

UWC BERHAD
(Company No. 201801012223) (1274239-A)
(Incorporated in Malaysia under the Companies Act 2016)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 31 JANUARY 2020 ⁽¹⁾

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31.01.2020	⁽²⁾ 31.01.2019	31.01.2020	⁽²⁾ 31.01.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	54,938	N/A	101,848	N/A
Cost of sales	(34,895)	N/A	(64,706)	N/A
Gross profit	20,043	N/A	37,142	N/A
Other income	473	N/A	1,551	N/A
Administrative and other expenses	(3,454)	N/A	(6,617)	N/A
Finance costs	(75)	N/A	(302)	N/A
Profit before tax	16,987	N/A	31,774	N/A
Taxation	(3,677)	N/A	(7,249)	N/A
Profit for the financial period, attributable to owners of the parent	13,310	N/A	24,525	N/A
Other comprehensive income, net of tax:				
Items that may be subsequently reclassified to profit or loss	-	N/A	-	N/A
Total comprehensive income, attributable to owners of the parent	13,310	N/A	24,525	N/A
Earnings per share attributable to owners of the parent:				
Basic and diluted ⁽³⁾ (sen)	3.63	N/A	6.69	N/A

Notes:

N/A Not applicable.

- (1) The Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Group's audited financial statements for the financial year ended 31 Jul 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) No comparative figures for the preceding year and the preceding quarter are presented as this is the fourth interim financial report on the consolidated results for the period ended 31 January 2020 announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- (3) Based on weighted average number of ordinary shares outstanding during the period under review.

UWC BERHAD
 (Company No. 201801012223) (1274239-A)
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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2020 ⁽¹⁾

	Unaudited as at 31 January 2020	Audited as at 31 July 2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	101,231	95,785
Current assets		
Inventories	36,125	37,080
Trade and other receivables	62,234	43,667
Contract assets	436	880
Cash and bank balances	36,940	54,418
TOTAL ASSETS	236,966	231,830
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	115,467	115,467
Reserves	74,570	61,049
TOTAL EQUITY	190,037	176,516
Non-current liabilities		
Borrowings	3,656	11,947
Government grants	4,151	4,741
Deferred tax liabilities	4,593	4,067
Current liabilities		
Trade and other payables	26,266	17,694
Borrowings	2,154	12,818
Government grants	1,178	1,178
Current tax liabilities	4,931	2,869
TOTAL LIABILITIES	46,929	55,314
TOTAL EQUITY AND LIABILITIES	236,966	231,830

Note:

- (1) The Unaudited Consolidated Statement of Financial Position should be read in conjunction with the Group's audited financial statements for the financial year ended 31 July 2019 and the accompanying explanatory notes attached to the interim financial report.

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR SECOND QUARTER ENDED 31 JANUARY 2020 ⁽¹⁾

	<u>Non-distributable</u>		<u>Distributable</u>	Total equity
	Share capital	Reorganisation debit reserve	Retained earnings	
	RM'000	RM'000	RM'000	
Balance as at 1 August 2019	115,467	(56,226)	117,275	176,516
Profit for the financial period	-	-	24,525	24,525
Other comprehensive income, net of tax	-	-	-	-
Dividend Paid	-	-	(11,004)	(11,004)
Total comprehensive income	-	-	13,521	13,521
Balance as at 31 January 2020	115,467	(56,226)	130,796	190,037

Note:

- (1) The Unaudited Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited financial statements for the financial year ended 31 July 2019 and the accompanying explanatory notes attached to the interim financial report.

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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 31 JANUARY 2020 ⁽¹⁾

	6-months ended 31 January 2020 RM'000	6-months ended 31 January 2019⁽²⁾ RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	31,774	N/A
Adjustments for:		
Amortisation of government grants	(590)	N/A
Depreciation of property, plant and equipment	4,821	N/A
Finance costs	302	N/A
Interest income	(662)	N/A
Gain disposal of property, plant and equipment	(12)	N/A
Property, plant and equipment written off	7	N/A
Reversal of allowance for impairment loss	(44)	N/A
Operating profit before changes in working capital	<u>35,596</u>	<u>N/A</u>
Decrease in inventories	955	N/A
Increase in trade and other receivables	(18,523)	N/A
Decrease in contract assets	444	N/A
Increase in trade and other payables	8,572	N/A
Cash generated from operations	<u>27,044</u>	<u>N/A</u>
Interest paid	(302)	N/A
Tax paid	(4,661)	N/A
Net cash from operating activities	<u>22,081</u>	<u>N/A</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	662	N/A
Proceeds from disposal of property, plant and equipment	17	N/A
Purchase of property, plant and equipment	(10,279)	N/A
Net cash (used) in investing activities	<u>(9,600)</u>	<u>N/A</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bankers' acceptance	7,000	N/A
Dividend paid	(11,004)	N/A
Repayment of:		
- Bankers' acceptance	(14,000)	N/A
- Hire purchase payables	(10,857)	N/A
- Term loans	(1,098)	N/A
Net cash (used) in financing activities	<u>(29,959)</u>	<u>N/A</u>
Net decrease in cash and cash equivalents	(17,478)	N/A
Cash and cash equivalents at beginning of financial year	<u>54,418</u>	<u>N/A</u>
Cash and cash equivalents at end of financial period	<u>36,940</u>	<u>N/A</u>

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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 31 JANUARY 2020 ⁽¹⁾ (Cont'd)

Notes:

N/A Not applicable.

- (1) The Unaudited Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited financial statements for the financial year ended 31 July 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) No comparative figures for the corresponding period of preceding year are presented as this is the fourth interim financial report on the consolidated results for the period ended 31 January 2020 announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

The interim financial report of UWC Berhad (“**UWC**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“**MFRS**”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“**MASB**”) and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”).

This is the fourth interim financial report on the Company’s consolidated results for the second quarter ended 31 January 2020 announced in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year’s corresponding period.

This interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 July 2019 and the accompanying explanatory notes attached to this interim financial report.

A2. Significant Accounting Policies

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in audited financial statements for the financial year ended 31 Jul 2019, except for the adoption of the following MFRSs and Amendment to MFRSs and Interpretation.

(a) New MFRSs adopted during the financial period.

The Group and the Company adopted the following Standards of the MFRS Framework that was issued by the Malaysian Accounting Standards Board (‘MASB’) for annual financial periods beginning on or after 1 January 2019:

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	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
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

There is no material impact upon the adoption of the above Standards during the financial period.

A2. Significant Accounting Policies (Cont'd)

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020.

The Standards that are issued but not in effect 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 3 Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform	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 is in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

A3. Auditors' Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 July 2019.

A4. Seasonal or Cyclical Factors

The business operations of the Group were not affected by any seasonal or cyclical trend during the current quarter and financial period under review.

A5. Material Unusual Items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial period under review.

A6. Material Changes in Estimates

There were no changes in estimates that have a material effect in the current quarter and financial period under review.

A7. Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and financial period under review.

A8. Dividend Paid

A final dividend of 3.0 sen per ordinary share amounting to RM11 million for the financial year ending 31 July 2019 was paid on 30 January 2020.

A9. Segmental Information

The Group is principally involved in investment holding, provision of precision sheet metal fabrication and value-added assembly services, and the fabrication of precision machined components.

For management purposes, the Group is organised into business units based on its products and services. The reportable segments of the Group are as follows:

- (a) Investment holding;
- (b) Provision of sheet metal fabrication and value-added assembly services; and
- (c) Provision of precision machined components.

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A9. Segmental Information (Cont'd)

The Group's segmental information for the current quarter and financial period under review are as follows:

31 January 2020	Investment holding RM'000	Provision of sheet metal fabrication and value-added assembly services RM'000	Provision of precision machined components RM'000	Eliminations RM'000	Consolidated RM'000
<u>Results</u>					
Revenue from external customers	-	93,283	8,565	-	101,848
Inter-segment revenue	15,495	22,197	9,908	(47,600)	-
Total revenue	15,495	115,480	18,473	(47,600)	101,848
Interest income	367	223	72	-	662
Interest expense	-	(202)	(100)	-	(302)
Net interest income	367	21	(28)	-	360
Segment profit before tax	15,080	29,852	1,924	(15,082)	31,774

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A10. Material Events Subsequent to the end of the Quarter

Save as disclosed in Note B6 on the Status of Corporate Proposals, there were no other material events subsequent to the end of the current quarter and financial period under review that have not been reflected in the interim financial report.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter and financial period under review.

A12. Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets as at the date of this interim financial report.

A13. Material Capital Commitment

Save as disclosed below, as at 31 January 2020, the Group does not have any other material capital commitment:

	RM'000
Capital expenditure in respect of purchase of property, plant and equipment	
- Approved and contracted for	9,842
- Approved but not contracted for	19,498
Total	29,340

A14. Significant Related Party Transactions

Below is transaction with companies in which a Director/his spouse and persons connected to them having controlling interests during the financial period ended 31 January 2020.

	RM'000
Rental of premises	183

A15. Fair Value of Financial Liabilities

There were no gains or losses arising from fair value changes of the Group's financial liabilities for the current quarter and financial period under review.

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B. EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS

B1. Review of Performance

The Group recorded revenue and profit before tax (“PBT”) of RM54.9 million and RM17.0 million respectively for the quarter under review. The revenue and PBT were mainly derived from its orders from the Group’s global semiconductor industry customers as well as life-science customers.

The cumulative 6 months revenue and PBT were RM101.8 million and RM31.8 million. The Group’s revenue was principally derived from the Group’s sheet metal fabrication and value-added assembly services segment, which contributed approximately 91.6% of the total revenue. These specialised services deliver one stop strategic solutions to clients, from piece parts up to full assembly of products.

There are no comparative figures for the preceding financial year’s corresponding quarter as this is only the fourth interim financial statements on the consolidated results for the quarter ended 31 Jan 2020 being announced by the company in compliance with the Listing Requirements.

B2. Comparison with Immediate Preceding Quarter

The Group’s revenue for the quarter under review increased by 17.1% to RM54.9 million from the RM46.9 million achieved in the preceding quarter. The increase was mainly due to stronger demand from our semiconductor customers especially on the test equipment that the Group manufactured as compared to the previous quarter. The life-science industry also recorded growth in terms of demand.

In terms of the profit before tax (“PBT”), the Group’s PBT increased by 14.9% to RM17.0 million as compared to the PBT of RM14.8 million in the preceding quarter. The increase was in line with the revenue growth minus the impact of foreign exchange movement.

B3. Prospects

The semiconductor industry’s outlook for 2020 remains positive. The projections made by SEMI also indicated growth for the industry despite the ongoing trade tension between the two largest economies in the world.

The Penang state recorded the highest approved manufacturing investments during the period from January 2019 – September 2019 and this was the highest since 2009. Majority of the investments were channelled to the semiconductor as well as scientific measurement industry where the Group’s strength lies as an integrated engineering service support provider for the said industries. As UWC sees an opportunity in the spill over effect of these investments, the Group is consistently engaging with new investors in Penang primarily on the semiconductor industry and developing prototyping for qualification.

In line with the semiconductor growing trend, including applications for Internet of Things (“IoT”), 5G, Automotive, Augmented/Virtual Reality and AI, the Group is optimistic of capitalising and benefitting from these potential initiatives, mainly the anticipated 5G rollout and Industrial IoT adoption.

As for the life science industry, the Group is receiving increasing demands and inquiries from our clients. The Group is working rapidly with the life-science equipment customers to support their contribution at the front line in the analysis of the Covid-19 virus.

With the additional new machines that will be docking into the factory in the coming quarter, the Group will continue to enhance manufacturing efficiency and utilize new machine capabilities to develop more new products and prototype with both existing and new customers. The Group also has a strategic plan to migrate into Industry 4.0 through increasing automation adoption for our existing and new production lines that will provide the highest machine production to time ratio.

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B4. Profit Forecast

The Group did not issue any revenue or profit estimate, forecast, projection or internal targets in any public document.

B5. Taxation

The Group's taxation together with the comparison between the effective and statutory tax rates for the current quarter and financial period under review are as follows:

	6-months ended 31 January 2020 RM'000	6-months ended 31 January 2019⁽¹⁾ RM'000
Income tax		
• current year provision	6,764	N/A
Deferred tax		
• Current year provision	526	N/A
Real property gain tax		
• Over provision in prior year	(41)	N/A
Overall tax expenses	7,249	N/A
Effective tax rate (%)	22.8	N/A
Statutory tax rate (%)	24.0	N/A

Notes:

N/A Not applicable.

(1) No comparative figures for the corresponding period of preceding year are presented as this is the fourth interim financial report on the consolidated results for the period ended 31 January 2020 announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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B6. Status of Corporate Proposals

The Company has submitted listing application to Bursa Malaysia Securities Berhad (“Bursa Securities”) on 29 November 2019 and approval obtained on 6 December 2019 for the following:

- I. bonus issue of up to 183,400,001 new ordinary shares in UWC (“UWC Share(s)” or “Share(s)”) (“Bonus Share(s)”) on the basis of one (1) Bonus Share for every two (2) existing UWC Shares held on an entitlement date to be determined and announced later (“Entitlement Date”) (“Proposed Bonus Issue”); and
- II. establishment of an employees’ share grant scheme of up to ten percent of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the scheme for the eligible executive Directors and employees of UWC and its subsidiary companies.

Extraordinary General Meeting has been held on 10 January 2020 and shareholders’ approval was obtained for the proposals.

Bonus Issue has been completed following the listing of and quotation for 183,400,001 Bonus Shares on the Main Market of Bursa Securities on 12 February 2020.

The effective date for the implementation of the employees’ share grant scheme is on 13 February 2020.

Save for the above, there were no other corporate proposals announced and not completed as at the date of this interim financial report.

B7. Utilisation of Proceeds from the Public Issue

The gross proceeds from the Public Issue amounting to RM57.4 million is expected to be utilised in the following manner:

Details	⁽¹⁾ RM’000	Actual Utilization RM’000	Percentage utilized %	Estimated time frame for use of proceeds from the date of the Listing
Purchase of new machinery and equipment				
- CNC machines	27,416	3,849	14.0	Within 36 months
- Industrial robotic arms and material handling system	4,700	437	9.3	Within 36 months
Repayment of bank borrowings	18,000	18,000	100.0	Within 12 months
Working capital	2,868	1,805	62.9	Within 12 months
Estimated listing expenses	4,416	4,416	100.0	Within 2 months
Total	57,400	28,507		

Note:

- (1) The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 17 June 2019.

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B8. Group Borrowings and Debt Securities

The details of the Group's borrowings are as follows:

	6-months ended 31 January 2020 (RM'000)	Audited as at 31 July 2019 (RM'000)
Current liabilities		
Hire purchase creditors	-	3,609
Term loan	2,154	2,209
Bankers' acceptance	-	7,000
	2,154	12,818
Non-current liabilities		
Hire purchase creditors	-	7,248
Term loan	3,656	4,699
	3,656	11,947
Total borrowings	5,810	24,765

All the Group's borrowings are denominated in RM, secured and interest-bearing.

B9. Material Litigation

As at the date of this interim financial report, the Group is not engaged in any material litigation or arbitration proceedings, either as plaintiff or defendant, and the Directors are not aware of any proceedings pending or threatened against the Group, which may materially and adversely affect the financial position or business performance of the Group.

B10. Dividend

No dividend was declared for the current quarter ended 31 January 2020.

B11. Earnings Per Share ("EPS")

The basic and diluted EPS for the current quarter and financial period are computed as follows:

	6-months ended 31 January 2020	6-months ended 31 January 2019⁽¹⁾
Profit after tax attributable to the owners of the parent (RM'000)	24,525	N/A
Weighted average number of ordinary shares in issue ('000)	366,800	N/A
Basic EPS ⁽²⁾ (sen)	6.69	N/A
Diluted EPS ⁽³⁾ (sen)	6.69	N/A

Notes:

N/A Not applicable.

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B11. Earnings Per Share (“EPS”) (Cont’d)

- (1) No comparative figures for the corresponding period of preceding year are presented as this is the fourth interim financial report on the consolidated results for the period ended 31 January 2020 announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- (2) Basic EPS is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period under review.
- (3) Diluted EPS is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the financial period under review.

B12. Profit Before Tax

Profit before tax is arrived at after charging/(crediting):

	6-months ended 31 January 2020 RM’000	6-months ended 31 January 2019⁽¹⁾ RM’000
Interest income	(662)	N/A
Interest expense	302	N/A
Depreciation of property, plant and equipment	4,821	N/A
Amortisation of government grants	(590)	N/A
Gain from disposal of property, plant and equipment	(12)	N/A
Scrap income	(205)	N/A
Miscellaneous income	(82)	N/A

Notes:

Save as disclosed above, the other disclosure items pursuant to Paragraph 16, Part A of Appendix 9B of the Listing Requirements are not applicable.

N/A Not applicable.

- (1) No comparative figures for the corresponding period of preceding year are presented as this is the fourth interim financial report on the consolidated results for the period ended 31 January 2020 announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
05 March 2020