	**Interest rate per annum %**	**Payable within 12 months RM'000**	**Payable after 12 months RM'000**	**Total RM'000**
Term loans	Finance purchase of land and construction of our new manufacturing plant	20 years	Base Lending Rate - 2.20%	607	16,778	17,385
Hire purchases	Finance purchase of motor vehicles, machinery and equipment	7 months - 60 months	2.42 - 3.18	3,745	9,013	12,758
Banker's acceptances	Working capital	Up to 120 days	Banker's acceptance cost of fund	2,600	-	2,600
Banker's acceptances	Working capital	Up to 120 days	On request	8,000	-	8,000
Total				**16,442**	**32,703**	**49,145**

As at 31 January 2019, our floating and fixed rate borrowings are as set out below:

	Floating rate RM'000	**Fixed rate RM'000**	**Total RM'000**
Term loans	25,787	-	25,787
Hire purchases	-	12,758	12,758
Banker's acceptances	10,600	-	10,600
Total	**36,387**	**12,758**	**49,145**

Our borrowings are denominated in RM, secured and interest-bearing. Our credit facilities are secured by charge over our leasehold lands and buildings and joint and several guarantee by certain Promoters. We have not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the Financial Years/Period Under Review and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

As at the LPD, we are not in breach of any terms and conditions or covenants associated with the credit arrangements or bank borrowings, which can materially affect our financial results, financial position or business operations, or the investment by holders of securities in our Group.

11.4.4 Financial instruments, treasury policies and objectives

As at the LPD, save for bank borrowings as disclosed in Section 11.4.3 of this Prospectus, we do not use any other financial instruments.

For clarity purposes, our financial instruments which are used in the ordinary course of business, from an accounting perspective, may include financial assets such as cash and cash equivalents, short-term marketable securities, trade and other receivables, as well as financial liabilities such as borrowings and trade and other payables. As at the LPD, we have not used any financial instruments for hedging purpose.

We have been funding our operations through internally generated funds as well as external sources of funds, such as shareholders' funds, credit extended by our suppliers and various banking facilities extended by licensed financial institutions.

In our ordinary course of business, we deal with customers and suppliers from both the domestic market and foreign market, where transactions are denominated in both local currency as well as foreign currencies. We maintain bank accounts mainly in RM and USD, such that collections can be used to settle payments of the same currency where possible. This provides a natural hedge against fluctuations in the foreign exchange and mitigates our exposure to foreign exchange risks. We may consider other hedging instruments such as derivative contracts available in the financial markets to hedge against foreign exchange risks should the need arise.

Our operations were not subject to any material impact arising from interest rate fluctuations throughout the Financial Years/Period Under Review. Accordingly, we have not entered into any financial instrument to hedge against the fluctuations in the interest rate. We manage our exposure to interest rate fluctuations by maintaining a combination of fixed-rate and floating-rate borrowings.

11.4.5 Material capital commitment

Save as disclosed below, we do not have any other material capital commitment as at the LPD:

	RM'000
Capital expenditure in respect of purchase of property, plant and equipment	
- Approved and contracted for	3,508
- Approved but not contracted for	29,666
Total	**33,174**

We expect to meet our material capital commitment through our internally generated funds and bank borrowings as well as RM32.1 million from our gross proceeds from the Public Issue. Further details of the use of proceeds arising from the Public Issue are set out in Section 4.4 of this Prospectus.

11.4.6 Material litigation or claims

As at the LPD, neither we nor our subsidiaries are engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

11.4.7 Contingent liabilities

As at the LPD, we do not have any material contingent liabilities which have become enforceable or are likely to become enforceable, which in the opinion of our Board, will or may substantially affect the ability of our Group to meet our obligations as and when they fall due.

11.4.8 Key financial ratios

Our key financial ratios for the Financial Years/Period Under Review are as follows:

	<--------------------Audited------------------->			Unaudited	Audited
	FYE 2016	FYE 2017	FYE 2018	FPE 2018	FPE 2019
Trade receivables turnover period[(1)] (days)	82	84	88	51	84
Trade payables turnover period[(2)] (days)	53	67	66	60	62
Inventories turnover period[(3)] (days)	79	110	120	95	174
Current ratio[(4)] (times)	2.0	1.7	1.7	1.9	2.1
Gearing ratio[(5)] (times)	0.2	0.3	0.6	0.3	0.5

Notes:

(1) Computed based on trade receivables as at the end of the respective financial years over our revenue multiplied by 366 days for the FYE 2016 and 365 days for the FYE 2017 and FYE 2018. For the FPE 2018 and FPE 2019, the trade receivables turnover periods were computed based on trade receivables as at 31 January 2018 and 31 January 2019 respectively over our revenue, multiplied by 184 days.

(2) Computed based on trade payables as at the end of the respective financial years over our cost of sales multiplied by 366 days for the FYE 2016 and 365 days for the FYE 2017 and FYE 2018. For the FPE 2018 and FPE 2019, the trade payables turnover periods were computed based on trade payables as at 31 January 2018 and 31 January 2019 respectively over our cost of sales, multiplied by 184 days.

(3) Computed based on inventories as at the end of the respective financial years over our cost of sales multiplied by 366 days for the FYE 2016 and 365 days for the FYE 2017 and FYE 2018. For the FPE 2018 and FPE 2019, the inventories turnover periods were computed based on inventories as at 31 January 2018 and 31 January 2019 respectively over our cost of sales, multiplied by 184 days.

(4) Computed as current assets divided by current liabilities.

(5) Computed as total borrowings divided by shareholders' equity.

(i) Trade receivables turnover period

A summary of our trade receivables for the Financial Years/Period Under Review is set out below:

	<------------------Audited----------------->			Unaudited	Audited
	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FPE 2018 RM'000	FPE 2019 RM'000
Trade receivables[(1)]	17,149	21,215	32,958	18,843	26,919
Revenue	76,311	92,158	136,495	67,806	59,138
Trade receivables turnover period[(2)] (days)	82	84	88	51	84

Notes:

(1) Balances of trade receivables as at the end of the respective financial years/period.

(2) Computed based on trade receivables as at the end of the respective financial years over our revenue multiplied by 366 days for the FYE 2016 and 365 days for the FYE 2017 and FYE 2018. For the FPE 2018 and FPE 2019, the trade receivables turnover periods were computed based on trade receivables as at 31 January 2018 and 31 January 2019 respectively over our revenue, multiplied by 184 days.

The normal credit term granted to our customers ranges from 30 to 90 days. Our credit terms to customers are determined on a case-by-case basis, taking into consideration factors such as our business relationship with the customer, customer creditworthiness, historical payment trend as well as transaction volume and value.

Our trade receivables turnover period stood at 82 days, 84 days, 88 days and 84 days respectively for the Financial Years/Period Under Review, which fell within the normal credit term to our customers.

We have not experienced any significant bad debts for the Financial Years/Period Under Review. We assess the collectability of trade receivables on an individual customer basis and provide for impairment loss on receivables as follows:

(a) allowance for impairment loss based on lifetime expected credit loss in accordance with Malaysian Financial Reporting Standards 9 - Financial Instruments; and

(b) specific allowance for impairment on balances overdue for more than 180 days or where recoverability is uncertain based on our dealings with the customer.

Ageing analysis of trade receivables as at 31 January 2019

		Exceeding credit period			
	Within credit period	**Not more than 30 days overdue**	**Between 31 to 90 days overdue**	**More than 90 days overdue**	**Total**
Trade receivables (RM'000)	24,018	1,390	755	756	26,919
% of trade receivables	89.2	5.2	2.8	2.8	100.0
Subsequent collections as at the LPD (RM'000)	23,511	1,358	690	113	25,672
Outstanding trade receivables as at the LPD (RM'000)	507	32	65	643	1,247
% of trade receivables net of subsequent collections	40.7	2.6	5.2	51.5	100.0

Our total trade receivables stood at RM26.9 million as at 31 January 2019, out of which RM2.9 million or approximately 10.8% exceeded the normal credit term.

As at the LPD, we have collected RM25.7 million or approximately 95.4% of our total trade receivables which were outstanding as at 31 January 2019. Our Board is of the opinion that the remaining outstanding trade receivables are recoverable, after taking into consideration our historical payment trend and the fact that these customers have never defaulted on payment throughout the Financial Years/Period Under Review and up to the LPD.

(ii) Trade payables turnover period

A summary of our trade payables for the Financial Years/Period Under Review is set out below:

	<------------------Audited----------------->			Unaudited	Audited
	FYE 2016 RM'000	**FYE 2017 RM'000**	**FYE 2018 RM'000**	**FPE 2018 RM'000**	**FPE 2019 RM'000**
Trade payables[(1)]	7,974	12,363	16,901	15,068	13,768
Cost of sales	54,869	67,225	93,616	46,429	41,176
Trade payables turnover period[(2)] (days)	53	67	66	60	62

Notes:

(1) Balances of trade payables as at the end of the respective financial years/period.

(2) Computed based on trade payables as at the end of the respective financial years over our cost of sales multiplied by 366 days for the FYE 2016 and 365 days for the FYE 2017 and FYE 2018. For the FPE 2018 and FPE 2019, the trade payables turnover periods were computed based on trade payables as at 31 January 2018 and 31 January 2019 respectively over our cost of sales, multiplied by 184 days.

The normal credit period extended by our suppliers to us ranges from 30 to 90 days. Our trade payables turnover period stood at 53 days, 67 days, 66 days and 62 days for the Financial Years/Period Under Review, which fell within the normal credit period granted by our suppliers. It is our practice to make prompt payments to our suppliers, in order to foster good business relationship with our suppliers to safeguard the continuity of supplies at competitive pricing.

Our trade payables turnover period increased from 53 days for the FYE 2016 to 67 days for the FYE 2017, mainly due to higher purchases of raw materials during the fourth quarter of the FYE 2017 to cater for the delivery of sales in subsequent months, which contributed to the higher trade payables balance as at 31 July 2017. Our trade payables turnover period for the FYE 2018 and FPE 2019 remained relatively consistent at 66 days and 62 days respectively.

Ageing analysis of trade payables as at 31 January 2019

		Exceeding credit period			
	Within credit period	Not more than 30 days overdue	Between 31 to 90 days overdue	More than 90 days overdue	Total
Trade payables (RM'000)	12,248	913	607	-	13,768
% of trade payables	89.0	6.6	4.4	-	100.0
Subsequent payments as at the LPD (RM'000)	12,224	904	456	-	13,584
Outstanding trade payables as at the LPD (RM'000)	24	9	151	-	184
% of trade payables net of subsequent payments	13.0	4.9	82.1	-	100.0

Our total trade payables stood at RM13.8 million as at 31 January 2019, of which RM1.5 million or approximately 11.0% exceeded the normal credit period. As at the LPD, we have settled RM13.6 million or approximately 98.7% of our total trade payables which were outstanding as at 31 January 2019. There is no legal action initiated by our suppliers to demand for payment as the LPD.

(iii) Inventories turnover period

A summary of our inventories for the Financial Years/Period Under Review is set out below:

	<----------------Audited---------------->			Unaudited	Audited
	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FPE 2018 RM'000	FPE 2019 RM'000
Inventories[(1)]					
Raw materials	5,794	10,244	10,953	12,105	16,366
Work-in-progress	2,419	4,291	11,336	4,953	8,803
Finished goods	3,615	5,682	8,542	6,852	13,738
Total	**11,828**	**20,217**	**30,831**	**23,910**	**38,907**
Cost of sales	54,869	67,225	93,616	46,429	41,176
Inventories turnover period[(2)] (days)	79	110	120	95	174

Notes:

(1) Balances of inventories as at the end of the respective financial years/period.

(2) Computed based on inventories as at the end of the respective financial years over our cost of sales multiplied by 366 days for the FYE 2016 and 365 days for the FYE 2017 and FYE 2018. For the FPE 2018 and FPE 2019, the inventories turnover periods were computed based on inventories as at 31 January 2018 and 31 January 2019 respectively over our cost of sales, multiplied by 184 days.

Our operations are on 'build-to-order' basis, where we commence our production upon receiving confirmed order from our customer and produce in accordance with the customer's specifications and requirements.

Our inventories turnover period increased from 79 days for the FYE 2016 to 110 days for the FYE 2017 mainly due to higher purchases of raw materials for orders which we received from our customers in the fourth quarter of the FYE 2017. We received an increase in orders in the fourth quarter of the FYE 2017 mainly from Agilent, Customer A and Plexus, whereby sales to these customers increased significantly by RM41.6 million from a total of RM51.3 million for the FYE 2017 to a total of RM92.9 million for the FYE 2018.

For the FPE 2018, our inventories turnover period decreased to 95 days from 110 days for the FYE 2017 mainly due to lower purchases of stocks in the 2 months leading up to the relocation of our operations to our new manufacturing plant in Batu Kawan, Penang in January 2018.

Thereafter, our inventories turnover period increased to 120 days for the FYE 2018 due to the increase in work-in-progress for our outstanding orders as at 31 July 2018 as well as increase in finished goods which was delivered progressively in subsequent months after the FYE 2018.

Our inventories turnover period further increased to 174 days for the FPE 2019 mainly due to the:

(i) higher level of raw materials due to increase in orders received towards the end of the FPE 2019 mainly from Customer A and Agilent;

(ii) additional purchases of raw materials to cater for fulfillment of higher expected orders from Bromma (Malaysia) Sdn Bhd for the 6 months after the FPE 2019; and

(iii) higher level of finished goods which were subsequently delivered after the FPE 2019 mainly to Customer A.

We are of the opinion that there are no material slow-moving/obsolete inventories as at the LPD in view that:

(i) our raw materials are primarily metal, which are long-lasting in nature;

(ii) work-in-progress and finished goods primarily consist of metal piece-parts and precision machined components fabricated in accordance to customer's specifications and requirements and supported by confirmed order; and

(iii) we have not experienced any significant impairment of inventories throughout the Financial Years/Period Under Review.

(iv) Current ratio

A summary of our current ratio for the Financial Years/Period Under Review is set out below:

	<------------------- Audited------------------->			Unaudited	Audited
	31 July 2016 RM'000	**31 July 2017 RM'000**	**31 July 2018 RM'000**	**31 January 2018 RM'000**	**31 January 2019 RM'000**
Current assets	55,696	60,179	87,702	67,431	86,257
Current liabilities	27,249	36,452	51,078	35,998	40,622
Current ratio(1) (times)	2.0	1.7	1.7	1.9	2.1

Note:

(1) Computed as current assets divided by current liabilities.

Our current ratio decreased from 2.0 times as at 31 July 2016 to 1.7 times as at 31 July 2017 mainly due to increase in borrowings which were used for working capital purposes and purchase of machinery and equipment.

As at 31 July 2018, our current ratio remained at 1.7 times. Our current ratio increased to 2.1 times as at 31 January 2019 mainly due to decrease in other payables after we repaid the amount owing to our Directors of RM10.0 million during the financial period.

(v) Gearing ratio

Our Group does not have any board policy for gearing ratio. A summary of our gearing ratio for the Financial Years/Period Under Review is set out below:

	<-------------------Audited------------------->			Unaudited	Audited
	31 July 2016 RM'000	**31 July 2017 RM'000**	**31 July 2018 RM'000**	**31 January 2018 RM'000**	**31 January 2019 RM'000**
Total borrowings	14,650	24,947	51,338	26,990	49,145
Shareholders' equity	62,755	74,431	84,173	86,724	101,513
Gearing ratio[(1)] (times)	0.2	0.3	0.6	0.3	0.5

Note:

(1) Computed as total borrowings divided by shareholders' equity.

Our gearing ratio increased from 0.2 times as at 31 July 2016 to 0.3 times as at 31 July 2017, in line with the increase in total borrowings from RM14.7 million as at 31 July 2016 to RM24.9 million as at 31 July 2017, primarily attributable to the following factors:

(i) increase in banker's acceptances and bank overdrafts amounting to RM3.6 million and RM3.1 million respectively, which were utilised for our working capital purposes as our existing cash and cash flows generated from our operations were mainly used to part-finance the construction of our new manufacturing plant in Batu Kawan, Penang and the purchase of machinery and equipment; and

(ii) increase in hire purchase creditors amounting to RM4.2 million, which were mainly used for the purchase of machinery and equipment in order to enhance our Group's production capacity.

The increase was partly offset by a decrease in term loans amounting to RM0.7 million due to repayments made for the FYE 2017.

Our gearing ratio increased from 0.3 times as at 31 July 2017 to 0.6 times as at 31 July 2018, in line with the increase in total borrowings from RM24.9 million as at 31 July 2017 to RM51.3 million as at 31 July 2018, primarily attributable to the following factors:

(i) increase in banker's acceptances amounting to RM7.0 million, which was utilised for our working capital purposes as our existing cash and cash flows generated from our operations were mainly used to part-finance the construction and renovation of our new manufacturing plant in Batu Kawan, Penang and the purchase of machinery and equipment;

(ii) increase in term loans amounting to RM14.3 million, which were used to part-finance the acquisition of lands located in Batu Kawan, Penang and the construction of our factory; and

(iii) increase in hire purchase creditors amounting to RM8.3 million, which were mainly used for the purchase of machinery and equipment to support our operations.

Our gearing ratio decreased from 0.6 times as at 31 July 2018 to 0.5 times as at 31 January 2019 mainly due to our PAT of RM17.3 million for the FPE 2019, which increased our shareholders' equity during the financial period.

11.5 ORDER BOOK

We do not have any long-term contracts with our customers as our sales are made based on confirmed orders. As at the LPD, our unbilled orders stood at RM41.9 million, of which RM37.9 million is from our sheet metal fabrication and assembly segment, while RM4.0 million is from our machining segment.

The orders are expected to be billed progressively over the next 12 months.

11.6 TREND INFORMATION

As at the LPD, our Board confirms that there are no:

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as set out in Sections 8 and 9 of this Prospectus;

(ii) material commitment for capital expenditure, as set out in Section 11.4.5 of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations on our Group;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for the future plans and business strategies as set out in Section 7.14 of this Prospectus;

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position; and

(vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources.

11.7 DIVIDEND POLICY

Our ability to pay dividends is dependent upon various factors including but not limited to our financial performance, cash flow requirements and capital expenditure plans. Our Board intends to recommend and distribute a dividend of at least 20% of our annual audited consolidated PAT attributable to our shareholders. Any dividend declared will be at the discretion of our Board and any final dividends declared will be subject to the approval of our shareholders at our annual general meeting.

You should take note that this dividend policy merely describes our current intention and shall not constitute legally binding statements in respect of our future dividends that are subject to our Board's discretion.

When recommending the final dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, among others:

(i) our anticipated future operating conditions as well as future expansion, capital expenditure and investment plan;

(ii) our operating cash flow requirements and financing commitments;

(iii) our expected financial performance including return on equity and retained earnings;

(iv) any restrictive covenants contained in our current and future financing arrangements;

(v) the availability of adequate reserves and cash flows; and

(vi) any material impact of tax laws and regulatory requirements.

Actual dividends proposed and declared may vary depending on our financial performance and cash flows, and may be waived if the payment of the dividends would adversely affect our cash flows and operations. There is no dividend restriction being imposed on our Group currently.

Dividend payments, capital gains and profits from dealing in our Shares will not be subject to Malaysian taxation (not applicable to entities including companies with trading of shares as their principal business activity). No withholding tax is imposed on the above transactions. Potential investors are advised to consult their professional tax advisors if they are in any doubt as to the taxation implication of subscribing, holding or disposing of and dealing in our Shares.

11.8 REPORTING ACCOUNTANTS' REPORT ON COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

BDO

Tel : +604 227 6888
Fax: +604 229 8118
www.bdo.my

51-21-F, Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

The Board of Directors
UWC Berhad
PMT 744-745, Jalan Cassia Selatan 5/1
Taman Perindustrian Batu Kawan
14110 Bandar Cassia
Penang

Date: 2 7 MAY 2019

Our ref: BDO/KTH/CSK/LSX

Dear Sir/Madam

UWC Berhad ("UWC" or "the Company") and its subsidiaries ("UWC Group", "Pro Forma Group" or "the Group")

Report on Compilation of the Pro Forma Consolidated Statement of Financial Position

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statement of Financial Position of the Group prepared by the Board of Directors of the Company. The Pro Forma Consolidated Statement of Financial Position as at 31 January 2019 together with the accompanying notes thereon, for which we have stamped for the purpose of identification only, has been prepared for inclusion in the prospectus of UWC in connection with the listing of and quotation for the entire enlarged issued share capital of UWC on the Main Market of Bursa Malaysia Securities Berhad.

The applicable criteria on the basis of which the Board of Directors of the Company has compiled the Pro Forma Consolidated Statement of Financial Position are described in Note 1 and Note 2 of the Pro Forma Consolidated Statement of Financial Position and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Consolidated Statement of Financial Position has been compiled by the Board of Directors of the Company for illustrative purposes only, to illustrate the impact of the transactions as set out in Note 1.3 to the Pro Forma Consolidated Statement of Financial Position on the financial position of the Group as at 31 January 2019 had the transactions been effected as at 31 January 2019.

Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position

The Board of Directors of the Company is solely responsible for compiling the Pro Forma Consolidated Statement of Financial Position as at 31 January 2019 and the related notes on the basis as described in Note 1 and Note 2 of the Pro Forma Consolidated Statement of Financial Position and accordance with the requirements of the Prospectus Guidelines.

Reporting Accountants' Independence and Quality Control

We are independent of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

BDO PLT (LLP0018825-LCA & AF 0206), Chartered Accountants, a limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO PLT (LLP0018825-LCA & AF 0206), was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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Reporting Accountants' Independence and Quality Control (continued)

Our firm applies International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, by the Board of Directors of the Company on the basis described in Note 1 and Note 2 of the Pro Forma Consolidated Statement of Financial Position.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the Pro Forma Consolidated Statement of Financial Position on the basis set out in Note 1 and Note 2 of the Pro Forma Consolidated Statement of Financial Position.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statement of Financial Position.

The purpose of Pro Forma Consolidated Statement of Financial Position included in the prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted statements of financial position of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 31 January 2019, would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis set out in Note 1 and Note 2 of the Pro Forma Consolidated Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines involves performing procedures to assess whether the applicable criteria on the basis used by the Board of Directors of the Company in the compilation of the Pro Forma Consolidated Statement of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

(a) The related pro forma adjustments give appropriate effect to those criteria; and

(b) The Pro Forma Consolidated Statement of Financial Position reflect the proper application of those adjustments to the unadjusted statements of financial position.

BDO

Reporting Accountants' Responsibility (continued)

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statement of Financial Position has been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statement of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Consolidated Statement of Financial Position of the Group has been compiled, in all material respects, on the basis described in Note 1 and Note 2 of the Pro Forma Consolidated Statement of Financial Position.

Other Matters

This report has been prepared solely for the purpose stated above, in connection with the listing of and quotation for the entire issued share capital of UWC on the Main Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

BDO plt

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Koay Theam Hock
02141/04/2021 J
Chartered Accountant

1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME

1.1 Pro Forma Group

The pro forma financial information of UWC Berhad ("UWC" or "the Company") and its subsidiaries (collectively referred to as "UWC Group", "Pro Forma Group" or "the Group") has been prepared for illustrative purposes only.

1.2 Basis of Preparation

The pro forma financial information of the Group has been prepared on the basis consistent with the accounting policies adopted by the Group, in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia.

The audited consolidated financial statements of UWC and its subsidiaries for the financial period ended 31 January 2019 were not subject to any audit qualification.

The Group is regarded as a continuing entity resulting from the reorganisation exercise because the management of all the entities within the Group, which took part in the reorganisation exercise, was under the common control before and immediately after the reorganisation exercise. The Group has applied the merger method of accounting on a retrospective basis as if the merger had been effected throughout the current financial period.

The pro forma financial information, because of its nature, may not reflect the Group's actual financial position. Further, such information does not predict the Group's future financial position.

The pro forma financial information of the Group comprises Pro Forma Consolidated Statement of Financial Position as at 31 January 2019, adjusted for the impact of the Listing Scheme as set out in Note 1.3 to the pro forma financial information.

Stamped for the purpose of identification only.
27 MAY 2019
BDO PLT
(LLP0018825-LCA & AF 0206)
Chartered Accountants
Penang

1. **PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (continued)**

1.3 **Listing Scheme**

In conjunction with and as an integral part of the listing of and quotation for the entire issued share capital of UWC on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing"), the Company had proposed to undertake the following transactions:

1.3.1 **Initial Public Offering ("IPO")**

(a) **Public issue and offer for sale**

Public issue of 70,000,000 new ordinary shares in UWC ("Shares") and an offer for sale of 33,015,000 existing Shares, representing 19.08% and 9.00% respectively of the enlarged number of issued shares of the Company, at an issue/offer price of RM0.82 per Share.

(b) **Listing**

Admission to the Official List of Bursa Securities and the listing of and quotation for the Company's entire enlarged issued share capital of RM116,760,002 comprising 366,800,002 Shares on the Main Market of Bursa Securities.

1.3.2 **Utilisation of Proceeds from IPO as per Prospectus**

The gross proceeds from the IPO of RM57,400,000 are expected to be utilised as per Prospectus are in the following manner:

	RM
Purchase of new machinery and equipment*	
- CNC machines	27,416,000
- Industrial robotic arms and material handling system	4,700,000
Repayment of bank borrowings	18,000,000
Working capital	2,868,000
Estimated listing expenses#	4,416,000
	57,400,000

The estimated listing expenses totaling RM4,416,000 to be borne by the Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses. A total of RM1,600,000 is assumed to be directly attributable to the IPO and as such, will be debited against the share capital of the Company and the remaining expenses of RM2,816,000 are assumed to be attributable to the Listing and as such, will be expensed off to the statement of profit or loss and other comprehensive income.

* *The total estimated costs for the purchase of CNC machines and industrial robotic arms and material handling system amounted to RM32,116,000. As at 21 May 2019, the CNC machines that has been approved and contracted by the Group amounted to RM2,450,000.*

Stamped for the purpose of identification only.
27 MAY 2019
BDO PLT
(LLP0018825-LCA & AF 0206)
Chartered Accountants
Penang

2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2019

The pro forma consolidated statement of financial position ("SOFP") of the Group as at 31 January 2019 has been prepared for illustrative purposes only to show the effects on the audited consolidated SOFP of UWC as at 31 January 2019 based on the assumptions that the Listing Scheme as set out in Note 1.3 to the pro forma consolidated information had been effected on 31 January 2019.

	Note	As at 31 January 2019 RM'000	Adjustments for IPO RM'000	Pro Forma I After IPO RM'000	Adjustments for Utilisation of Proceeds from the IPO RM'000	Pro Forma II After Pro Forma I and Utilisation of Proceeds from the IPO RM'000
ASSETS						
Non-current assets						
Property, plant and equipment	2.2.1	97,738	-	97,738	2,450*	100,188
Current assets						
Inventories		38,907	-	38,907	-	38,907
Trade and other receivables		31,630	-	31,630	-	31,630
Current tax asset		537	-	537	-	537
Cash and bank balances	2.2.2	15,183	57,400	72,583	(24,866)	47,717
		86,257	57,400	143,657	(24,866)	118,791
TOTAL ASSETS		183,995	57,400	241,395	(22,416)	218,979
EQUITY AND LIABILITIES						
Equity attributable to owners of the parent						
Share capital	2.2.3	59,360	57,400	116,760	(1,600)#	115,160
Reserves	2.2.3	42,153	-	42,153	(2,816)#	39,337
		101,513	57,400	158,913	(4,416)	154,497

Stamped for the purpose of identification only.
2 7 MAY 2019
BDO PLT
(LLP0018825-LCA & AF 0206)
Chartered Accountants
Penang

2. **PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2019 (continued)**

	Note	As at 31 January 2019 RM'000	Adjustments for IPO RM'000	Pro Forma I After IPO RM'000	Adjustments for Utilisation of Proceeds from the IPO RM'000	Pro Forma II After Pro Forma I and Utilisation of Proceeds from the IPO RM'000
LIABILITIES						
Non-current liabilities						
Borrowings	2.2.4	32,703	-	32,703	(18,000)	14,703
Government grants		5,329	-	5,329	-	5,329
Deferred tax liabilities		3,828	-	3,828	-	3,828
		41,860	-	41,860	(18,000)	23,860
Current liabilities						
Trade and other payables		21,457	-	21,457	-	21,457
Borrowings	2.2.4	16,442	-	16,442	-	16,442
Government grants		1,178	-	1,178	-	1,178
Current tax liabilities		1,545	-	1,545	-	1,545
		40,622	-	40,622	-	40,622
TOTAL LIABILITIES		82,482	-	82,482	(18,000)	64,482
TOTAL EQUITY AND LIABILITIES		183,995	57,400	241,395	(22,416)	218,979
Net assets (RM'000)		101,513		158,913		154,497
Number of ordinary shares assumed in issue ('000)		296,800		366,800		366,800
Net assets attributable to equity holders per ordinary share (RM)		0.34		0.43		0.42

\# *The estimated listing expenses totaling RM4,416,000 to be borne by the Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses. A total of RM1,600,000 is assumed to be directly attributable to the IPO and as such, will be debited against the share capital of the Company and the remaining expenses of RM2,816,000 are assumed to be attributable to the Listing and as such, will be expensed off to the statement of profit or loss and other comprehensive income.*

* *The total estimated costs for the purchase of CNC machines and industrial robotic arms and material handling system amounted to RM32,116,000. As at 21 May 2019, the CNC machine that has been approved and contracted by the Group amounted to RM2,450,000.*

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2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2019 (continued)

2.1 Pro Forma Adjustments to the Pro Forma Consolidated Statement of Financial Position

2.1.1 Pro Forma I

Pro forma I is stated after incorporating the effects of the completion of the IPO as set out in Note 1.3.1 to the pro forma financial information.

2.1.2 Pro Forma II

Pro forma II is stated after incorporating the effects of Pro Forma I and effect after the utilisation of proceeds from the IPO as set out in Note 1.3.2 to the pro forma financial information.

2.2 Notes to the Pro Forma Consolidated Statement of Financial Position

2.2.1 Property, plant and equipment

The movements of property, plant and equipment are as follows:

	RM'000
As at 31 January 2019	97,738
IPO	-
Pro Forma I	**97,738**
Utilisation of proceeds from the IPO - Purchase of new machinery and equipment	2,450
Pro Forma II	**100,188**

2.2.2 Cash and Bank Balances

The movements of cash and bank balances are as follows:

	RM'000
As at 31 January 2019	15,183
IPO	57,400
Pro Forma I	**72,583**
Utilisation of proceeds from the IPO	
- Purchase of new machinery and equipment	(2,450)
- Repayment of bank borrowings	(18,000)
- Estimated listing expenses	(4,416)
Pro Forma II	**47,717**

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2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2019 (continued)

2.2 Notes to the Pro Forma Consolidated Statement of Financial Position (continued)

2.2.3 Share Capital and Reserves

(a) The movements in the share capital and reserves are as follows:

	Share capital RM'000	Reserves # RM'000	Total RM'000
As at 31 January 2019	59,360	42,153	101,513
IPO	57,400	-	57,400
Pro forma I	**116,760**	**42,153**	**158,913**
Utilisation of proceeds from the IPO - Estimated listing expenses	(1,600)	(2,816)	(4,416)
Pro forma II	**115,160**	**39,337**	**154,497**

Reserves comprise reorganisation debit reserve and retained earnings as follows:

	Reorganisation debit reserve RM'000	Retained earnings RM'000	Total RM'000
As at 31 January 2019	(56,226)	98,379	42,153
IPO	-	-	-
Pro forma I	**(56,226)**	**98,379**	**42,153**
Utilisation of proceeds from the IPO - Estimated listing expenses	-	(2,816)	(2,816)
Pro forma II	**(56,226)**	**95,563**	**39,337**

(b) Upon completion of the IPO and utilisation of proceeds from the IPO as mentioned in Note 1.3.1 and Note 1.3.2 to the pro forma financial information respectively, the enlarged issued share capital of the Company will be RM116,760,002 comprising 366,800,002 Shares.

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2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2019 (continued)

2.2 Notes to the Pro Forma Consolidated Statement of Financial Position (continued)

2.2.4 Borrowings

The movements of borrowings are as follows:

	RM'000
As at 31 January 2019	49,145
IPO	-
Pro Forma I	**49,145**
Utilisation of proceeds from the IPO - Repayment of bank borrowings	(18,000)
Pro Forma II	**31,145**

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Penang

APPROVAL BY THE BOARD OF DIRECTORS

The proforma financial information has been approved and adopted by the Board of Directors of the Company in accordance with a resolution dated 27 MAY 2019

DATO' NG CHAI ENG
DIRECTOR

LAU CHEE KHEONG
DIRECTOR

Penang
Date: 27 MAY 2019

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27 MAY 2019
BDO PLT
(LLP0018825-LCA & AF 0206)
Chartered Accountants
Penang

BDO

Tel : +604 227 6888
Fax: +604 229 8118
www.bdo.my

51-21-F, Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

The Board of Directors
UWC Berhad
PMT 744-745, Jalan Cassia Selatan 5/1
Taman Perindustrian Batu Kawan
14110 Bandar Cassia
Penang, Malaysia

Date: 27 May 2019
Our ref: KTH/CSK/LSX/LCH

Dear Sir/Madam

Reporting Accountants' Opinion on the Financial Information Contained in the Accountants' Report of UWC Berhad ("UWC" or "the Company")

Opinion

We have audited the financial information of UWC and its subsidiaries ("Group"). The financial information comprises:

(a) The combined statements of financial position as at 31 July 2016 and 2017 of UWC Industrial Sdn. Bhd., UWC Holdings Sdn. Bhd. and its subsidiary, UWC Automation Sdn. Bhd., and combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of UWC Industrial Sdn. Bhd., UWC Holdings Sdn. Bhd. and its subsidiary, UWC Automation Sdn. Bhd. for the financial years ended 31 July 2016 and 2017;

(b) The consolidated statements of financial position as at 31 July 2018 and 31 January 2019 of UWC Berhad and its subsidiaries, UWC Industrial Sdn. Bhd., UWC Holdings Sdn. Bhd. and UWC Automation Sdn. Bhd., and consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of UWC Berhad and its subsidiaries, UWC Industrial Sdn. Bhd., UWC Holdings Sdn. Bhd. and UWC Automation Sdn. Bhd. for the financial year/period ended 31 July 2018 and 31 January 2019;

(c) A summary of significant accounting policies and other explanatory information, as set out in Sections 7 to 9 of the Accountants' Report.

This historical financial information has been prepared for inclusion in the prospectus of the Company ("Prospectus") in connection with the proposed listing of and quotation for the enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad. This report is given for the purposes of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 31 July 2016, 31 July 2017, 31 July 2018 and 31 January 2019, and of their financial performance and their cash flows for each of the financial years/period ended 31 July 2016, 31 July 2017, 31 July 2018 and 31 January 2019 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Financial Information* section of our report.

BDO PLT (LLP0018825-LCA & AF 0206), Chartered Accountants, a limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO PLT (LLP0018825-LCA & AF 0206), was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the *By-Laws (*on *Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Directors' Responsibility for the Financial Information

The Directors of the Group are responsible for the preparation of the financial information that gives a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

In preparing the financial information of the Group, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial information.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial information of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

BDO

Reporting Accountants' Responsibilities for the Audit of the Financial Information (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

(e) Evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group represent the underlying transactions and events in a manner that achieves fair presentation; and

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

This report is made solely to the Directors of the Company, as a body for the abovementioned purpose. We do not assume responsibility to any other person for the content of this opinion.

We did not come across any significant events between the dates of the most recent audited financial statements used in the preparation of the Accountants' Report and the date of this report, which would affect materially the contents of this report.

BDO PLT	**Koay Theam Hock**
LLP0018825-LCA & AF 0206	02141/04/2021 J
Chartered Accountants	Chartered Accountant

ACCOUNTANTS' REPORT ("THIS REPORT")

1. INTRODUCTION

This Report has been prepared by BDO PLT, an approved company auditor, for inclusion in the Prospectus of UWC in connection with the listing of and quotation for the entire enlarged issued share capital of UWC on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Listing"), and shall not be relied on for any other purposes. Details of the listing scheme are disclosed in Section 2 of this Report.

2. DETAILS OF THE LISTING SCHEME

In conjunction with and as an integral part of the Listing, the Company would undertake the following transactions:

2.1 Initial Public Offering ("IPO")

The IPO involves a Public Issue of 70,000,000 new ordinary shares in UWC ("Shares") and an Offer for Sale by the offerors, being Dato' Ng Chai Eng and Mr. Lau Chee Kheong of 33,015,000 existing Shares representing 19.08% and 9.00% respectively of the enlarged total number of issued Shares of the Company.

2.2 Listing

Upon completion of the IPO, the Company would seek the admission to the Official List and the listing of and quotation for its entire enlarged issued share capital of RM116,760,002 comprising 366,800,002 Shares on the Main Market of Bursa Securities.

3. GENERAL INFORMATION

UWC was incorporated in Malaysia under the Companies Act 2016 ("the Act") on 29 March 2018 as a private limited company.

The registered office of the Company is located at 39, Salween Road, 10050 Penang.

For the purposes of the Listing, share sale agreements were executed for:

(i) the acquisition by the Company of the entire equity interest in UWC Holdings Sdn. Bhd. ("UWC Holdings") comprising 1,070,720 ordinary shares for a purchase consideration of RM34,885,000 which was satisfied via the issuance of 174,425,000 shares at an issue price of RM0.20 per Share. The acquisition of UWC Holdings was completed on 4 June 2018.

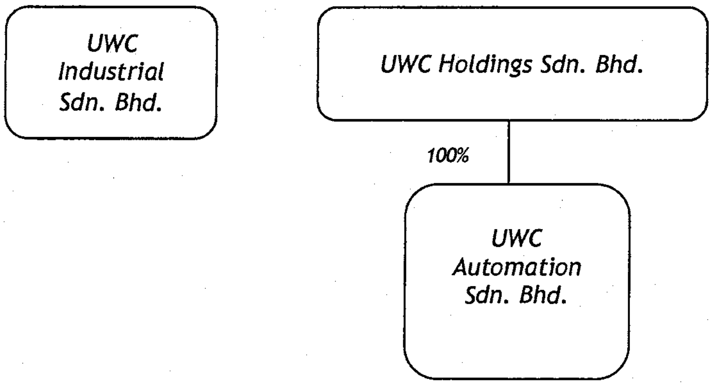
(ii) the acquisition by the Company of the entire equity interest in UWC Industrial Sdn. Bhd. ("UWC Industrial"), comprising 2,000,000 ordinary shares for a purchase consideration of RM24,475,000 which was satisfied via the issuance of 122,375,000 shares at an issue price of RM0.20 per Share. The acquisition of UWC Industrial was completed on 4 June 2018.

(collectively referred to as "Completed Transactions")

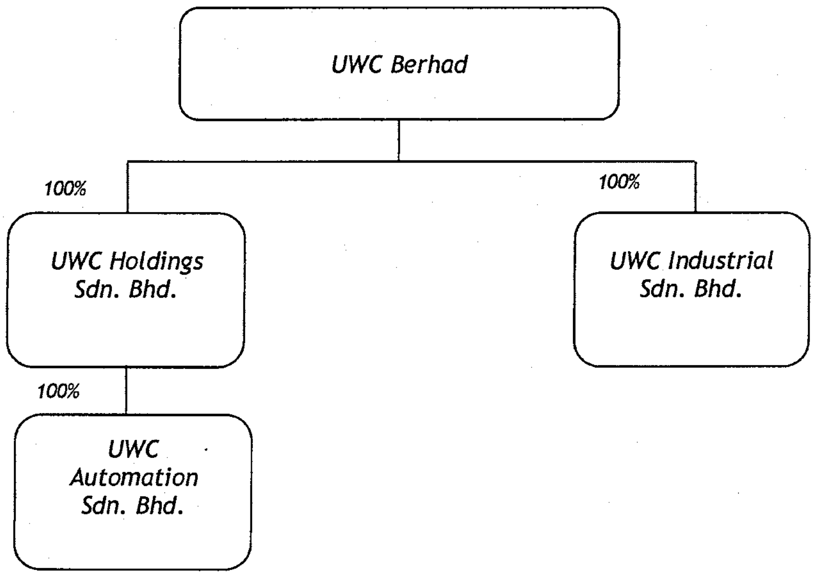
3. GENERAL INFORMATION (continued)

3.1 Group structure

The corporate structure prior to the Completed Transactions is as follows:



The corporate structure of UWC Berhad and its subsidiaries (hereinafter referred to as the "Group") following the Completed Transactions as at the date of this Report is as follows:



3. **GENERAL INFORMATION (continued)**

3.1 **Group structure (continued)**

The principal activity of the Company is investment holding. Details of the subsidiaries as at the date of this Report are as follows:

Subsidiaries	Date and place of incorporation	Issued share capital	Effective equity interest	Principal activities
UWC Holdings	22 August 1990 Malaysia	RM1,070,720	100%	Provision of precision sheet metal fabrication and value-added assembly services
UWC Industrial	31 May 2005 Malaysia	RM2,000,000	100%	Provision of precision sheet metal fabrication and value-added assembly services
<u>Subsidiary of UWC Holdings</u>				
UWC Automation Sdn. Bhd. ("UWC Automation")	28 July 2000 Malaysia	RM600,000	100%	Provision of precision machined components

4. **AUDITED HISTORICAL FINANCIAL INFORMATION**

This Report deals solely with the audited combined financial information of UWC Industrial, UWC Holdings and its subsidiary, UWC Automation for the past financial years ended 31 July 2016 and 31 July 2017 as well as the audited consolidated financial information of UWC Berhad and its subsidiaries, UWC Industrial, UWC Holdings and UWC Automation for the financial year/period ended 31 July 2018 and 31 January 2019.

5. **SHARE CAPITAL**

The Company was incorporated with issued share capital of RM2 comprising 2 ordinary shares. Details of changes in the issued share capital of the Company since the date of incorporation are as follows:

Date	No. of shares	Details	Cumulative no. of shares	Price per share (RM)	Amount (RM)	Cumulative issued share capital (RM)
29 March 2018	2	Allotment to initial subscribers	2	1	2	2
4 June 2018	296,800,000	Allotment pursuant to the Completed Transactions	296,800,002	0.20	59,360,000	59,360,002

6. RELEVANT FINANCIAL YEARS/PERIOD

The relevant financial years/period of the audited financial statements presented for the purpose of this Report ("Relevant Financial Years/Period") and the statutory auditors of the respective companies within the Group were as follows:

Company	Relevant Financial Years/Period	Auditors
UWC Berhad	Financial year ended ("FYE") 31 July 2018 Financial period ended ("FPE") 31 January 2019	BDO PLT BDO PLT
UWC Holdings	FYE 31 July 2016 FYE 31 July 2017 FYE 31 July 2018 FPE 31 January 2019	BDO PLT BDO PLT BDO PLT BDO PLT
UWC Automation	FYE 31 July 2016 FYE 31 July 2017 FYE 31 July 2018 FPE 31 January 2019	BDO PLT BDO PLT BDO PLT BDO PLT
UWC Industrial	FYE 31 July 2016 FYE 31 July 2017 FYE 31 July 2018 FPE 31 January 2019	BDO PLT BDO PLT BDO PLT BDO PLT

The audited financial statements of all the companies within the Group for the Relevant Financial Years/Period reported above were not subject to any qualification or modification.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

7.1 BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention except as otherwise stated in financial statements. The preparation of these financial statements in conformity with Malaysian Financial Reporting Standards ("MFRSs") requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. The Directors are also required to exercise their judgement in the process of applying the accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

7.1.1 Combined financial statements for the financial years ended 31 July 2016 and 31 July 2017

The combined financial statements of UWC for the FYE 31 July 2016 and 31 July 2017 have been prepared in relation to the Listing and in accordance with MFRSs and International Financial Reporting Standards ("IFRSs"), and based on the Guidance Note on 'Combined Financial Statements' issued by the Malaysian Institute of Accountants.

The combined financial statements consist of the financial statements of combining entities as disclosed in Section 9.6 to this Report, which were under common control throughout the reporting periods. The common control of the combining entities has been established by virtue of Dato' Ng Chai Eng and Mr. Lau Chee Kheong, being the Executive Directors, substantial shareholders and promoters of the Group. The combined financial statements have been prepared using financial information obtained from the records of the combining entities during the reporting periods.

The financial information as presented in the combined financial statements may not correspond to the consolidated financial statements of the Company had the Completed Transactions to legally constitute the Group been incorporated in the consolidated financial statements for the respective financial year. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting periods.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.1 BASIS OF PREPARATION (continued)

7.1.1 Combined financial statements for the financial years ended 31 July 2016 and 31 July 2017 (continued)

The combining entities previously applied Private Entity Reporting Standards ("PERSs") during the financial year ended 31 July 2016.

The combining entities adopted MFRSs and IFRSs for the first-time during the financial year ended 31 July 2017. The management has assessed the impact arising from the transition from PERSs to MFRSs on the combining entities' financial position, financial performance and cash flows and noted that there were no material impacts on the financial statements.

7.1.2 Consolidated financial statements for the financial year/period ended 31 July 2018 and 31 January 2019

The consolidated financial statements of the Group have been prepared in accordance with MFRSs and IFRSs.

During the financial year ended 31 July 2018, the Group applied merger method of accounting on a retrospective basis arising from the acquisition of the entire equity interests of UWC Industrial and UWC Holdings by the Company in business combinations under common control.

Consequently, the following accounting treatment has been applied in the consolidated financial statements arising from the business combinations under common control:

(a) Assets and liabilities of UWC Industrial, UWC Holdings and its subsidiary, UWC Automation are recognised and measured at their pre-business combination carrying amount without restatement to fair value;

(b) Retained earnings and other equity reserves of the Group as at 1 August 2017 are those of UWC Industrial, UWC Holdings and its subsidiary, UWC Automation;

(c) Share capital as at 1 August 2017 reflects the share capital of UWC Industrial, UWC Holdings and its subsidiary, UWC Automation prior to the incorporation of the Company; and

(d) The statements of financial position as at 31 July 2018 represent the financial position of the Group after reflecting the effect of the acquisitions during the financial year.

7.2 SIGNIFICANT ACCOUNTING POLICIES

7.2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;
(b) Exposure, or rights, to variable returns from its involvement with the investee; and
(c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;
(b) Rights arising from other contractual agreements; and
(c) The voting rights of the Group and potential voting rights.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.1 Basis of consolidation (continued)

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year/period are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instrument* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.2 Business combinations under common control

Business combinations under common control in the form of equity instrument exchanges are accounted for by applying the merger method of accounting. Assets, liabilities, income and expenses of the merger entities are reflected at their carrying amounts reported in the individual financial statements for the full financial year/period, irrespective of the date of the merger. Any difference between the consideration paid and the share capital of the merger entity are reflected within equity as reorganisation debit reserve.

7.2.3 Business combinations not under common control

Business combinations not under common control are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity; and

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 9 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 9. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.3 Business combinations not under common control (continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

7.2.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Leasehold building	2%
Plant, machinery and equipment	10%
Production equipment	10%
Furniture, fittings, office equipment and computer system	10 to 20%
Motor vehicles	10 to 20%
Fire and electrical installation	10%
Air conditioning	10%
Security control systems	10%
Renovation	10 to 20%

Leasehold land are amortised equally over the lease periods of sixty (60) years. Capital work-in-progress represents machinery under installation and factory building under construction. Capital work-in-progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see section 7.2.7 of this Report on impairment of non-financial assets).

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.4 Property, plant and equipment and depreciation (continued)

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

7.2.5 Leases and hire purchase

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Group is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

7.2.6 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment loss, if any. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.6 Investments in subsidiaries (continued)

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

7.2.7 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries), inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

7.2.8 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out formula. The cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

(a) Financial assets

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets under MFRS 9 *Financial Instruments* for the financial year/period ended 31 July 2018 and 31 January 2019 and MFRS 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 31 July 2017 are as below:

<u>*Categories in the financial year/period ended 31 July 2018 and 31 January 2019*</u>

A financial asset is classified into the following three (3) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and have contractual terms of financial assets which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets classified as amortised cost are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

7. **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

7.2 **SIGNIFICANT ACCOUNTING POLICIES (continued)**

7.2.9 **Financial instruments (continued)**

(a) Financial assets (continued)

Categories in the financial year/period ended 31 July 2018 and 31 January 2019 (continued)

A financial asset is classified into the following three (3) categories after initial recognition for the purpose of subsequent measurement: (continued)

(ii) Financial assets at fair value through other comprehensive income

Financial assets that are debt instruments are measured at fair value through other comprehensive income if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms of financial assets which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

(iii) Financial assets at fair value through profit or loss

Financial assets that are debt instruments that are designated as fair value through profit or loss or are not classified as amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

Equity instruments are classified as financial assets measured at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group in the management of its short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.9 Financial instruments (continued)

(a) Financial assets (continued)

Categories in the financial year/period ended 31 July 2018 and 31 January 2019 (continued)

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

Categories in the financial years ended 31 July 2017 and 31 July 2016

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.9 Financial instruments (continued)

(a) Financial assets (continued)

Categories in the financial years ended 31 July 2017 and 31 July 2016 (continued)

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement: (continued)

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group in the management of its short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.9 Financial instruments (continued)

(b) Financial liabilities (continued)

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement: (continued)

(i) Financial liabilities at fair value through profit or loss (continued)

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is de-recognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group and the Company designate corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group and the Company recognise these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.9 Financial instruments (continued)

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

7.2.10 Impairment of financial assets

Recognition and measurement in the financial year/period ended 31 July 2018 and 31 January 2019

At each financial year/period end, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occuring over the expected life with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group and the Company use external credit rating and other supportive information to assess deterioration in credit quality of a financial asset. The Group and the Company assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group and the Company consider past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The expected loss rates are based on payment profile of the sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the customers to settle the receivables. The methodology and assumptions are reviewed regularly and the Group and the Company will adjust the historical loss rates based on expected changes in macroeconomic factors.

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cashflows that are due to the Group and the Company and all the cash flows that the Group and the Company expect to receive.

The Group and the Company measure the allowance for impairment loss on trade and other receivables based on the two-step approach as follows:

(a) 12-months expected credit loss

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group and the Company measure the allowance for impairment loss for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.10 Impairment of financial assets (continued)

Recognition and measurement in the financial year/period ended 31 July 2018 and 31 January 2019 (continued)

The Group and the Company measure the allowance for impairment loss on trade and other receivables based on the two-step approach as follows: (continued)

(b) Lifetime expected credit loss

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime expected credit loss for that financial asset is recognised as the allowance for impairment loss by the Group and the Company. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group and the Company revert the allowance for impairment loss measurement from lifetime expected credit loss to 12-months expected credit loss.

For trade and other receivables which are financial assets, the Group and the Company apply the simplified approach in accordance with MFRS 9 *Financial Instruments* and measure the allowance for impairment loss based on a lifetime expected credit loss from initial recognition.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

Recognition and measurement in the financial years ended 31 July 2017 and 31 July 2016

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables is reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

7. **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** (continued)

7.2 **SIGNIFICANT ACCOUNTING POLICIES** (continued)

7.2.11 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualifiying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

7.2.12 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as real property gains taxes payable on the disposal of properties, if any.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties, if any.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.12 Income taxes (continued)

(b) Deferred tax (continued)

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax related to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government which have the substantive effect of actual enactment by the end of each reporting period.

7.2.13 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

7.2.14 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations not under common control, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.15 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

7.2.16 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Group.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.17 Revenue recognition

Recognition in the financial year/period ended 31 July 2018 and 31 January 2019

The Group and the Company recognise revenue from contracts with customers for the provision of services and sale of information based on the five-step model as set out below:

(a) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(b) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(c) Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(d) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

(e) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.

The Group and the Company satisfy a performance obligation and recognise revenue at the point in time.

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

(a) Contract revenue

The contract revenue is recognised when the Group satisfies a performance obligation by transferring a promised good to a customer. An asset is transferred as and when the customer obtains control of that asset, which coincides with the delivery of goods and services and acceptance by customers.

(b) Sale of goods

Revenue from sale of goods is recognised when the Group satisfies a performance obligation by transferring a promised good to a customer. An asset is transferred as and when the customer obtains control of that asset, which coincides with the delivery of goods and services and acceptance by customers.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.17 Revenue recognition (continued)

Recognition in the financial year/period ended 31 July 2018 and 31 January 2019 (continued)

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers: (continued)

(d) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

(e) Interest income

Interest income is recognised as it accrues, using the effective interest method.

Recognition in the financial years ended 31 July 2017 and 31 July 2016

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customers and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Dividend income

Dividend income is recognised when the right to receive payment is established.

(c) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

(d) Interest income

Interest income is recognised as it accrues, using the effective interest method.

7.2.18 Fair value measurements

The fair value of an asset or a liability (except for lease transactions) is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.18 Fair value measurements (continued)

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

7.2.19 Government grants

Government grants are recognised in the financial statements as deferred income when there is reasonable assurance that:

(a) The Group would comply with the conditions attached to the grant; and

(b) The grants would be received.

Government grants related to costs are recognised as income in profit or loss in the period in which the grants had been received to match them with the costs which they are intended to compensate.

Where the grants related to an asset, they are recognised as income and transferred to profit or loss on a systematic basis over the useful lives of the related asset.

7.2.20 Non-current assets (or disposal group) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts would be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets (or disposal groups) shall be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. The probability of shareholders' approval (if required in the jurisdiction) is considered as part of the assessment of whether the sale is highly probable.

The sale is expected to qualify for recognition as a completed sale within one (1) year from the date of classification. However, an extension of the period required to complete the sale does not preclude the assets (or disposal groups) from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Group and there is sufficient evidence that the Group remains committed to its plan to sell the assets (or disposal groups).

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.20 Non-current assets (or disposal group) held for sale (continued)

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or all the assets and liabilities in a disposal group) are measured in accordance with applicable MFRSs. On initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, and financial assets carried at fair value) are measured at the lower of its carrying amount before the initial classification as held for sale and fair value less costs to sell. The differences, if any, are recognised in profit or loss as impairment loss.

The Group measures a non-current asset (or disposal group) classified as held for distribution to owners at the lower of its carrying amount and fair value less costs to distribute.

Non-current assets (or disposal groups) held for sale are classified as current assets (and current liabilities, in the case of non-current liabilities included within disposal groups) in the statement of financial position and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the non-current asset (or disposal group) classified as held for sale is presented separately.

If the Group has classified an asset (or disposal group) as held for sale but subsequently, the criteria for classification is no longer met, the Group ceases to classify the asset (or disposal group) as held for sale. The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

(a) Its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale; and

(b) Its recoverable amount at the date of the subsequent decision not to sell.

7.2.21 Operating segments

Operating segments are defined as components of the Group that:

(a) Engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group report separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.21 Operating segments (continued)

The Group report separately information about each operating segment that meets any of the following quantitative thresholds: (continued)

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

(i) the combined reported profit of all operating segments that did not report a loss; and

(ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

7.2.22 Earnings per share

(a) Basic

Basic earnings per share for the financial year/period is calculated by dividing the profit for the financial year/period attributable to owners of the parent by the expected number of ordinary shares of the Company upon completion of the Listing.

(b) Diluted

Diluted earnings per share for the financial year/period is calculated by dividing the profit for the financial year/period attributable to owners of the parent by the expected number of ordinary shares of the Company upon completion of the Listing, adjusted for the effects of dilutive potential ordinary shares.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3 ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

7.3.1 New MFRSs adopted during the financial period ended 31 January 2019

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') for annual financial periods beginning on or after 1 January 2018:

Title	Effective Date
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48

There is no material impact upon the adoption of the above Standards during the financial period.

7.3.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The Standards that are issued but not yet effective up to the date of issuance of financial statements of the Group are disclosed below. The Group intend to adopt these Standards, if applicable, when they become effective.

Title	Effective Date
MFRS 16 *Leases*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *(Plan Amendment, Curtailment or Settlement)*	1 January 2019
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3 ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

7.3.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019 (continued)

The Group is in the process of assessing the impact of implementing these Standards and Amendments, other than MFRS 16, since the effects would only be observable for the future financial years. The Group is currently finalising the adjustments upon adoption of MFRS 16.

7.3.3 New MFRSs adopted during the financial year ended 31 July 2018

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') for annual financial periods beginning on or after 1 January 2017:

Title	Effective Date
Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15	1 January 2018

There is no material impact upon the adoption of the above Standards during the financial year, except for MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*, MFRS 15 *Revenue from Contracts with Customers* and Clarifications to MFRS 15.

The Group and the Company have elected to early adopt MFRS 9 and 15 which are mandatory for financial periods beginning on or after 1 January 2018.

The Group is applying the modified retrospective method upon adoption of MFRS 15 and the cumulative effects would be shown as an adjustment to the opening retained earnings on 1 August 2017.

The adoption of MFRS 9 and MFRS 15 resulted in changes in accounting policies and adjustments to the financial statements.

The following reconciliations provide an impact upon initial application of MFRS 15 and MFRS 9 on the financial position, profit or loss and other comprehensive income of the Group.

7. **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

7.3 **ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)**

7.3.3 **New MFRSs adopted during the financial year ended 31 July 2018 (continued)**

(a) Reconciliation of financial position and equity

1 August 2017	Previously stated RM	Effects of MFRS 9 RM	Effects of MFRS 15 RM	Restated RM
ASSETS				
Non-current assets				
Property, plant and equipment	75,749,902	-	-	75,749,902
Other investment	500,000	-	-	500,000
	76,249,902	-	-	76,249,902
Current assets				
Inventories	20,216,818	-	(338,152)	19,878,666
Trade and other receivables	27,447,499	(96,554)	452,985	27,803,930
Current tax assets	316,544	-	-	316,544
Short term funds	1,404,583	-	-	1,404,583
Cash and bank balances	10,793,607	-	-	10,793,607
	60,179,051	(96,554)	114,833	60,197,330
TOTAL ASSETS	136,428,953	(96,554)	114,833	136,447,232
EQUITY AND LIABILITIES				
Equity attributable to the owners of the parent				
Invested equity	3,134,400	-	-	3,134,400
Reserves	71,296,566	(96,554)	114,833	71,314,845
TOTAL EQUITY	74,430,966	(96,554)	114,833	74,449,245
LIABILITIES				
Non-current liabilities				
Borrowings	15,472,844	-	-	15,472,844
Government grants	7,096,851	-	-	7,096,851
Deferred tax liabilities	2,976,000	-	-	2,976,000
	25,545,695	-	-	25,545,695
Current liabilities				
Trade and other payables	25,039,323	-	-	25,039,323
Borrowings	9,473,766	-	-	9,473,766
Government grants	1,188,170	-	-	1,188,170
Current tax liabilities	751,033	-	-	751,033
	36,452,292	-	-	36,452,292
TOTAL LIABILITIES	61,997,987	-	-	61,997,987
TOTAL EQUITY AND LIABILITIES	136,428,953	(96,554)	114,833	136,447,232

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3 ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

7.3.3 New MFRSs adopted during the financial year ended 31 July 2018 (continued)

(a) Reconciliation of financial position and equity

Notes to the reconciliations

(i) The Group expects an impairment for trade receivables because MFRS 9 replaces the current 'incurred loss' model with a forward-looking 'expected credit loss' model.

(ii) The Group expects a increase in revenue due to the effect of changes to the timing of revenue recognition for identified performance obligations upon adoption of MFRS 15.

7.3.4 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The Standards that are issued but not yet effective up to the date of issuance of financial statements of the Group are disclosed below. The Group intend to adopt these Standards, if applicable, when they become effective.

Title	**Effective Date**
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
Amendments to MFRS 140 *Transfer of Investment Property*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to *MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015-2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015-2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015-2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015-2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 2 *Share-based Payment*	1 January 2020

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3 ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

7.3.4 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

The Standards that are issued but not yet effective up to the date of issuance of financial statements of the Group are disclosed below. The Group intend to adopt these Standards, if applicable, when they become effective. (continued)

Title	Effective Date
Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*	1 January 2020
Amendment to MFRS 3 *Business Combinations*	1 January 2020
Amendment to MFRS 14 *Regulatory Deferral Accounts*	1 January 2020
Amendments to MFRS 101 *Presentation of Financial Statements*	1 January 2020
Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2020
Amendments to MFRS 134 *Interim Financial Reporting*	1 January 2020
Amendment to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*	1 January 2020
Amendment to MFRS *138 Intangible Assets*	1 January 2020
Amendments to IC Interpretation 12 *Service Concession Arrangements*	1 January 2020
Amendments to IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 January 2020
Amendments to IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2020
Amendments to IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2020
Amendments to IC Interpretation 132 *Intangible Assets - Web Site Costs*	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group does not expect the adoption of the above Standards to have a significant impact on the financial statements.

8. FINANCIAL INFORMATION AND LIMITATIONS

The financial information in Section 9 of this Report is based on the respective audited financial statements of the Group with applicable appropriate adjustments and reclassifications made for the purpose of this Report.

All information, including the combined and consolidated financial statements, have been extracted from the audited financial statements and records of the Group during the relevant reporting periods.

9. HISTORICAL FINANCIAL INFORMATION

9.1 Statements of financial position

The audited statements of financial position as at 31 July 2016, 31 July 2017, 31 July 2018 and 31 January 2019 are set out below:

	Section	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	9.5	97,738,493	92,480,567	75,749,902	58,078,304
Other investment	9.7	-	-	500,000	500,000
		97,738,493	92,480,567	76,249,902	58,578,304
Current assets					
Inventories	9.8	38,907,101	30,830,695	20,216,818	11,828,232
Trade and other receivables	9.9	31,629,801	38,850,674	27,447,499	23,126,693
Short term funds	9.10	-	-	1,404,583	8,093,443
Current tax assets		536,925	1,179,321	316,544	-
Cash and bank balances	9.11	15,183,040	13,106,554	10,793,607	12,647,943
		86,256,867	83,967,244	60,179,051	55,696,311
Asset classified as held for sale	9.12	-	3,734,647	-	-
TOTAL ASSETS		183,995,360	180,182,458	136,428,953	114,274,615

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.1 **Statements of financial position (continued)**

The audited statements of financial position as at 31 July 2016, 31 July 2017, 31 July 2018 and 31 January 2019 are set out below (continued):

	Section	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital/Invested equity*	9.13	59,360,002	59,360,002	3,134,400	3,120,000
Reserves	9.14	42,153,368	24,812,903	71,296,566	59,635,443
TOTAL EQUITY		101,513,370	84,172,905	74,430,966	62,755,443
LIABILITIES					
Non-current liabilities					
Borrowings	9.15	32,702,933	34,949,870	15,472,844	13,244,729
Government grants	9.18	5,329,596	5,918,681	7,096,851	8,285,021
Deferred tax liabilities	9.19	3,827,700	4,062,800	2,976,000	2,740,200
		41,860,229	44,931,351	25,545,695	24,269,950
Current liabilities					
Trade and other payables	9.20	21,457,124	32,191,211	25,039,323	23,782,712
Borrowings	9.15	16,441,962	16,388,617	9,473,766	1,405,132
Government grants	9.18	1,178,170	1,179,003	1,188,170	1,188,170
Current tax liabilities		1,544,505	1,319,371	751,033	873,208
		40,621,761	51,078,202	36,452,292	27,249,222
TOTAL LIABILITIES		82,481,990	96,009,553	61,997,987	51,519,172
TOTAL EQUITY AND LIABILITIES		183,995,360	180,182,458	136,428,953	114,274,615

*Number of ordinary shares on combined basis

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.2 **Statements of profit or loss and other comprehensive income**

The audited statements of profit or loss and other comprehensive income for the financial years/period ended 31 July 2016, 31 July 2017, 31 July 2018 and 31 January 2019 are set out below:

	Section	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
Revenue	9.22	59,137,880	136,494,647	92,157,699	76,310,505
Cost of sales		(41,176,092)	(93,615,279)	(67,224,787)	(54,868,512)
Gross profit		17,961,788	42,879,368	24,932,912	21,441,993
Other income		10,607,167	7,861,259	2,909,093	2,838,258
Dividend income		-	150,000	350,000	8,066,974
Administrative and other expenses		(6,546,820)	(11,802,571)	(9,037,095)	(8,369,946)
Finance costs	9.24	(1,232,570)	(1,761,241)	(819,580)	(378,143)
Profit before tax		20,789,565	37,326,815	18,335,330	23,599,136
Taxation	9.25	(3,449,100)	(6,103,157)	(3,472,707)	(4,208,172)
Profit for the financial period/years, attributable to owners of the parent		17,340,465	31,223,658	14,862,623	19,390,964
Other comprehensive income, net of tax:					
Items that may be subsequently reclassified to profit or loss		-	-	-	-
Total comprehensive income, attributable to owners of the parent		17,340,465	31,223,658	14,862,623	19,390,964
Earnings per share attributable to attributable to the owners of the parent:					
Basic and diluted (sen)	9.27	4.73	8.51	4.05	5.29

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.3 **Statements of changes in equity**

The audited statements of changes in equity for the financial years/period ended 31 July 2016, 31 July 2017, 31 July 2018 and 31 January 2019 are set out below:

	Section	Non-distributable Share capital/ Invested equity RM	Non-distributable Reorganisation debit reserve RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 August 2015		3,120,000	-	44,694,479	47,814,479
Profit for the financial year		-	-	19,390,964	19,390,964
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	19,390,964	19,390,964
Dividends paid	9.26	-	-	(4,450,000)	(4,450,000)
Balance as at 31 July 2016		3,120,000	-	59,635,443	62,755,443
Balance as at 1 August 2016		3,120,000	-	59,635,443	62,755,443
Profit for the financial year		-	-	14,862,623	14,862,623
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	14,862,623	14,862,623
Dilution from changes in stake		14,400	-	-	14,400
Dividends paid	9.26	-	-	(3,201,500)	(3,201,500)
Balance as at 31 July 2017		3,134,400	-	71,296,566	74,430,966
Balance as at 1 August 2017		3,134,400	-	71,296,566	74,430,966
Adjustments on initial application of:					
- MFRS 9		-	-	(96,554)	(96,554)
- MFRS 15		-	-	114,833	114,833
		-	-	18,279	18,279
Profit for the financial year		-	-	31,223,658	31,223,658
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	31,223,658	31,223,658
Issuance of ordinary shares		2	-	-	2
Acquisition of subsidiaries in business combination under common control	9.13	56,225,600	(56,225,600)	-	-
Dividends paid	9.26	-	-	(21,500,000)	(21,500,000)
Balance as at 31 July 2018		59,360,002	(56,225,600)	81,038,503	84,172,905

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.3 **Statements of changes in equity (continued)**

The audited statements of changes in equity for the financial years/period ended 31 July 2016, 31 July 2017, 31 July 2018 and 31 January 2019 are set out below (continued):

		Non-distributable		Distributable	
	Section	Share capital/ Invested equity RM	Reorganisation debit reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 August 2018		59,360,002	(56,225,600)	81,038,503	84,172,905
Profit for the financial period		-	-	17,340,465	17,340,465
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	17,340,465	17,340,465
Balance as at 31 January 2019		59,360,002	(56,225,600)	98,378,968	101,513,370

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.4 Statements of cash flows

The audited statements of cash flows for the financial years/period ended 31 July 2016, 31 July 2017, 31 July 2018 and 31 January 2019 are set out below:

	Section	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		20,789,565	37,326,815	18,335,330	23,599,136
Adjustments for:					
Amortisation of government grants	9.18	(589,918)	(1,187,337)	(1,188,170)	(1,188,170)
Allowance for impairment loss		-	61,355	-	-
Depreciation of property, plant and equipment	9.5	4,458,937	7,742,646	5,440,883	4,849,537
Dividend income		-	(150,000)	(350,000)	(8,066,974)
Gain on disposal of other investment		-	(6,000,000)	-	-
Finance costs	9.24	1,232,570	1,761,241	819,580	378,143
Interest income		(168,923)	(253,391)	(274,088)	(263,976)
Property, plant and equipment written off		11,709	-	-	-
(Gain)/Loss on disposal of property, plant and equipment		(180,855)	42,402	(125,991)	-
Gain on disposal of asset classified as held for sale		(8,611,942)	-	-	-
Reversal of allowance for impairment loss		(52,746)	(25,693)	-	-
Net unrealised gain on foreign exchange		-	-	-	(4,184)
Operating profit before changes in working capital		16,888,397	39,318,038	22,657,544	19,303,512
(Increase)/Decrease in inventories		(8,076,406)	(10,952,029)	(8,388,586)	5,268,402
Decrease/(Increase) in trade and other receivables		7,273,619	(11,082,406)	(4,320,806)	9,094,649
(Decrease)/Increase in trade and other payables		(10,734,087)	7,151,888	1,256,611	367,647
Cash generated from operations		5,351,523	24,435,491	11,204,763	34,034,210
Interest paid		(1,232,570)	(1,761,241)	(819,580)	(378,143)
Tax paid		(2,816,670)	(5,505,364)	(3,675,626)	(3,066,347)
Tax refunded		-	194,568	-	1,228,588
Net cash from operating activities		1,302,283	17,363,454	6,709,557	31,818,308

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.4 **Statements of cash flows (continued)**

The audited statements of cash flows for the financial years/period ended 31 July 2016, 31 July 2017, 31 July 2018 and 31 January 2019 are set out below (continued):

	Section	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Additional in paid up capital		-	56,225,602	-	-
Changes in combining entity		-	(56,225,600)	-	-
Dividend received		-	150,000	350,000	8,066,974
Interest received		168,923	253,391	274,088	263,976
Net cash inflow from disposal of a subsidiary		-	-	14,400	-
Proceeds from disposal of short term funds		-	1,404,583	11,289,959	15,156,619
Proceeds from disposal of property, plant and equipment		664,264	8,000	162,604	-
Proceeds from disposal of asset classified as held for sale		12,346,589	-	-	-
Purchase of short term funds		-	-	(4,601,099)	(23,250,062)
Purchase of property, plant and equipment	9.5	(10,211,981)	(16,355,328)	(17,679,137)	(27,675,495)
Net cash from/(used in) investing activities		2,967,795	(14,539,352)	(10,189,185)	(27,437,988)

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.4 Statements of cash flows (continued)

The audited statements of cash flows for the financial years/period ended 31 July 2016, 31 July 2017, 31 July 2018 and 31 January 2019 are set out below (continued):

	Section	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		-	(15,000,000)	(3,201,500)	(4,450,000)
Drawdown from government grant		-	-	-	-
Proceeds from banker acceptances		10,600,000	28,400,000	5,100,000	9,550,000
Proceeds from term loans		810,050	15,048,298	-	12,320,000
Repayment of:					
- Banker acceptances		(10,600,000)	(21,400,000)	(1,500,000)	(12,100,000)
- Hire purchase payables		(2,226,119)	(3,646,437)	(1,204,578)	(580,956)
- Government loan		-	-	-	(500,000)
- Term loans		(777,523)	(775,386)	(706,260)	(316,269)
Net cash (used in)/from financing activities		(2,193,592)	2,626,475	(1,512,338)	3,922,775
Net increase/(decrease) in cash and cash equivalents		2,076,486	5,450,577	(4,991,966)	8,303,095
Effect of foreign exchange rates changes		-	-	-	4,184
Cash and cash equivalents at beginning of financial period/years		13,106,554	7,655,977	12,647,943	4,340,664
Cash and cash equivalents at end of financial period/years	9.11(b)	15,183,040	13,106,554	7,655,977	12,647,943

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.4 Statements of cash flows (continued)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bankers' acceptance (Section 9.15) RM	Hire purchase creditors (Section 9.17) RM	Term loans (Section 9.16) RM	Total RM
At 1 August 2017	3,600,000	6,727,536	11,481,444	21,808,980
Cash flows	7,000,000	(3,646,437)	14,272,912	17,626,475
Non-cash flows - Acquisition of property, plant and equipment	-	11,903,032	-	11,903,032
At 31 July 2018	10,600,000	14,984,131	25,754,356	51,338,487
At 1 August 2018	10,600,000	14,984,131	25,754,356	51,338,487
Cash flows	-	(2,226,119)	32,527	(2,193,592)
At 31 January 2019	10,600,000	12,758,012	25,786,883	49,144,895

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.5 Property, plant and equipment

31 January 2019	Leasehold land and buildings RM	Plant, machinery and equipment RM	Production equipment RM	Furniture, fitting, office equipment and computer system RM	Motor vehicles RM	Fire and electrical installation RM	Air conditioning RM	Security control systems RM	Renovation RM	Capital work-in-progress RM	Total RM
At cost											
Balance as at 1 August 2018	41,375,583	80,964,656	1,891,963	5,198,619	2,805,366	247,908	190,359	216,152	407,373	64,200	133,362,179
Additions	27,700	3,493,147	190,413	363,097	-	-	-	4,160	20,600	6,112,864	10,211,981
Disposals	-	-	-	(3,798)	(1,417,378)	-	-	-	-	-	(1,421,176)
Written off	-	(400,454)	-	(356,957)	-	(196,004)	-	-	(280,398)	-	(1,233,813)
Reclassification	-	2,750	-	(2,750)	-	-	-	-	-	-	-
Balance as at 31 January 2019	41,403,283	84,060,099	2,082,376	5,198,211	1,387,988	51,904	190,359	220,312	147,575	6,177,064	140,919,171
Accumulated depreciation											
Balance as at 1 August 2018	637,142	34,796,789	690,017	2,637,181	1,626,297	202,201	6,688	5,404	279,893	-	40,881,612
Current charge	344,989	3,500,728	100,063	331,431	149,616	2,595	9,518	10,923	9,074	-	4,458,937
Disposals	-	-	-	(317)	(937,450)	-	-	-	-	-	(937,767)
Written off	-	(400,311)	-	(350,040)	-	(196,000)	-	-	(275,753)	-	(1,222,104)
Balance as at 31 January 2019	982,131	37,897,206	790,080	2,618,255	838,463	8,796	16,206	16,327	13,214	-	43,180,678
Carrying amount											
Balance as at 31 January 2019	40,421,152	46,162,893	1,292,296	2,579,956	549,525	43,108	174,153	203,985	134,361	6,177,064	97,738,493

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.5 Property, plant and equipment (continued)

31 July 2018	Leasehold land and buildings RM	Plant, machinery and equipment RM	Production equipment RM	Furniture, fitting, office equipment and computer system RM	Motor vehicles RM	Fire and electrical installation RM	Air conditioning RM	Security control systems RM	Renovation RM	Capital work-in-progress RM	Total RM
At cost											
Balance as at 1 August 2017	20,979,315	61,961,722	1,608,757	3,475,195	2,449,236	241,308	-	-	280,397	20,148,443	111,144,373
Additions	-	19,159,934	283,206	1,723,424	356,130	6,600	190,359	216,152	126,976	6,195,579	28,258,360
Disposals	-	(157,000)	-	-	-	-	-	-	-	-	(157,000)
Transferred to asset held for sale (Section 9.12)	(5,883,554)	-	-	-	-	-	-	-	-	-	(5,883,554)
Reclassification	26,279,822	-	-	-	-	-	-	-	-	(26,279,822)	-
Balance as at 31 July 2018	41,375,583	80,964,656	1,891,963	5,198,619	2,805,366	247,908	190,359	216,152	407,373	64,200	133,362,179
Accumulated depreciation											
Balance as at 1 August 2017	2,385,596	28,855,813	514,362	2,053,984	1,113,514	197,451	-	-	273,751	-	35,394,471
Current charge	400,453	6,047,574	175,655	583,197	512,783	4,750	6,688	5,404	6,142	-	7,742,646
Disposals	-	(106,598)	-	-	-	-	-	-	-	-	(106,598)
Transferred to asset held for sale (Section 9.12)	(2,148,907)	-	-	-	-	-	-	-	-	-	(2,148,907)
Balance as at 31 July 2018	637,142	34,796,789	690,017	2,637,181	1,626,297	202,201	6,688	5,404	279,893	-	40,881,612
Carrying amount											
Balance as at 31 July 2018	40,738,441	46,167,867	1,201,946	2,561,438	1,179,069	45,707	183,671	210,748	127,480	64,200	92,480,567

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.5 Property, plant and equipment (continued)

31 July 2017	Leasehold land and buildings RM	Plant, machinery and equipment RM	Production equipment RM	Furniture, fitting, office equipment and computer system RM	Motor vehicles RM	Fire and electrical installation RM	Air conditioning RM	Security control systems RM	Renovation RM	Capital work-in-progress RM	Total RM
At cost											
Balance as at 1 August 2016	20,979,315	51,810,984	1,464,947	2,801,315	2,030,884	196,004	-	-	280,397	8,668,692	88,232,538
Additions	-	10,090,739	143,810	673,880	655,610	45,304	-	-	-	11,539,751	23,149,094
Disposals	-	(1)	-	-	(237,258)	-	-	-	-	-	(237,259)
Reclassification	-	60,000	-	-	-	-	-	-	-	(60,000)	-
Balance as at 31 July 2017	20,979,315	61,961,722	1,608,757	3,475,195	2,449,236	241,308	-	-	280,397	20,148,443	111,144,373
Accumulated depreciation											
Balance as at 1 August 2016	2,021,643	24,671,423	358,408	1,682,458	952,053	195,998	-	-	272,251	-	30,154,234
Current charge	363,953	4,184,390	155,954	371,526	362,107	1,453	-	-	1,500	-	5,440,883
Disposals	-	-	-	-	(200,646)	-	-	-	-	-	(200,646)
Balance as at 31 July 2017	2,385,596	28,855,813	514,362	2,053,984	1,113,514	197,451	-	-	273,751	-	35,394,471
Carrying amount											
Balance as at 31 July 2017	18,593,719	33,105,909	1,094,395	1,421,211	1,335,722	43,857	-	-	6,646	20,148,443	75,749,902

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.5 Property, plant and equipment (continued)

31 July 2016	Leasehold land and buildings RM	Plant, machinery and equipment RM	Production equipment RM	Furniture, fitting, office equipment and computer system RM	Motor vehicles RM	Fire and electrical installation RM	Air conditioning RM	Security control systems RM	Renovation RM	Capital work-in-progress RM	Total RM
At cost											
Balance as at 1 August 2015	5,883,554	47,699,084	1,247,447	2,281,676	2,030,881	196,004	-	-	280,397	-	59,619,043
Additions	15,095,761	4,111,900	217,500	519,639	3	-	-	-	-	8,668,692	28,613,495
Balance as at 31 July 2016	20,979,315	51,810,984	1,464,947	2,801,315	2,030,884	196,004	-	-	280,397	8,668,692	88,232,538
Accumulated depreciation											
Balance as at 1 August 2015	1,811,837	20,818,654	215,062	1,372,047	629,524	195,998	-	-	270,575	-	25,304,697
Current charge	209,806	3,852,769	143,346	310,411	331,529	-	-	-	1,676	-	4,849,537
Balance as at 31 July 2016	2,021,643	24,671,423	358,408	1,682,458	952,053	195,998	-	-	272,251	-	30,154,234
Carrying amount											
Balance as at 31 July 2016	18,957,672	27,139,561	1,106,539	1,118,857	1,078,831	6	-	-	8,146	8,668,692	58,078,304

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.5 Property, plant and equipment (continued)

(a) The carrying amount of property, plant and equipment of the Group which have been pledged to licensed banks for banking facilities granted to the Group as referred to in Section 9.16 are as follows:

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Leasehold land and buildings	40,421,152	40,738,441	18,593,719	13,274,701
Capital work-in-progress	-	-	8,325,175	9,244,719

(b) The carrying amount of property, plant and equipment of the Group acquired under hire purchase arrangements are as follows:

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Plant, machinery and equipment	16,285,338	17,279,050	7,165,270	1,894,183
Motor vehicle*	-	531,525	841,107	870,004
	16,285,338	17,810,575	8,006,377	2,764,187

* As at 31 January 2019, the carrying amount of a motor vehicle of the Group amounting to RMNil (31.07.2018: RMNil; 31.07.2017: RMNil; 31.07.2016: RM32,589) is acquired under hire purchase arrangement and registered under the name of a Director.

(c) During the financial period/years, the Group made the following cash payments to purchase property, plant and equipment:

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Purchase of property, plant and equipment	10,211,981	28,258,360	23,149,094	28,613,495
Financed by hire purchase arrangements	-	(11,903,032)	(5,469,957)	(938,000)
Cash payments on purchase of property, plant and equipment	10,211,981	16,355,328	17,679,137	27,675,495

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.6 Subsidiaries and/or combining entities

(a) Details of subsidiaries and/or combining entities are as follows:

Name of subsidiaries /combining entities	Country of Incorporation	Effective interest in equity 31.01.2019 %	31.07.2018 %	31.07.2017 %	31.07.2016 %	Principal activities
UWC Holdings Sdn. Bhd.	Malaysia	100	100*	100	100	Provision of precision sheet metal fabrication and value-added assembly services
UWC Industrial Sdn. Bhd.	Malaysia	100	100#	100	100	Provision of precision sheet metal fabrication and value-added assembly services
<u>Subsidiary of UWC Holdings Sdn. Bhd.</u>						
UWC Automation Sdn. Bhd.	Malaysia	100	100	100	100	Provision of precision machined components

(*) On 1 June 2018, UWC Berhad have entered into a Share Sale Agreement to acquire entire equity interest in UWC Holdings, for a total consideration of RM34,885,000, which was satisfied via the issuance of 174,425,000 new ordinary shares in the capital of UWC Berhad at an issue price of RM0.20 per share. Consequently, UWC Holdings became a wholly-owned subsidiary of UWC Berhad on 4 June 2018.

(#) On 1 June 2018, UWC Berhad have entered into a Share Sale Agreement to acquire entire equity interest in UWC Industrial, for a total consideration of RM24,475,000, which was satisfied via the issuance of 122,375,000 new ordinary shares in the capital of UWC Berhad at an issue price of RM0.20 per share. Consequently, UWC Industrial became a wholly-owned subsidiary of UWC Berhad 4 June 2018.

(b) Business combinations under common control that were undertaken during the financial year are disclosed in Section 7.1.1 of this Report.

9.7 Other investment

Other investment comprised unquoted ordinary shares of UVC Technology Sdn. Bhd. at cost, which was acquired by UWC Holdings Sdn. Bhd. during the financial year ended 31 July 2002 for a total cash consideration of RM500,000.

On 16 March 2018, the Group completed the disposal of its entire equity interest in other investment, UVC Technology Sdn. Bhd., a company incorporated in Malaysia for a consideration of RM6,500,000 by way of dividend-in-specie on the basis of one (1) fully paid ordinary share in UVC Technology Sdn. Bhd. for every two (2) existing ordinary shares held in UWC Holdings Sdn. Bhd..

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.7 Other investment (continued)

The gain on disposal of the other investment during the financial year ended 31 July 2018 was as follows:

	31.07.2018 RM
Net proceeds from disposal	6,500,000
Cost of investment	(500,000)
Gain on disposal	6,000,000

9.8 Inventories

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
At cost				
Raw materials	16,365,725	10,952,608	10,243,847	5,793,851
Work-in-progress	8,803,297	11,336,419	4,291,298	2,419,195
Finished goods	13,738,079	8,541,668	5,681,673	3,615,186
	38,907,101	30,830,695	20,216,818	11,828,232

As at 31 January 2019, inventories recognised as cost of sales amounted to RM19,725,798 (31.07.2018: RM50,337,067; 31.07.2017: RM32,919,076; 31.07.2016: RM29,077,446).

9.9 Trade and other receivables

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Trade receivables				
Third parties	25,914,668	32,058,938	21,198,267	17,124,583
Contract receivables	1,072,366	1,030,790	-	-
Related parties	11,000	-	16,698	23,974
	26,998,034	33,089,728	21,214,965	17,148,557
Less: Allowance for impairment losses	(78,887)	(131,455)	-	-
	26,919,147	32,958,273	21,214,965	17,148,557
Other receivables				
Third parties	3,621,137	4,784,453	4,476,969	478,026
Related parties	-	491,337	1,446,992	2,790,956
Amount owing by Directors	-	-	-	48,500
	3,621,137	5,275,790	5,963,961	3,317,482
Less: Allowance for impairment losses	(583)	(761)	-	-
	3,620,554	5,275,029	27,138,926	3,317,482
Deposits and prepayments				
Deposits	73,695	176,158	190,485	2,600,981
Prepayments	1,016,405	441,214	118,088	59,673
	1,090,100	617,372	308,573	2,660,654
	31,629,801	38,850,674	27,447,499	23,126,693

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 90 days (31.07.2018: 30 to 90 days; 31.07.2017: 30 to 90 days; 31.07.2016: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Amounts owing by related parties are unsecured, interest-free and repayable within the next twelve (12) months.

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.9 Trade and other receivables (continued)

(c) The related parties are companies incorporated in Malaysia in which the Directors have significant and controlling financial interest.

(d) The currency exposure profile of trade and other receivables, net of deposits and prepayments are as follows:

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Ringgit Malaysia ("RM")	18,041,875	20,600,427	13,919,569	12,426,161
United States Dollar ("USD")	12,409,092	17,502,970	10,940,485	7,142,930
Others	88,734	129,905	2,278,872	896,948
	30,539,701	38,233,302	27,138,926	20,466,039

(e) The ageing analysis of trade receivables is as follows:

Application of MFRS 139

	31.07.2017 RM	31.07.2016 RM
Neither past due nor impaired	16,591,469	12,388,209
Past due, not impaired		
1 to 30 days	2,833,426	2,976,377
31 to 60 days	1,036,880	431,328
61 to 90 days	381,617	602,128
More than 90 days	371,573	750,515
	4,623,496	4,760,348
	21,214,965	17,148,557

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the combining entities. None of the trade receivables of the combining entities that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Based on past experience, the combining entities is satisfied that no impairment is necessary in respect of these trade receivables. These trade receivables are substantially from companies with good collection track records and no recent history of default. These trade receivables are unsecured in nature.

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.9 **Trade and other receivables (continued)**

(e) The ageing analysis of trade receivables is as follows: (continued)

Application of MFRS 9

		Trade receivables-days past due					
	Not pass due	**1 - 30**	**31 - 60**	**61 - 90**	**91 - 120**	**>120**	**Total**
As at 31 January 2019							
Expected credit loss ('ECL') rate (%)	0.05	0.48	0.89	1.79	0.96	7.59	0.29
Trade receivables, gross (RM)	24,030,027	1,396,695	577,573	185,290	140,827	667,622	26,998,034
Allowance for impairment loss (RM)	(11,700)	(6,720)	(5,114)	(3,319)	(1,345)	(50,689)	(78,887)
	24,018,327	1,389,975	572,459	181,971	139,482	616,933	(26,919,147)
As at 31 July 2018							
ECL rate (%)	0.07	0.83	1.15	1.15	3.04	7.85	0.40
Trade receivables, gross (RM)	29,286,876	1,766,843	552,630	298,446	148,549	1,036,384	33,089,728
Allowance for impairment loss (RM)	(21,232)	(14,604)	(6,364)	(3,418)	(4,515)	(81,322)	(131,455)
	29,265,644	1,752,239	546,266	295,028	144,034	955,062	32,958,273

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.9 Trade and other receivables (continued)

(f) The reconciliation of movement in the allowance for impairment loss of trade receivables are as follows:

	Group Lifetime ECL* allowance RM
Balance as at 1 August 2017 under MFRS 139	-
Restated through opening retained earnings (Section 7.3.1)	89,092
Opening allowance for impairment loss as at 1 August 2017 under MFRS 9	89,092
Reversal of allowance for impairment loss	(18,992)
Allowance for impairment loss during the year	61,355
Balance as at 31 July 2018	131,455
Reversal of allowance for impairment loss	(52,568)
Balance as at 31 January 2019	78,887

(g) The reconciliation of movement in the allowance for impairment loss of other receivables are as follows:

	Group Lifetime ECL* allowance RM
Balance as at 1 August 2017 under MFRS 139	-
Restated through opening retained earnings (Section 7.3.1)	7,462
Opening allowance for impairment loss as at 1 August 2017 under MFRS 9	7,462
Reversal of allowance for impairment loss	(6,701)
Allowance for impairment loss during the year	-
Balance as at 31 July 2018	761
Reversal of allowance for impairment loss	(178)
Balance as at 31 January 2019	583

* Expected credit loss

(d) Information on financial risks of trade and other receivables is disclosed in Section 9.32 of this Report.

9.10 Short term funds

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Financial asset at fair value through profit or loss				
Money market funds	-	-	1,404,583	8,093,443

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.11 **Cash and bank balances**

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Cash and bank balances	15,183,040	13,106,554	10,793,607	12,647,943

(a) The currency exposure profile of cash and bank balances is as follows:

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
RM	11,415,976	9,012,360	5,223,911	4,043,636
USD	3,370,241	4,036,318	5,387,319	8,527,028
EUR	355,055	21,364	147,350	41,729
Others	41,768	36,512	35,027	35,550
	15,183,040	13,106,554	10,793,607	12,647,943

(b) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Cash and bank balances	15,183,040	13,106,554	10,793,607	12,647,943
Less: Bank balance (Section 9.15)	-	-	(3,137,630)	-
	15,183,040	13,106,554	7,655,977	12,647,943

(c) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

(d) Information on financial risks of cash and bank balances is disclosed in Section 9.32 of this Report.

9.12 **Asset classified as held for sale**

	31.01.2019 RM	31.07.2018 RM
At cost		
Balance as at 1 August 2018/2017	5,883,554	-
Disposal	(5,883,554)	-
Transferred from property, plant and equipment (Section 9.5)	-	5,883,554
Balance as at 31 January 2019/31 July 2018	-	5,883,554
Accumulated depreciation		
Balance as at 1 August 2018/2017	2,148,907	-
Disposal	(2,148,907)	-
Transferred from property, plant and equipment (Section 9.5)	-	2,148,907
Balance as at 31 January 2019/31 July 2018	-	2,148,907
Balance as at 31 January 2019/31 July 2018	-	3,734,647

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.12 Asset classified as held for sale (continued)

(a) In the financial year ended 31 July 2018, the Group owned a piece of land and building in Bukit Minyak, Penang. The management had assessed that the disposal was highly probable and the total carrying amount of the said land and building of RM3,734,647 was reclassified from property, plant and equipment to asset held for sale. On 1 June 2018, the Group entered into a sale and purchase agreement with a related party to dispose the said land and building for a cash consideration of RM13,000,000. The disposal was completed on 16 November 2018.

(b) The gain on disposal of asset classified as held for sale during the financial period/year is as follows:

	31.01.2019 RM	31.07.2018 RM
Gain on disposal of asset classified as held for sale	8,611,942	-

9.13 Share capital/Invested equity

	Number of shares	RM
31 January 2019		
Issued and fully paid up:		
As at 1 August 2018/31 January 2019	296,800,002	59,360,002
31 July 2018		
Issued and fully paid up:		
As at 1 August 2017	3,134,400	3,134,400
Issuance of ordinary shares	2	2
Effects of business combinations under common control:		
- Elimination of issued and paid up ordinary share capital of UWC Holdings Sdn. Bhd.	(1,000,000)	(1,000,000)
- Elimination of issued and paid up ordinary share capital of UWC Industrial Sdn. Bhd.	(2,000,000)	(2,000,000)
- Elimination of issued and paid up ordinary share capital of UWC Automation Sdn. Bhd.	(134,400)	(134,400)
- Restated to the ordinary share capital of the Company	296,800,000	59,360,000
	293,665,600	56,225,600
As at 31 July 2018	296,800,002	59,360,002
31 July 2017		
Issued and fully paid up:		
As at 1 August 2016	3,120,000	3,120,000
Dilution from changes in stake	14,400	14,400
As at 31 July 2017	3,134,400	3,134,400
31 July 2016		
Issued and fully paid up:		
As at 1 August 2015/31 July 2016	3,120,000	3,120,000

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.13 Share capital/Invested equity (continued)

(a) In the financial year ended 31 July 2018, the issued and paid up share capital of the Company has been increased from RM2 (as at date of incorporation) to RM59,360,002 by way of issuance of 296,800,000 new ordinary shares of RM0.20 each for cash pursuant to the acquisitions of subsidiaries. The newly issued ordinary shares rank pari passu in all respects with the existing shares of the Company. There was no other issuance of shares during the financial year.

(b) As at 31 July 2016 and 31 July 2017, the number of ordinary shares is on combined basis.

(c) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

(d) With the introduction of the new Companies Act, 2016 effective 31 January 2017, the concept of authorised share capital and par value of shares has been abolished.

9.14 Reserves

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Non-distributable:				
Reorganisation debit reserve	(56,225,600)	(56,225,600)	-	-
Distributable:				
Retained earnings	98,378,968	81,038,503	71,296,566	59,635,443
	42,153,368	24,812,903	71,296,566	59,635,443

Reorganisation debit reserve

The reorganisation debit reserve arose as a result of the difference between consideration paid over the share capital and reserves of UWC Industrial Sdn. Bhd. and UWC Holdings Sdn. Bhd. and its subsidiary, UWC Automation Sdn. Bhd. pursuant to business combinations under common control.

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.15 Borrowings

	31.01.2019	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Non-current liabilities:				
Term loans (Section 9.16)	23,690,074	23,910,873	10,765,661	11,493,954
Hire purchase creditors (Section 9.17)	9,012,859	11,038,997	4,707,183	1,750,775
	32,702,933	34,949,870	15,472,844	13,244,729
Current liabilities				
Bankers' acceptance	10,600,000	10,600,000	3,600,000	-
Term loans (Section 9.16)	2,096,809	1,843,483	715,783	693,750
Hire purchase creditors (Section 9.17)	3,745,153	3,945,134	2,020,353	711,382
Bank balance (Note (a)) (Section 9.11)	-	-	3,137,630	-
	16,441,962	16,388,617	9,473,766	1,405,132
Total borrowings	49,144,895	51,338,487	24,946,610	14,649,861
Represented by:				
Bankers' acceptance	10,600,000	10,600,000	3,600,000	-
Term loans (Section 9.16)	25,786,883	25,754,356	11,481,444	12,187,704
Hire purchase creditors (Section 9.17)	12,758,012	14,984,131	6,727,536	2,462,157
Bank balance (Note (a)) (Section 9.11)	-	-	3,137,630	-
	49,144,895	51,338,487	24,946,610	14,649,861

(a) The credit balance represents cheques drawn for payments which are still unpresented as at the end of each reporting period.

(b) The effective interest rates of the borrowings of the Group are as follows:

	31.01.2019 %	31.07.2018 %	31.07.2017 %	31.07.2016 %
Bankers' acceptance	3.68 - 4.18	3.65 - 4.19	3.74 - 4.00	-
Hire purchase creditors	5.59 - 5.97	4.59 - 5.97	4.59 - 6.29	2.46 - 4.59
Term loans	4.77 - 4.85	4.77 - 4.82	4.36 - 5.02	4.65 - 4.97

(c) Information on financial risks and remaining maturities of borrowings are disclosed in Section 9.32 of this Report.

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.16 Term loans

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Secured				
Term loans				
- non-current	23,690,074	23,910,873	10,765,661	11,493,954
- current	2,096,809	1,843,483	715,783	693,750
	25,786,883	25,754,356	11,481,444	12,187,704
The term loans of the combining entities are repayable as follows:				
- not later than one (1) year	2,096,809	1,843,483	715,783	693,750
- later than one (1) year and not later than five (5) years	8,635,005	8,725,503	4,679,079	5,033,923
- later than five (5) years	15,055,069	15,185,370	6,086,582	6,460,031
	25,786,883	25,754,356	11,481,444	12,187,704

Term loans are secured by:
(i) first party charge over property, plant and equipment as disclosed in Section 9.5;
(ii) jointly and severally guaranteed by certain Directors of a combining entity; and
(iii) corporate guarantee by a subsidiary amounting to RM17,384,384 (31.07.2018: RM17,240,547; 31.07.2017:RM7,543,944; 31.07.2016: RM7,800,204).

9.17 Hire purchase creditors

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Representing hire purchase liabilities:				
- current	3,745,153	3,945,134	2,020,353	711,382
- non-current	9,012,859	11,038,997	4,707,183	1,750,775
	12,758,012	14,984,131	6,727,536	2,462,157
Minimum hire purchase payments:				
- not later than one (1) year	4,361,143	4,704,527	2,367,476	832,985
- later than one (1) year and not later than five (5) years	9,683,658	12,012,045	5,081,851	1,912,053
Total minimum hire purchase payments	14,044,801	16,716,572	7,449,327	2,745,038
Less: Future interest charges	(1,286,789)	(1,732,441)	(721,791)	(282,881)
Present value of hire purchase creditors	12,758,012	14,984,131	6,727,536	2,462,157
Repayable as follows:				
Current:				
- not later than one (1) year	3,745,153	3,945,134	2,020,353	711,382
Non-current:				
- later than one (1) year and not later than five (5) years	9,012,859	11,038,997	4,707,183	1,750,775
	12,758,012	14,984,131	6,727,536	2,462,157

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.17 **Hire purchase creditors (continued)**

Hire purchase creditors amounting to RM3,941,123 (31.07.2018: RM4,362,190; 31.07.2017: RMNil; 31.07.2016: RMNil) are covered by corporate guarantees given by a subsidiary.

9.18 **Government grants**

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
At Cost				
At 1 August 2018/2017/2016/2015	7,097,684	8,285,021	9,473,191	10,661,361
Less: Amortised during the financial period/years	(589,918)	(1,187,337)	(1,188,170)	(1,188,170)
At 31 January/July	6,507,766	7,097,684	8,285,021	9,473,191
Represented by:				
Non-current	5,329,596	5,918,681	7,096,851	8,285,021
Current	1,178,170	1,179,003	1,188,170	1,188,170
	6,507,766	7,097,684	8,285,021	9,473,191

(a) UWC Automation Sdn. Bhd. obtained government grant amounting to RM100,000 under the "Grant for Product and Process Improvement" approved by Small and Medium Industries Development Corporation ("SMIDEC").

(b) The remaining government grant was obtained by UWC Industrial Sdn. Bhd. from Northern Corridor Implementation Authority Malaysia ("NCIA") and Malaysian Investment Development Authority ("MIDA").

9.19 **Deferred tax liabilities**

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Balance as at 1 August 2018/2017/2016/2015	4,062,800	2,976,000	2,740,200	2,134,800
Recognised in the profit or loss (Section 9.25)	(235,100)	1,086,800	235,800	605,400
Balance as at 31 January/July	3,827,700	4,062,800	2,976,000	2,740,200
Subject to income tax:				
Deferred tax liabilities				
Property, plant and equipment	3,827,700	4,062,800	2,976,000	2,740,200

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.20 Trade and other payables

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Trade payables				
Third parties	13,767,494	16,899,718	12,232,650	6,975,251
Related parties	101	1,712	130,518	998,784
	13,767,595	16,901,430	12,363,168	7,974,035
Other payables				
Other payables	4,305,615	1,627,090	622,244	2,744,005
Related parties	-	1,902	112,892	310,449
Amount due to Directors	19,300	10,057,780	10,323,888	10,803,888
Amount due to Shareholders	814	-	-	-
Government loan	-	-	-	500,000
Deposit received	90	1,300,090	90	90
Accrued expenses	3,363,710	2,302,919	1,617,041	1,450,245
	7,689,529	15,289,781	12,676,155	15,808,677
	21,457,124	32,191,211	25,039,323	23,782,712

(a) The Government loan is obtained from the Northern Corridor Implementation Authority, Malaysia as a soft loan. It is unsecured, interest-free and repayable in three (3) yearly instalments as follows:

(i) RM500,000 on or before 31 December 2014;
(ii) RM500,000 on or before 31 December 2015; and
(iii) RM500,000 on or before 31 December 2016.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (31.07.2018: 30 to 90 days; 31.07.2017: 30 to 90 days; 31.07.2016: 30 to 90 days).

(c) The amount due to Directors, amount due to Shareholders and amount due to related parties are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(d) The related parties are companies incorporated in Malaysia in which the Directors have significant and controlling financial interest.

(e) In the financial year ended 31 July 2018, included in deposit received is deposit received from the purchaser in respect of the asset classified as held for sale as set out in Section 9.12 in this Report amounting to RM1,300,000.

(f) The currency exposure profile of trade and other payables is as follows:

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
RM	18,051,868	31,283,420	18,059,583	22,023,427
USD	1,573,216	333,015	2,976,644	461,437
EUR	1,213,869	114,099	1,393,776	181
SEK	-	102,044	1,690,594	661,544
Singapore Dollar (SGD)	596,512	345,589	661,464	561,492
Others	21,659	13,044	257,262	74,631
	21,457,124	32,191,211	25,039,323	23,782,712

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.20 **Trade and other payables (continued)**

(g) Information on financial risks of trade and other payables is disclosed in Section 9.32 of this Report.

9.21 **Capital commitment**

	31.01.2019 RM	31.07.2018 RM	31.07.2017 RM	31.07.2016 RM
Capital expenditure in respect of purchase of property, plant and equipment:				
Contracted but not provided for	3,085,494	3,918,866	4,546,000	10,764,471
Approved but not contracted for	29,761,000	13,750	-	-
	32,846,494	3,932,616	4,546,000	10,764,471

9.22 **Revenue**

	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
Revenue from contracts with customers				
- Sales of goods	58,065,514	135,463,857	92,157,699	76,310,505
- Contract revenue	1,072,366	1,030,790	-	-
	59,137,880	136,494,647	92,157,699	76,310,505
Timing of revenue recognition				
- Transferred over time	1,072,366	1,030,790	-	-
- Transferred at a point in time	58,065,514	135,463,857	92,157,699	76,310,505
Revenue from external customers	59,137,880	136,494,647	92,157,699	76,310,505

9.23 **Employee benefits**

	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
Wages, salaries and bonuses	10,376,395	21,358,078	16,460,291	13,100,393
Directors' remuneration				
- Directors' fee	23,000	72,000	84,000	96,000
- Directors' other emoluments	1,065,293	1,261,980	1,194,843	1,182,262
Contributions to defined contribution plan	865,115	1,747,435	1,295,832	1,119,813
Other benefits	1,810,700	1,982,572	1,296,165	1,191,161
	14,140,503	26,422,065	20,331,131	16,689,629

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.24 Finance costs

	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
Interest expense on:				
- Bankers' acceptance	199,921	238,858	39,671	69,732
- Bank overdraft	-	-	733	753
- Hire purchase creditors	408,142	762,546	243,344	118,458
- Term loan	624,507	759,837	535,832	189,200
	1,232,570	1,761,241	819,580	378,143

9.25 Taxation

	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
Current tax expense based on profit for the financial period/years	2,999,100	4,892,800	3,514,300	3,217,200
(Over)/Underprovision of tax expense in prior years	-	(26,443)	(277,393)	375,764
	2,999,100	4,866,357	3,236,907	3,592,964
Deferred tax (Section 9.19)				
Relating to origination and reversal of temporary Differences	(215,700)	815,100	322,600	119,400
(Over)/Underprovision in prior years	(19,400)	271,700	(86,800)	486,000
	(235,100)	1,086,800	235,800	605,400
Real property gain tax	685,100	150,000	-	9,808
	3,449,100	6,103,157	3,472,707	4,208,172

Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (31.07.2018: 24%; 31.07.2017: 24%; 31.07.2016: 24%) of the estimated taxable profits for the fiscal period/years.

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.25 Taxation (continued)

The numerical reconciliation between the taxation and the product of accounting profit multiplied by the applicable tax rates are as follows:

	01.08.2018 to 31.01.2019	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
Profit before tax	20,789,565	37,326,815	18,335,330	23,599,136
Tax at statutory tax rate of 24% (31.07.2018: 24%; 31.07.2017: 24%; 31.07.2016: 24%)	4,989,500	8,958,400	4,400,500	5,664,000
Tax effects in respect of:				
Non-allowable expenses	419,600	294,346	7,800	435,200
Income not subject to tax	(2,057,100)	(1,808,100)	(378,600)	(2,253,700)
Tax incentives and allowances	(568,600)	(1,646,746)	(117,800)	(329,100)
Real property gain tax	685,100	150,000	-	9,808
Different tax rate for the first RM500,000 of chargeable income	-	(90,000)	(75,000)	(75,000)
Changes in tax rate on deferred tax	-	-	-	(104,800)
Under/(Over)provision of deferred tax in prior years	(19,400)	271,700	(86,800)	486,000
(Over)/Underprovision of tax expense in prior years	-	(26,443)	(277,393)	375,764
	3,449,100	6,103,157	3,472,707	4,208,172

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.26 Dividends

	Gross dividend per share RM	Amount of dividend net of tax RM
31 July 2018		
In respect of financial year ended 31 July 2018:		
Distribution of ordinary shares of RM13.00 each in UVC Technology Sdn. Bhd. ('Distribution Shares') held by the UWC Holdings Sdn. Bhd. to by way of dividend-in-specie on a basis of 1 Distribution Share for every 2 existing ordinary shares held in the Company	13.00	6,500,000
First single tier interim dividend of UWC Holdings	10.00	10,000,000
First single tier interim dividend of UWC Industrial	2.50	5,000,000
		21,500,000
31 July 2017		
In respect of financial year ended 31 July 2017:		
First single tier interim dividend of UWC Holdings	0.80	800,000
Second single tier interim dividend of UWC Holdings	1.00	1,000,000
Third single tier interim dividend of UWC Holdings	0.27	273,000
Fourth single tier interim dividend of UWC Holdings	1.10	1,098,500
Single tier interim dividend of UWC Automation	0.25	30,000
		3,201,500
31 July 2016		
In respect of financial year ended 31 July 2016:		
First single tier interim dividend of UWC Holdings	0.30	300,000
Second single tier interim dividend of UWC Holdings	0.50	500,000
Third single tier interim dividend of UWC Holdings	0.10	100,000
Fourth single tier interim dividend of UWC Holdings	3.55	3,550,000
		4,450,000

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.27 Earnings per share

(a) Basic

Basic earnings per share for the financial period/years is calculated by dividing the profit for the financial period/years attributable to owners of the parent of the Group by the expected number of ordinary shares of the Company upon completion of the Listing.

	01.08.2018 to 31.01.2019	01.08.2017 to 31.07.2018	01.08.2016 to 31.07.2017	01.08.2015 to 31.07.2016
Profit attributable to the owners of the parent (RM)	17,340,465	31,223,658	14,862,623	19,390,964
Expected number of ordinary shares upon completion of the Listing (unit)	366,800,002	366,800,002	366,800,002	366,800,002
Basic earnings per share (sen)	4.73	8.51	4.05	5.29

(b) Diluted

Diluted earnings per share equals basic earnings per share because there are no potentially dilutive instruments in existence as at the end of each reporting period.

9.28 Related party disclosures

(a) Identities of related parties

Parties are considered to be related to the Group if the Group have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group include a company in which a Director has substantial financial interest and is a common Director.

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.28 **Related party disclosures (continued)**

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the financial period/years:

	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2018 RM	01.08.2015 to 31.07.2016 RM
Related parties				
- Rental expense	-	9,900	354,670	421,050
- Rental income	-	3,250	39,000	-
- Purchase of property, plant and equipment	-	527,139	2,712,972	-
- Purchase of machined parts	-	-	2,502,630	3,151,472
- Purchase of goods	-	40,988	175,039	130,675
- Sales of goods	10,000	185,650	253,773	948,399

Balance with related parties at the end of the financial period/years is disclosed in Section 9.9 and Section 9.20 of this Report.

The related party transactions described above were carried out on agreed contractual terms and conditions and in the ordinary course of business between the related parties of the Group and of the Company.

(c) Compensation of key management personnel

The remuneration of certain Directors and other members of key management during the financial period/years were as follows:

	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
Short term employee benefits	1,483,888	2,089,217	1,066,683	971,062
Contributions to defined contribution plans	141,348	209,370	128,160	211,200
	1,625,236	2,298,587	1,194,843	1,182,262

Included in the remuneration of total key management personnel are:

	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
Directors' remuneration (excluding fee)	1,065,293	1,261,980	1,194,843	1,182,262

9.29 **Contingent liabilities**

In the normal course of business, there are contingent liabilities arising from corporate guarantees given to financial institutions for credit facilities granted to related companies. There were no material losses anticipated as a result of these transactions.

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.30 Operating segments

The Group are principally involved in investment holding, provision of precision sheet metal fabrication and value-added assembly services and provision of precision machined components.

For management purposes, the Group are organised into business units based on their products and services. The reportable segments of the Group are as follows:

(a) Provision of sheet metal fabrication and value-added assembly services; and

(b) Provision of precision machined components.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The accounting policies of operating segments are the same as those described in Section 7.2.21 to this Report.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the financial statements. These policies have been applied consistently throughout the financial years/period.

Segment assets exclude cash and bank balances and tax assets. Segment liabilities exclude tax liabilities. Even though borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements).

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.30 Operating segments (continued)

	Investment holdings RM	Provision of precision sheet metal fabrication and value-added assembly services RM	Provision of precision machined components RM	Eliminations RM	Combined RM
31 January 2019					
Revenue from external customers	-	49,988,417	9,149,463	-	59,137,880
Inter-segment revenue	-	12,583,401	8,607,898	(21,191,299)	-
Total revenue	-	62,571,818	17,757,361	(21,191,299)	59,137,880
Interest income	-	142,562	26,361	-	168,923
Interest expense	-	(814,157)	(418,413)	-	(1,232,570)
Net interest expense	-	(671,595)	(392,052)	-	(1,063,647)
Segment profit before tax	(15,058)	18,736,766	2,478,528	(410,671)	20,789,565
Tax expense					(3,449,100)

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.30 Operating segments (continued)

31 January 2019 (continued)	Investment holdings RM	Provision of precision sheet metal fabrication and value-added assembly services RM	Provision of precision machined components RM	Eliminations RM	Combined RM
Other material non-cash items:					
- Amortisation of government grants	-	589,085	833	-	589,918
- Depreciation of investment properties	-	(54,634)	-	54,634	-
- Depreciation of property, plant and equipment	-	(2,835,545)	(1,568,758)	(54,634)	(4,458,937)
Additions to non-current assets other than financial instruments	-	**9,895,741**	**316,240**	-	**10,211,981**
Assets					
Segment assets	59,360,000	134,306,268	36,473,920	(61,864,793)	168,275,395
Cash and bank balances					536,925
Current tax assets					15,183,040
					183,995,360
Liabilities					
Segment liabilities	21,114	57,339,967	19,748,704	-	77,109,785
Deferred tax liabilities					3,827,700
Current tax liabilities					1,544,505
					82,481,990

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.30 Operating segments (continued)

	Investment holdings RM	Provision of precision sheet metal fabrication and value-added assembly services RM	Provision of precision machined components RM	Eliminations RM	Combined RM
31 July 2018					
Revenue from external customers	-	119,768,462	16,726,185	-	136,494,647
Inter-segment revenue	-	27,417,069	24,972,903	(52,389,972)	-
Total revenue	-	147,185,531	41,699,088	(52,389,972)	136,494,647
Interest income	-	198,780	54,611	-	253,391
Interest expense	-	(1,002,237)	(759,004)	-	(1,761,241)
Net interest expense	-	(803,457)	(704,393)	-	(1,507,850)
Segment profit before tax	**(4,133)**	**29,652,940**	**7,485,674**	**192,334**	**37,326,815**
Tax expense					(6,103,157)

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.30 Operating segments (continued)

31 July 2018 (continued)	Investment holdings RM	Provision of precision sheet metal fabrication and value-added assembly services RM	Provision of precision machined components RM	Eliminations RM	Combined RM
Other material non-cash items:					
- Amortisation of government grants	-	1,178,170	9,167	-	1,187,337
- Depreciation of investment properties	-	(30,933)	-	30,933	-
- Depreciation of property, plant and equipment	-	(5,173,769)	(2,537,944)	(30,933)	(7,742,646)
Additions to non-current assets other than financial instruments	-	13,814,458	14,443,902	-	28,258,360
Assets					
Segment assets	59,360,000	131,312,627	37,043,913	(61,819,957)	165,896,583
Cash and bank balances					13,106,554
Current tax assets					1,179,321
					180,182,458
Liabilities					
Segment liabilities	14,892	65,007,508	25,604,982	-	90,627,382
Deferred tax liabilities					4,062,800
Current tax liabilities					1,319,371
					96,009,553

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.30 Operating segments (continued)

31 July 2017	Provision of precision sheet metal fabrication and value-added assembly services RM	Provision of precision machined components RM	Eliminations RM	Combined RM
Revenue from external customers	78,211,696	13,946,003	-	92,157,699
Inter-segment revenue	20,253,211	7,742,150	(27,995,361)	-
Total revenue	98,464,907	21,688,153	(27,995,361)	92,157,699
Interest income	236,009	38,079	-	274,088
Interest expense	(596,404)	(223,176)	-	(819,580)
Net interest expense	(360,395)	(185,097)	-	(545,492)
Segment profit before tax	**15,759,026**	**2,822,065**	**(245,761)**	**18,335,330**
Tax expense				(3,472,707)

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.30 Operating segments (continued)

31 July 2017 (continued)	Provision of precision sheet metal fabrication and value-added assembly services	Provision of precision machined components RM	Eliminations RM	Combined RM
Other material non-cash items:				
- Amortisation of government grants	1,178,170	10,000	-	1,188,170
- Depreciation of property, plant and equipment	(4,267,987)	(1,172,896)	-	(5,440,883)
Additions to non-current assets other than financial instruments	**16,541,445**	**7,062,219**	**(454,570)**	**23,149,094**
Assets				
Segment assets	105,895,481	19,423,321	-	125,318,802
Cash and bank balances				10,793,607
Current tax assets				316,544
				136,428,953
Liabilities				
Segment liabilities	46,787,460	11,483,494	-	58,270,954
Deferred tax liabilities				2,976,000
Current tax liabilities				751,033
				61,997,987

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.30 Operating segments (continued)

31 July 2016	Provision of precision sheet metal fabrication and value-added assembly services RM	Provision of precision machined components RM	Eliminations RM	Combined RM
Revenue from external customers	67,287,799	9,022,706	-	76,310,505
Inter-segment revenue	14,235,120	4,942,295	(19,177,415)	-
Total revenue	81,522,919	13,965,001	(19,177,415)	76,310,505
Interest income	246,064	17,912	-	263,976
Interest expense	(279,898)	(98,245)	-	(378,143)
Net interest expense	(33,834)	(80,333)	-	(114,167)
Segment profit before tax	**21,971,164**	**1,622,776**	**5,196**	**23,599,136**
Tax expense				(4,208,172)

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.30 Operating segments (continued)

	Provision of precision sheet metal fabrication and value-added assembly services RM	Provision of precision machined components RM	Eliminations RM	Combined RM
31 July 2016 (continued)				
Other material non-cash items:				
- Amortisation of government grants	1,178,170	10,000	-	1,188,170
- Depreciation of property, plant and equipment	(3,986,043)	(863,494)	-	(4,849,537)
- Unrealised gain on foreign exchange	-	4,184	-	4,184
Additions to non-current assets other than financial instruments	**27,627,635**	**985,860**	**-**	**28,613,495**
Assets				
Segment assets	91,254,022	10,372,650	-	101,626,672
Cash and bank balances				12,647,943
Current tax assets				-
				114,274,615
Liabilities				
Segment liabilities	43,880,873	4,024,891	-	47,905,764
Deferred tax liabilities				2,740,200
Current tax liabilities				873,208
				51,519,172

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.30 **Operating segments (continued)**

(a) Geographical information

Segment revenue is based on geographical location of customers of the Group.

Segment assets are based on the geographical location of the assets of the Group.

The following are revenue from external customers by geographical location with revenue equal or more than ten percent (10%) of the Group revenue:

	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
Revenue from external customers				
Malaysia	30,104,144	80,032,497	44,030,860	42,167,865
China	1,649,595	2,266,670	1,987,481	3,286,831
France	1,197,596	3,210,088	2,051,336	982,677
Singapore	23,954,310	45,360,951	36,972,860	23,813,808
United Kingdom	1,214	378,236	862,509	1,682,874
United States	1,459,709	3,764,530	5,355,888	3,863,668
Others	771,312	1,481,675	896,765	512,782
	59,137,880	136,494,647	92,157,699	76,310,505

(b) Major customers

The following are major customers with revenue equal or more than ten percent (10%) of revenue of the Group:

	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
Customer A	17,845,163	43,052,750	28,272,540	19,830,340
Customer B	11,457,944	35,494,895	21,165,566	11,625,316
Customer C	6,644,764	14,369,040	9,991,517	11,278,726
	35,947,871	92,916,685	59,429,623	42,734,382

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.31 **Financial instruments**

(a) Capital management

The primary objective of the capital management of the Group is to ensure that the Group would be able to continue as going concern whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged throughout the reporting periods.

The Group manage their capital structure and make adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes throughout the reporting periods.

The Group monitor capital utilisation on the basis of net debt-to-equity ratio, which is net debt divided by total capital. The Group include within net debt, loans and borrowings less cash and bank balances. Capital represents equity attributable to the owners of the Group. The net debt-to-equity ratios as at 31 January 2019, 31 July 2018, 31 July 2017 and 31 July 2016 are as follows:

	31.01.2019 **RM**	**31.07.2018** **RM**	**31.07.2017** **RM**	**31.07.2016** **RM**
Borrowings	49,144,895	51,338,487	24,946,610	14,649,861
Total liabilities	49,144,895	51,338,487	24,946,610	14,649,861
Less: Cash and bank balances	(15,183,040)	(13,106,554)	(10,793,607)	(12,647,943)
Net debt	33,961,855	38,231,933	14,153,003	2,001,918
Total capital	101,513,370	84,172,905	74,430,966	62,755,433
Net debt-to-equity ratio	33%	45%	19%	3%

The Group are not subject to any externally imposed capital requirements.

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.31 **Financial instruments (continued)**

(b) Categories of financial instruments

	Amortised costs		Loans and receivables	
	31.01.2019	**31.07.2018**	**31.07.2017**	**31.07.2016**
	RM	**RM**	**RM**	**RM**
Financial assets				
Trade and other receivables (excluding prepayments)	30,613,396	38,409,460	27,329,411	23,067,020
Cash and bank balances	15,183,040	13,106,554	10,793,607	12,647,943
	45,796,436	51,516,014	38,123,018	35,714,963

	Amortised costs		Other financial liabilities	
	31.01.2019	**31.07.2018**	**31.07.2017**	**31.07.2016**
	RM	**RM**	**RM**	**RM**
Financial liabilities				
Borrowings	49,144,895	51,338,487	24,946,610	14,649,861
Trade and other payables	21,457,124	32,191,211	25,039,323	23,782,712
	70,602,019	83,529,698	49,985,933	38,432,573

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair values and whose carrying amounts are a reasonable approximation of fair values

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair values, either due to their short-term nature or they are floating rate instruments that are re-priced to market interest rates on or near the end of each reporting period.

The carrying amounts of the current position of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(ii) Hire-purchase creditors

The fair values of hire-purchase creditors are estimated based on the future contractual cash flows discounted at current market interest rates available for similar financial instruments and of the same remaining maturities.

(iii) Term loans

The fair value of these bank borrowings has been determined using discounted cash flows technique. The discount rates are based on the weighted effective interest rates of the Company.

9. **HISTORICAL FINANCIAL INFORMATION** (continued)

9.31 Financial instruments (continued)

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amount shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
As at 31 January 2019										
Financial liability										
Amortised costs										
Hire purchase creditors	-	-	-	-	-	11,232,338	-	11,232,338	11,232,338	12,758,012
As at 31 July 2018										
Financial liability										
Amortised costs										
Hire purchase creditors	-	-	-	-	-	13,035,636	-	13,035,636	13,035,636	14,984,131

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.31 **Financial instruments (continued)**

(d) Fair value hierarchy (continued)

The following table sets out the financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amount shown in the statements of financial position. (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
As at 31 July 2017										
Financial asset										
Financial asset at fair value through profit or loss										
Short term funds	-	-	-	-	-	1,404,583	-	1,404,583	1,404,583	1,404,583
Financial liability										
Other financial liability										
Hire purchase creditors	-	-	-	-	-	6,241,131	-	6,241,131	6,241,131	6,727,536
As at 31 July 2016										
Financial liability										
Other financial liability										
Hire purchase creditors	-	-	-	-	-	2,267,605	-	2,267,605	2,267,605	2,462,157

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.32 Financial risk management objectives and policies

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group are exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below.

(a) Credit risk

Trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are the customers of the Group and licensed financial institutions. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group are exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with the customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month, extending up to three (3) months for major customers. Nevertheless, the management of the Group may give longer credit terms by discretion. The Group consistently monitor their outstanding receivables to minimise credit risk.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Group to credit risk is substantially represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group determine concentration of credit risk by monitoring the country and industry sector profiles of their trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of the reporting period are as follows:

	31.01.2019		31.07.2018	
	RM	% of total	RM	% of total
By countries				
Malaysia	16,715,787	62	27,049,148	82
Singapore	8,276,666	31	1,750,019	5
United States of America	424,716	2	1,905,677	6
Others	1,501,978	5	2,253,429	7
	26,919,147	100	32,958,273	100

9. **HISTORICAL FINANCIAL INFORMATION (continued)**

9.32 **Financial risk management objectives and policies (continued)**

(a) Credit risk

Credit risk concentration profile (continued)

The Group determine concentration of credit risk by monitoring the country and industry sector profiles of their trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of the reporting period are as follows (continued):

	31.07.2017		31.07.2016	
	RM	% of total	RM	% of total
By countries				
Malaysia	13,638,345	65	10,452,291	61
Singapore	4,740,998	22	3,763,230	22
United States of America	1,500,189	7	1,062,423	6
Others	1,335,433	6	1,870,613	11
	21,214,965	100	17,148,557	100

At the end of each reporting period, approximately 57% (31.07.2018: 63%; 31.07.2017: 61%; 31.07.2016: 49%) of the trade receivables of the Group were due from three (3) (31.07.2018: three (3); 31.07.2017: three (3); 31.07.2016: three (3)) major customers.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Section 9.9 of this Report.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Section 9.9 of this Report.

(b) Liquidity and cash flow risks

The Group actively manage their debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing Group entities measure and forecast their cash commitments and maintain a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The Group practise prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.32 Financial risk management objectives and policies (continued)

(b) Liquidity and cash flow risks (continued)

The table below summarises the maturity profile of the liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations (continued).

	On demand or within one year RM	One to five years RM	More than five years RM	Total RM
Financial liabilities				
As at 31 January 2019				
Trade and other payables	21,457,124	-	-	21,457,124
Borrowings	17,691,461	22,119,123	20,654,034	60,464,618
Financial guarantees	21,325,507	-	-	21,325,507
	60,474,092	22,119,123	20,654,034	103,247,249
As at 31 July 2018				
Trade and other payables	32,191,211	-	-	32,191,211
Borrowings	18,280,690	24,487,945	21,703,098	64,471,733
Financial guarantees	21,602,737	-	-	21,602,737
	72,074,638	27,282,021	21,703,098	118,265,681
As at 31 July 2017				
Trade and other payables	25,039,323	-	-	25,039,323
Borrowings	10,633,394	10,914,153	6,439,170	27,986,717
Financial guarantees	7,543,944	-	-	7,543,944
	43,216,661	10,914,153	6,439,170	60,569,984
As at 31 July 2016				
Trade and other payables	23,782,712	-	-	23,782,712
Borrowings	2,437,979	8,052,420	8,109,265	18,599,664
Financial guarantees	7,800,204	-	-	7,800,204
	34,020,895	8,052,420	8,109,265	50,182,580
Total undiscounted financial liabilities	209,786,286	65,573,641	59,905,567	332,265,494

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.32 Financial risk management objectives and policies (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Interest rates of bank borrowings are mainly subject to fluctuations in the banks' base lending rates.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of reporting period changed by fifty (50) basis points with all other variables held constant:

	01.08.2018 to 31.01.2019 RM	01.08.2017 to 31.07.2018 RM	01.08.2016 to 31.07.2017 RM	01.08.2015 to 31.07.2016 RM
Profit after tax				
- Increase by 0.5%	138,270	138,147	57,309	46,313
- Decrease by 0.5%	(138,270)	(138,147)	(57,309)	(46,313)

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.32 Financial risk management objectives and policies (continued)

(c) Interest rate risk (continued)

The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

	Weighted average effective interest rate per annum %	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total
As at 31 January 2019								
Floating rate								
Bankers' acceptance	3.79	10,600,000	-	-	-	-	-	10,600,000
Term loans	4.80	2,096,809	2,124,068	2,157,257	2,189,791	2,163,889	15,055,069	25,786,883
As at 31 July 2018								
Floating rate								
Bankers' acceptance	3.79	10,600,000	-	-	-	-	-	10,600,000
Term loans	4.80	1,843,483	2,131,237	2,164,660	2,197,554	2,232,052	15,185,370	25,754,356
As at 31 July 2017								
Floating rate								
Bankers' acceptance	3.92	3,600,000	-	-	-	-	-	3,600,000
Term loans	4.57	715,783	728,048	740,880	754,304	2,455,847	6,086,582	11,481,444
As at 31 July 2016								
Floating rate								
Term loan	4.65 - 4.87	693,750	705,329	717,458	730,164	2,880,972	6,460,031	12,187,704

9. **HISTORICAL FINANCIAL INFORMATION** (continued)

9.32 Financial risk management objectives and policies (continued)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group. The currency giving rise to this risk is primarily in USD, SGD and EUR.

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the USD, SGD and EUR exchange rate against the functional currency of the Group, with all other variables held constant:

	31.01.2019	**31.07.2018**	**31.07.2017**	**31.07.2016**
	RM	**RM**	**RM**	**RM**
Profit after tax				
USD/RM				
- strengthen by 15%	1,619,497	2,371,681	1,522,032	1,733,771
- weaken by 15%	(1,619,497)	(2,371,681)	(1,522,032)	(1,733,771)
SGD/RM				
- strengthen by 15%	(66,706)	(37,994)	(27,336)	46,520
- weaken by 15%	66,706	37,994	27,336	(46,520)
EUR/RM				
- strengthen by 15%	(88,768)	157,488	(129,969)	7,560
- weaken by 15%	88,768	(157,488)	129,969	(7,560)

Sensitivity analyses of other foreign currencies are not disclosed as they are not material to the Group.

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.33 Significant events during the financial years

(a) On 1 June 2018, UWC entered into a Share Sale Agreement to acquire 100% of the issued share capital of UWC Holdings, for a purchase consideration of RM34,885,000 to be fully satisfied by way of issuance of 174,425,000 new ordinary shares in the capital of UWC at an issue price of RM0.20 per share. The acquisition was completed on 4 June 2018.

(b) On 1 June 2018, UWC entered into a Share Sale Agreement to acquire 100% of the issued share capital of UWC Industrial, for a purchase consideration of RM24,475,000 to be fully satisfied by way of issuance of 122,375,000 new ordinary shares in the capital of UWC at an issue price of RM0.20 per share. The acquisition was completed on 4 June 2018.

(c) The Directors regard UWC Holdings and UWC Industrial as subsidiaries of UWC upon entering into the Share Sale Agreement on 1 June 2018.

13. ADDITIONAL INFORMATION

13.1 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the remainder of our Constitution and by applicable law. The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless otherwise defined or the context otherwise requires:

13.1.1 Remuneration of our Directors

The provisions in our Constitution in respect of remuneration of our Directors are as follows:

Clause 175

The fees and benefits payable to the Directors shall annually be determined by an ordinary resolution of the Company in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree provided always that:

(a) salaries payable to executive Directors may not include a commission on or percentage or turnover;

(b) fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover;

(c) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the later; and

(d) fees and benefits payable to Directors shall not be increased except pursuant to an ordinary resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

Clause 176

The Board can also repay to a director all expenses properly incurred in:

(a) attending and returning from shareholders' meetings, Board meetings or Board committee meetings; or

(b) any other way in connection with the Company's business.

Clause 177

The Board can award extra fees to a director who:

(a) holds an executive position;

(b) acts as chairman or deputy chairman; or

(c) serves on a Board committee or board at the request of the Board.

Clause 178

If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being wiling shall be called upon to perform extra services or to make any special efforts in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing a special remuneration in addition to his Directors' Fees and such special remuneration may be by way of a fixed sum or otherwise as may be arranged.

Clause 179

Subject to the Listing Requirements, the Board can decide whether to provide:

(a) pensions;

(b) annual payments; or

(c) other allowances or benefits,

to any people including people who are or who were directors of the Company. The Board can decide to extend these arrangements to relations or dependants of, or people connected to, these people. The Board can also decide to contribute to a scheme or fund or to pay premiums to a third party for these purposes.

Clause 180

The Company can only provide pensions and other similar benefits to:

(a) people who are or were directors; and

(b) relations or dependents of, or people connected to, those directors or former directors.

The receipt of a benefit of any kind given in accordance with this Clause does not prevent a person from being or becoming a director of the Company.

Clause 181

Shareholders must approve the matters in Clauses 175 to 179 as far as the Act, SICDA, and all regulations, Rules of Bursa Depository, practice notes, practice directives and guidelines made under them require in relation to directors' fees and benefits.

13.1.2 Voting and borrowing powers of our Directors

The provisions in our Constitution dealing with voting powers of our Directors in the proposals, arrangements or contracts in which they are interested in and the borrowing powers exercisable by them and how such borrowing powers can be varied are as follows:

Clause 197

A director cannot vote (and if the director does vote, such vote will not be counted) on a resolution about a contract in which the director (or a person connected with the director) is directly or indirectly interested.

Clause 198

A director is counted in the quorum for a Board meeting in relation to a resolution although the director is not entitled to vote.

Clause 199

A director is not interested in a contract where Sections 221(2) or (3) of the Act say that they are not. This Clause does not affect any equitable principle or rule of law relating to directors not being treated as interested. This Clause is subject to the Listing Requirements.

Clause 200

This Clause applies if the Board is considering proposals to appoint 2 or more directors to positions with the Company or any company in which the Company has an interest. It also applies if the Board is considering fixing or varying the terms of the appointment. These proposals can be split up to deal with each proposed director separately. If this is done, each proposed director can vote (unless the proposed director is prevented from voting under Clause 197) and be counted in the quorum for each resolution.

Clause 201

If a question comes up at a meeting about whether a director (other than the chairman of the meeting) has all interest or whether the director can vote or be counted in the quorum, and the director does not agree to abstain from voting on the question or not be counted in the quorum, the question must be referred to the chairman of the meeting. The chairman's ruling about the director is conclusive, unless the nature or extent of the director's interests has not been fairly disclosed to the Board. If the question comes up about the chairman of the meeting, the question will be decided by a resolution of the Board. The chairman cannot vote on the question but can be counted in the quorum. The Board's resolution about the chairman is conclusive, unless the nature or extent of the chairman's interests has not been disclosed to the Board.

Clause 223

To the extent that the Act, Listing Requirements and the Constitution allow, the Board can exercise all the powers of the Company to:

(a) borrow money;

(b) mortgage or charge all or any part of the Company's business, property and assets (present and future);

(c) issue debentures and other securities; and

(d) give security (including (without limitation), guarantees, indemnities and mortgages and charges) either outright or as collateral security, for a debt, liability or obligation of the Company or another person.

13.1.3 Changes in capital and variation of class rights

The provisions in our Constitution in respect of the changes in capital or variation of class rights are as follows:

Clause 21

The Company can issue new shares and attach any rights and restrictions to them, as long as this is not restricted by special rights previously given to holders of any existing shares. Subject to this, the rights of new shares can take priority over the rights of existing shares, or existing shares can take priority over them, or the new shares and the existing shares can rank equally. These rights and restrictions can apply to sharing in the Company's profits or assets. Other rights and restrictions can also apply, for example, those relating to the right to vote.

Clause 24

If the Company's share capital is split into different classes of share, the special rights attached to any of these classes can be varied or withdrawn if the shareholders approve this by passing a special resolution. This must be passed at a separate meeting of the holders of that class of shares. This is called a class meeting. Alternatively, the holders of at least 75% of the existing shares of the class (by voting rights) can give their written consent.

Clause 25

The parts of the Constitution which relate to general meeting apply, with any necessary changes, to a class meeting, but with these adjustments:

(a) a shareholder who is present in person or by proxy can demand a poll;

(b) on a poll, the holders of shares will have 1 vote for every share of the class which they hold; and

(c) the vote will, anyhow, be by poll if the Listing Requirements require this.

This is subject to any special rights or restrictions which are attached to a class of shares by the Constitution, or any rights attached to shares in some other way under the Constitution.

A special resolution of shareholders of the preference capital affected is required where preference capital is to be repaid (other than redeemable preference capital or any other alteration to preference shareholders' rights). However, where the majority for the special resolution is not obtained at a meeting, written consent given by holders of at least 75% of that preference capital within 2 months of that meeting shall be as valid and effective as a special resolution passed at a meeting.

Clause 26

Clauses 24 and 25 also apply if:

(a) special rights of shares forming part of a class are varied or withdrawn. Each part of the class which is being treated differently is viewed as a separate class in applying this Clause; and

(b) preference shares are issued which rank equally with existing preference shares. However, these Clauses do not apply if the terms of issue of existing preference shares or the Constitution allows those preference shares to be issued.

Clause 37

The shareholders can pass a special resolution to reduce in any way the Company's share capital in accordance with Subdivision 4 of Division 1 of Part III of the Act, whether with the confirmation of the Court or a solvency statement.

Clause 38

The shareholders can pass special resolutions to alter the Company's share capital in accordance with Section 84 of the Act.

Clause 39

If any shares are consolidated or divided, the Board may deal with any fractions of shares which result or any other problem that arises. If the Board decides to sell any shares which represent fractions, they must sell for the best price they can reasonably obtain and distribute the net proceeds of sale among shareholders in proportion to their fractional entitlements or shall be disregarded and will be dealt with by the Board in such a manner as they deem fit at their absolute discretion and in the best interest of the Company. The Board can sell to a person (including the Company, if the Act and the Listing Requirements allow) and can authorise a person to transfer those shares to the buyer or in accordance with the buyer's instructions. The buyer does not need to take any action to check how any money paid is used. The buyer's ownership will not be affected if the sale was irregular or invalid in any way.

Clause 40

The shareholders can also pass special resolutions to convert any paid-up shares into stock and reconvert any stock into paid-up shares in accordance with Section 86 of the Act.

13.1.4 Transfer of securities

The provisions in our Constitution in respect of arrangements for transfer of the securities and restrictions on their free transferability are as follows:

Clause 50

Transfers of any listed security or class of listed security shall be by way of book entry by Bursa Depository in accordance with the Rules of Bursa Depository. The Company shall not register or effect any transfer of listed securities although Sections 105, 106 and 110 of the Act may say something else. It shall not do so despite Sections 103(1), 106 and 110 of the Act. This does not, however, apply to a transfer of securities to Bursa Depository or its nominee or from Bursa Depository or its nominee to Depositors under Section 148(2) of the Act or any transfer of securities under any exemption given from compliance with Section 148(1) of the Act.

Clause 51

Where:

(a) the securities of the Company are listed on another stock exchange; and

(b) the Company is exempt from complying with Section 14 of SICDA or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as applicable, under the Rules of the Depository in respect of such securities, the Company shall, on request of a securities holder, allow securities held by that holder to be transmitted from the register of holders kept by the Share Registrar in the other stock exchange's jurisdiction, to the register of holders kept by the Share Registrar in Malaysia and the other way around. However, there must be no change in the ownership of such securities.

Clause 52

Transfers of non-depository shares must be in any form which the Act requires. If the Act does not require a specific form, the transfer must be in the usual standard form, or another form approved by the Board. A transfer must be signed, or made effective in some other way, by or on behalf of the persons making and receiving the transfer.

Clause 53

Bursa Depository may refuse to transfer any deposited shares which do not comply with SICDA and the Rules of Bursa Depository. A shareholder can transfer some or all of their non-depository shares unless the Constitution says something else.

Clause 54

The transfer for non-depository shares must be delivered to the registered office or some other place which the Board decides. The transfer must have with it:

(a) the share certificate for shares to be transferred;

(b) any other evidence which the Board ask for to prove that the person wanting to make or receive the transfer is entitled to do this; and

(c) if the transfer is executed by another person on behalf of the person making or receiving the transfer, evidence of the authority of that person to do so.

Clause 55

A transfer delivered under Clause 54:

(a) cannot be in favour of more than 4 joint holders; and

(b) must be properly stamped to show payment of any applicable stamp duty.

Clause 56

The Board can refuse to register such a transfer delivered:

(a) where the transfer breaches any law or regulation or licensing or requirement (of any jurisdiction) which applies to the Company or any of its subsidiaries or any entity in which any of them have an interest;

(b) where the transfer is unlawful under Malaysian law; or

(c) the transfer relates to partly paid shares where a call has been made and is unpaid.

Clause 57

If the Board decides not to register a transfer of a share delivered under Clause 54, it must comply with Section 106 of the Act.

Clause 58

If the Company registers a transfer delivered under Clause 54, it can keep the transfer. A transfer cannot be used to transfer more than 1 class of shares. Each class needs a separate transfer. No fee is payable to the Company for transferring non-depository shares or registering changes relating to the ownership of any such shares.

Clause 59

The person making a transfer of non-depository shares will be treated as continuing to be the shareholder until the name of the person to whom a share is being transferred is entered on the register of member for that share.

13.1.5 Rights, preference and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

There are no special rights attached to our Shares. As at the date of this Prospectus, we have only 1 class of shares in our Company, namely ordinary shares, all of which rank equally with one another.

13.2 LIMITATION ON THE RIGHTS TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

Save as disclosed below which has been reproduced from our Constitution, there is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares imposed by law or by the constituent documents of our Company:

Clause 71

If any amount (or part of it) payable on a call is not paid by the due date:

(a) the shareholder, required to pay that amount, shall pay interest on the unpaid amount from the due date to the date of payment. The Board shall decide, from time to time, on the rate of interest, which must not exceed the cap imposed by Section 82(7) of the Act. The Board may waive all or any of the interest paid or payable; and

(b) the shareholder shall not be entitled, in relation to a share held by that shareholder, to vote in person (including, by a representative) or by proxy at a general meeting or any meeting of a class of shareholders or to exercise any other rights given to a shareholder of such a share, if any call or other amount payable to the Company remains unpaid. The Board may waive all or any of these restrictions.

Clause 130

Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996, a Depositor shall not be regarded as a shareholder entitled to attend the meeting and to attend, speak, participate and vote in it unless that shareholder's name appears in the Record of Depositors for that meeting.

13.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his/her Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account of that Depositor.

A depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

13.4 SHARE CAPITAL

Details of the share capital of our Company and our subsidiaries are as follows:

13.4.1 Our Company

As at the LPD, our issued share capital is RM59,360,002 comprising 296,800,002 Shares. The changes in our issued share capital since incorporation up to the LPD are as follows:

Date of allotment	Number of Shares allotted	Consideration	Cumulative Issued Share Capital (RM)
29 March 2018	2	Cash	2
4 June 2018	296,800,000	[(1)]Consideration for other than cash	59,360,002

Note:

(1) Pursuant to the Acquisitions.

None of our Shares were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of our Shares.

13.4.2 UWC Holdings

As at the LPD, the issued share capital of UWC Holdings is RM3,164,032 comprising 1,070,720 ordinary shares. The changes in the issued share capital of UWC Holdings under the Financial Years/Period Under Review up to the LPD are as follows:

Date of allotment	Number of Shares allotted	Consideration	Cumulative Issued Share Capital (RM)
18 April 2018	70,720	Consideration for other than cash	3,164,032

Note:

(1) Pursuant to the acquisition by UWC Holdings of the remaining 134,400 ordinary shares in UWC Automation, representing 22.4% equity interest in UWC Automation not already held by UWC Holdings for a purchase consideration of RM2,164,032, satisfied via the issuance of 70,720 new ordinary shares in UWC Holdings at an issue price of RM30.60 per share, which was completed on 18 April 2018.

None of the ordinary shares of UWC Holdings were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares of UWC Holdings.

13.4.3 UWC Industrial

As at the LPD, the issued share capital of UWC Industrial is RM2,000,000 comprising 2,000,000 ordinary shares. There has been no change in the issued share capital of UWC Industrial during the Financial Years/Period Under Review up to the LPD.

None of the ordinary shares of UWC Industrial were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares of UWC Industrial.

13.4.4 UWC Automation

As at the LPD, the issued share capital of UWC Automation is RM600,000 comprising 600,000 ordinary shares. There has been no change in the issued share capital of UWC Automation during the Financial Years/Period Under Review up to the LPD.

None of the ordinary shares of UWC Automation were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares of UWC Automation.

13.4.5 Associated companies

As at the LPD, we do not have any associated company.

13.5 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at 39, Salween Road, 10050 Georgetown, Pulau Pinang during normal business hours for a period of at least 6 months from the date of issue of the Prospectus:

(i) our Constitution;

(ii) our material contracts referred to in Section 7.15 of this Prospectus;

(iii) the Reporting Accountants' Report on Compilation of the Pro Forma Consolidated Statement of Financial Position as set out in Section 11.8 of this Prospectus;

(iv) Accountants' Report as set out in Section 12 of this Prospectus;

(v) the letters of consent given by parties as disclosed in this Prospectus;

(vi) the audited financial statements of UWC, UWC Holdings, UWC Industrial and UWC Automation for the Financial Years/Period Under Review; and

(vii) the IMR Report.

13.6 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

HLIB, being our Principal Adviser, Underwriter and Placement Agent in relation to our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

14.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 17 JUNE 2019

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 28 JUNE 2019

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

14.2 METHODS OF APPLICATION

14.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by the Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

14.2.2 Placement

Types of Application	Application Method
Applications by:	
(a) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(b) Bumiputera investors approved by the MITI	MITI will contact the Bumiputera Investors directly. They should follow MITI's instructions.

Selected investors and Bumiputera investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

14.3 ELIGIBILITY

14.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES**.

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

14.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(i) You must be one of the following:

(a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

(b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) You must submit Applications by using only one of the following methods:

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

14.3.3 Application by the Eligible Persons

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation.

14.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The **FULL** amount payable is RM0.82 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 685**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(ii) or **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5.00 p.m. on 28 June 2019 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

14.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

14.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CIMB Investment Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

14.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

(i) reject Applications which:

  (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

  (b) are illegible, incomplete or inaccurate; or

  (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 14.8 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

14.8 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

14.8.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

14.8.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

14.9 SUCCESSFUL APPLICANTS

If you are successful in your application:

(i) Our IPO Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

14.10 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of our IPO Shares derived from successful balloting will be made available to the public at our Issuing House website at https://tiih.online, **1 Market Day** after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.