

UNITED U-LI CORPORATION BERHAD (510737-H)

Quarterly Report on Unaudited Consolidated Results for the Nine-Month period ended 30 September 2017

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2017 RM '000	Preceding Year Corresponding Quarter 30.09.2016 RM'000	Current Year To Date 30.09.2017 RM'000	Preceding Year Corresponding Period 30.09.2016 RM '000
Revenue	55,110	51,743	147,876	151,269
Cost of sales	(35,806)	(26,115)	(88,694)	(86,904)
Gross Profit	19,304	25,628	59,182	64,365
Other income	1,141	921	3,265	3,000
Administrative expenses	(6,688)	(5,961)	(20,035)	(18,533)
Selling and distribution expenses	(3,004)	(3,203)	(8,484)	(8,046)
Other expenses	(2,625)	(2,232)	(7,362)	(5,780)
Profit from operations	8,128	15,153	26,566	35,006
Finance costs	(642)	(469)	(1,615)	(1,047)
Profit before tax	7,486	14,684	24,951	33,959
Income tax expense	(1,015)	(3,662)	(5,903)	(7,937)
Profit for the period	6,471	11,022	19,048	26,022
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	6,471	11,022	19,048	26,022
Attributable to:				
Equity holders of the parent	6,471	11,022	19,048	26,022
Basic earnings per ordinary share (sen)	4.46	7.59	13.12	17.92

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited	Audited
	As at	As at
	30.09.2017	31.12.2016
	RM '000	RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	133,705	114,168
Investment properties	385	392
Total non-current assets	<u>134,090</u>	<u>114,560</u>
CURRENT ASSETS		
Inventories	93,108	54,806
Other investments	3,108	3,033
Trade receivables	79,152	73,121
Other receivables	4,611	4,530
Tax recoverable	3,500	1,894
Cash and bank balances	46,795	83,114
Total current assets	230,274	220,498
TOTAL ASSETS	<u><u>364,364</u></u>	<u><u>335,058</u></u>
EQUITY AND LIABILITIES		
Share capital	72,600	72,600
Share premium	39,600	39,600
Retained earnings	172,985	158,293
Total equity attributable to equity holders of the parent	<u>285,185</u>	<u>270,493</u>
NON-CURRENT LIABILITIES		
Borrowings	6,088	7,040
Deferred tax liabilities	2,404	2,404
Total non-current liabilities	8,492	9,444
CURRENT LIABILITIES		
Trade payables	18,175	16,994
Other payables	6,573	9,842
Borrowings	45,939	27,777
Income tax payable	-	508
Total current liabilities	<u>70,687</u>	<u>55,121</u>
TOTAL LIABILITIES	79,179	64,565
TOTAL EQUITY AND LIABILITIES	<u><u>364,364</u></u>	<u><u>335,058</u></u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital RM'000	Share Premium RM'000	Attributable to Equity Holders of the Parent		Distributable Retained Earnings RM'000	Total Equity RM'000
			Non-Distributable Reserve on Consolidation RM'000	Revaluation Reserve RM'000		
Unaudited 9 months ended 30 September 2016						
As at 1 January 2016	72,600	39,600	-	-	144,598	256,798
Total comprehensive income for the period	-	-	-	-	26,022	26,022
Dividends	-	-	-	-	(8,712)	(8,712)
As at 30 September 2016	<u>72,600</u>	<u>39,600</u>	<u>-</u>	<u>-</u>	<u>161,908</u>	<u>274,108</u>
Unaudited 9 months ended 30 September 2017						
As at 1 January 2017	72,600	39,600	-	-	158,293	270,493
Total comprehensive income for the period	-	-	-	-	19,048	19,048
Dividends	-	-	-	-	(4,356)	(4,356)
As at 30 September 2017	<u>72,600</u>	<u>39,600</u>	<u>-</u>	<u>-</u>	<u>172,985</u>	<u>285,185</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 Months Ended 30.09.2017 RM '000	9 Months Ended 30.09.2016 RM '000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	24,951	33,959
Adjustments for non-operating items:-		
Depreciation and amortisation	7,213	5,237
Interest expense	1,615	1,047
Interest income	(532)	(1,326)
Fair value gain on other investments	(74)	-
Other non-cash items	-	(22)
Operating profit before working capital changes	33,173	38,895
Increase in inventories	(38,302)	(15,015)
Decrease in receivables	(6,110)	(78)
(Decrease)/Increase in payables	(2,089)	116
Tax paid	(8,018)	(10,149)
Net cash (used in)/from operating activities	(21,346)	13,769
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(26,744)	(38,395)
Proceeds from disposal of property, plant and equipment	-	22
Interest received	532	1,326
Net cash used in investing activities	(26,212)	(37,047)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(1,615)	(1,047)
Acquisition of other investment	-	(3,011)
Dividend paid	(4,356)	(8,712)
Drawdown of other short term borrowings	17,840	5,706
(Repayment of)/Net proceeds from term loan	(630)	847
Repayment of HP creditors	-	(39)
Net cash from/(used in) financing activities	11,239	(6,256)
Net change in cash and cash equivalents	(36,319)	(29,534)
Cash and cash equivalents at the beginning of financial period	83,114	105,818
Cash and cash equivalents at the end of financial period	46,795	76,284
Represented by:		
Cash and bank balances	33,812	41,369
Fixed deposits with licensed bank	12,983	34,915
	46,795	76,284

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

These condensed consolidated interim financial statements are unaudited and has been prepared in accordance with the requirements of 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.

These interim consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016 except for the mandatory adoption of the Malaysian Financial Reporting Standards (“MFRS”), Amendments to MFRSs and IC Interpretations effective for the financial period beginning on or after 1 January 2017.

The adoption of these MFRSs, Amendments to MFRSs and IC interpretations do not have any material impact on the interim financial statements of the Group.

2. Changes in Accounting Policies (Cont'd)

Meanwhile, the Group has not adopted the following MFRSs, Amendments to MFRSs and IC interpretations that have been issued but not yet effective.

	<u>Effective for financial periods beginning on or after</u>
MFRS 9: Financial Instruments	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 15: Clarification to MFRS 15: Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 1: First-time Adoption of MFRSs	1 January 2018
Amendments to MFRS 2: Share-based Payment	1 January 2018
Amendments to MFRS 4: Insurance Contracts	1 January 2018
Amendments to MFRS 140: Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
MFRS 16: Leases	1 January 2019
MFRS 17: Insurance Contracts	1 January 2021

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2016 was not qualified.

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4. Segmental Information

Segmental information is presented in respect of the Group's geographical and operating business segments. This is based on the chief operating decision maker of the Group who reviews the Group's internal reporting regularly in order to allocate resources and assess the performance of the Group. Segmental information for the Group by geographical segment is represented as follows:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2017 RM'000	Preceding Year Corresponding Quarter Ended 30.09.2016 RM'000	Current Year to Date Ended 30.09.2017 RM'000	Preceding Year Corresponding Period Ended 30.09.2016 RM'000
Malaysia	48,867	41,571	126,681	119,305
Overseas	6,243	10,172	21,195	31,964
	55,110	51,743	147,876	151,269

Segmental information for the Group by business segment for the current quarter under review is represented as follows:-

	Investment Holding RM'000	Cable Support Systems RM'000	Electrical Lighting & Fittings RM'000	Elimination RM'000	Per Consolidated Financial Statements RM'000
Revenue					
External customer	-	44,675	10,435	-	55,110
Inter-segment	-	881	4,103	(4,984)	-
Total revenue	-	45,556	14,538	(4,984)	55,110
Results					
Interest income	-	108	36	-	144
Depreciation	10	2,459	88	10	2,567
Segment profit or loss	(82)	4,964	2,614	(10)	7,486

5. Unusual Items due to their Nature, Size or Incidence

Other than those stated in the notes, there were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 September 2017.

6. Changes in Estimates

There were no changes in estimates that have material effect in the current quarter results.

7. Comments about Seasonal or Cyclical Factors

The Group's performance is not significantly affected by any seasonal or cyclical factors.

8. Dividends Paid

No dividend was paid during the quarter under review.

9. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2016.

10. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and current financial year to date under review.

11. Changes in the Composition of the Group

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

12. Discontinued Operations

There was no disposal of subsidiaries by the Group during the current quarter under review.

13. Capital Commitments

As at 30 September 2017, the Group had capital expenditure authorized and contracted for but not provided in the financial statements in relation to property, plant and equipment amounting to approximately RM696,000.

14. Changes in Contingent Liabilities and Contingent Assets

During the quarter under review, an additional corporate guarantee was issued to a financial institution for banking facilities granted to a subsidiary company amounted to RM19.80 million.

15. Material Subsequent Events

In the opinion of the Directors, there were no material events which have arisen between the end of the reporting period and 28 November 2017, which had affected substantially the results of the Group for the financial quarter ended 30 September 2017.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

16. Performance Review on operating segments

(a) Current Year to date vs. Previous Year to date

The Group's profit before taxation for the period ended 30 September 2017 of RM24.951 million was lower than the previous corresponding profit before taxation of RM33.959 million, mainly due to lower revenue generated, higher administration costs, higher depreciation/amortisation cost, higher selling and distribution expenses, higher finance costs and lower profit margin achieved on goods sold during the period under review.

The Group's revenue for the period ended 30 September 2017 of RM147.876 million was lower than the previous corresponding revenue of RM151.269 million, mainly due to lower demand for its core products and also the delay in delivery of certain outsourced components/activities in the cable support systems division.

Performance of the respective operating business segments for the period ended 30 September 2017 as compared to previous corresponding period are as follows:-

Cable Support Systems

For the current financial period ended 30 September 2017, this business segment registered a revenue of RM118.822 million as compared to RM127.350 million in the previous corresponding period, a decrease of 6.70% comparatively, mainly due to lower demand for its core products and also the delay in delivery of certain outsourced components/activities for this division. Profit before taxation of RM21.123 million was lower as compared to RM31.748 million in the previous corresponding period, mainly due to lower revenue generated, higher administration costs, higher depreciation/amortisation cost, higher selling and distribution expenses, higher finance costs and lower profit margin achieved on goods sold during the period under review.

Electrical Lighting and Fittings

For the current financial period ended 30 September 2017, this business segment registered a revenue of RM29.054 million as compared to RM23.919 million in the previous corresponding period, an increase of 21.47% comparatively. This is mainly due to higher demand for its core products. This segment registered a profit before taxation of RM4.232 million as compared to RM2.621 million in the previous corresponding period. This is mainly due to higher revenue generated and higher profit margin achieved on goods sold during the period under review.

(b) Current Quarter vs. Previous Year Corresponding Quarter

The Group's profit before taxation for the current quarter ended 30 September 2017 of RM7.486 million was lower than the previous corresponding quarter of RM14.684 million, mainly due to higher administration costs, higher depreciation/amortisation cost and lower profit margin achieved on goods sold during the quarter under review.

The Group's revenue for the current quarter ended 30 September 2017 of RM55.110 million was higher than the previous corresponding quarter of RM51.743 million, mainly due to higher demand for its core products especially in the electrical lighting and fittings division.

Performance of the respective operating business segments for the current quarter ended 30 September 2017 as compared to previous corresponding quarter are as follows:-

Cable Support Systems

For the current quarter ended 30 September 2017, this business segment registered a marginally higher revenue of RM44.675 million as compared to RM43.537 million in the previous corresponding quarter. This is mainly due to an improved demand for its core products.

Profit before taxation for the current quarter of RM4.964 million was lower as compared to RM13.976 million in the previous corresponding quarter. This is mainly due to higher administration costs, higher depreciation/amortisation cost and lower profit margin achieved on goods sold during the quarter under review.

Electrical Lighting & Fittings

For the current quarter ended 30 September 2017, this business segment registered a revenue of RM10.435 million as compared to RM8.206 million in the previous corresponding quarter, an increase of 27.16% comparatively. This is mainly due to higher demand for its core products.

For the current quarter, this division made a higher profit before taxation of RM2.614 million as compared to RM0.829 million in the previous corresponding quarter, mainly due to higher revenue generated and higher profit margin achieved on goods sold during the quarter under review.

17. Material Changes in Profit Before Taxation for the current quarter as compared to the preceding quarter

For the quarter under review, the Group's profit before taxation was RM7.486 million as compared to RM14.020 million in the immediate preceding quarter. The decrease in profit before taxation is mainly due to higher administration costs, higher selling and distribution expenses, higher depreciation/amortisation cost and lower profit margin achieved on goods sold during the quarter under review.

18. Commentary on Prospects

The Group anticipates that the outlook for the remaining quarter of year 2017 will continue to be challenging but still remains positive with the implementation of various major infrastructure projects under the Economic Transformation Programme (ETP). Domestic demand for our Cable Support Systems and Electrical Lighting and Fittings products will continue to grow while the outlook for export market is expected to be stable especially in ASEAN countries. The Group will continue to exercise caution in all its business dealings as global market conditions remain uncertain. The Group will continue its efforts to further improve on product quality and customers' needs while maintaining efficient operations.

19. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

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20. Income Tax Expense

	Current Quarter Ended 30.09.2017 RM'000	Current Year to Date Ended 30.09.2017 RM'000
<u>Malaysian income tax</u>		
- Current year	1,015	5,903
- Under/(Over) provision in prior years	-	-
<u>Deferred taxation</u>		
- Current year	-	-
- Under/(Over) provision in prior years	-	-
	1,015	5,903

The effective tax rate of the Group for the current quarter under review and current financial year to date is lower than the statutory tax rate due to the Group's sufficient tax losses, capital allowances and reinvestment allowances available for offset.

21. Borrowings

	As at 30.09.2017 RM'000	As at 30.09.2016 RM'000
Short Term Borrowings		
Secured:-		
Portion of Long Term Loans payable within the next 12 months	840	840
Bankers' Acceptance	45,099	22,547
Long Term Borrowings		
Secured:-		
Portion of Long Term Loans payable within the next 12 months	6,088	6,950
Total Borrowings	52,027	30,337

There are no borrowings denominated in foreign currency.

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22. Profit before tax for the period

Profit before taxation for the period is arrived at after charging/(crediting):-

	<u>Current Quarter Ended</u>		<u>Cumulative Quarter Ended</u>	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(144)	(426)	(532)	(1,326)
Gain on disposal of property, plant & equipment	-	(9)	-	(22)
Net foreign exchange (gain)/loss	(563)	196	(1,475)	(40)
Depreciation and amortization	2,567	1,903	7,213	5,237
Interest expenses	642	469	1,615	1,047
Other income	(368)	(350)	(1,086)	(1,081)
Insurance recoveries	(6)	(1)	(6)	(1)

23. Gains or Losses arising from Fair Value Changes of Financial Liabilities

There are no gains or losses arising from fair value changes of any financial liabilities.

24. Changes in Material Litigation

There was no pending material litigation as at the date of this report.

25. Dividend Payable

No single tier interim dividend has been declared for the quarter ended 30 September 2017.

26. Realised and Unrealised Profits

	As at 30.09.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	196,396	181,674
- Unrealised	2,404	2,404
	<u>198,800</u>	<u>184,078</u>
Less: Consolidation adjustments	(25,815)	(25,785)
	<u>172,985</u>	<u>158,293</u>
Total group retained profits as per consolidated accounts	<u>172,985</u>	<u>158,293</u>

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

27. Earnings Per Share**(a) Basic**

The calculation of basic earnings per share for the current quarter and current year to date is based on the Group's profit attributable to equity holders of the Company for the current quarter of RM6.471 million and current year to date of RM19.048 million and the number of ordinary shares in issue of 145,200,000.

(b) Diluted

Not applicable.

28. Authorisation for Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 28 November 2017.

