

UNITED U-LI CORPORATION BERHAD (Registration No. 200001008131) [510737-H]

Quarterly Report on Unaudited Consolidated Results for the Twelve-Month period ended 31 December 2020

Page 1

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2020 RM '000	Preceding Year Corresponding Quarter 31.12.2019 RM'000	Current Year To Date 31.12.2020 RM'000	Preceding Year Corresponding Period 31.12.2019 RM '000
Revenue	50,848	53,015	159,163	193,461
Cost of sales	(34,809)	(39,240)	(113,513)	(144,183)
Gross Profit	16,039	13,775	45,650	49,278
Other income	813	465	2,409	2,120
Administrative expenses	(5,440)	(5,046)	(22,160)	(25,064)
Selling and distribution expenses	(1,728)	(2,760)	(6,284)	(10,230)
Other expenses	(4,552)	(3,629)	(12,839)	(12,644)
Profit from operations	5,132	2,805	6,776	3,460
Finance costs	(162)	(562)	(1,083)	(2,059)
Profit before tax	4,970	2,243	5,693	1,401
Income tax expense	(1,552)	(2,670)	(2,173)	(2,928)
Profit/(Loss) for the period	3,418	(427)	3,520	(1,527)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	3,418	(427)	3,520	(1,527)
Attributable to:				
Equity holders of the parent	3,418	(427)	3,520	(1,527)
Basic earnings per ordinary share (sen)	1.57	(0.20)	1.62	(0.70)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

UNITED U-LI CORPORATION BERHAD (Registration No. 200001008131) [510737-H]

Quarterly Report on Unaudited Consolidated Results for the Twelve-Month period ended 31 December 2020

Page 2

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited	Audited
	As at	As at
	31.12.2020	31.12.2019
	RM '000	RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	116,665	123,693
Right-of-use assets	291	715
Investment properties	677	367
Total non-current assets	<u>117,633</u>	<u>124,775</u>
CURRENT ASSETS		
Inventories	58,065	79,114
Other investment	3,420	3,348
Trade receivables	72,177	78,420
Other receivables	2,484	2,042
Tax recoverable	4,766	9,641
Cash and bank balances	84,405	65,926
Total current assets	225,317	238,491
TOTAL ASSETS	<u><u>342,950</u></u>	<u><u>363,266</u></u>
EQUITY AND LIABILITIES		
Share capital	112,200	112,200
Retained earnings	175,007	173,676
Total equity attributable to equity holders of the parent	<u>287,207</u>	<u>285,876</u>
NON-CURRENT LIABILITIES		
Borrowings	5,907	7,267
Lease liabilities	366	390
Deferred tax liabilities	2,779	4,074
Total non-current liabilities	9,052	11,731
CURRENT LIABILITIES		
Trade payables	13,006	17,877
Other payables	6,549	5,131
Borrowings	26,641	42,139
Lease liabilities	495	337
Income tax payable	-	175
Total current liabilities	46,691	65,659
TOTAL LIABILITIES	55,743	77,390
TOTAL EQUITY AND LIABILITIES	<u><u>342,950</u></u>	<u><u>363,266</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 2019 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to Equity Holders of the Parent →				Total Equity RM'000
	Share Capital RM'000	← Non-Distributable → Reserve on Consolidation RM'000		Revaluation Reserve RM'000	
Unaudited 12 months ended 31 December 2019					
As at 1 January 2019	112,200	-	-	175,203	287,403
Total comprehensive income for the period	-	-	-	(1,527)	(1,527)
As at 31 December 2019	<u>112,200</u>	<u>-</u>	<u>-</u>	<u>173,676</u>	<u>285,876</u>
Unaudited 12 months ended 31 December 2020					
As at 1 January 2020	112,200	-	-	173,665	285,865
Total comprehensive income for the period	-	-	-	3,520	3,520
Dividends				(2,178)	(2,178)
As at 31 December 2020	<u>112,200</u>	<u>-</u>	<u>-</u>	<u>175,007</u>	<u>287,207</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 2019 and the accompanying explanatory notes attached to the interim financial statements.

UNITED U-LI CORPORATION BERHAD (Registration No. 200001008131) [510737-H]

Quarterly Report on Unaudited Consolidated Results for the Twelve-Month period ended 31 December 2020

Page 4

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 Months Ended 31.12.2020 RM '000	12 Months Ended 31.12.2019 RM '000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	5,693	1,401
Adjustments for non-operating items:-		
Depreciation and amortisation	10,981	11,132
Interest expense	1,083	2,059
Interest income	(677)	(235)
Fair value gain on other investment	-	(108)
Gain on disposal of property, plant and equipment	(178)	(44)
Operating profit before working capital changes	16,902	14,205
Decrease in inventories	21,049	3,980
Decrease/(Increase) in receivables	5,383	(4,106)
(Decrease)/Increase in payables	(7,048)	1,739
Tax paid	(3,401)	(3,308)
Tax refunded	4,632	-
Net cash from operating activities	37,517	12,510
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,642)	(8,586)
Proceeds from disposal of property, plant and equipment	1,981	266
Interest received	677	235
Net cash used in investing activities	(2,984)	(8,085)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(1,083)	(2,059)
Acquisition of other investment	(72)	-
(Repayment)/Drawdown of other short term borrowings	(14,031)	20,706
Repayment of term loan	(840)	(840)
Repayment of HP creditors	(162)	(537)
Addition/(Reduction) in lease liabilities	134	(30)
Net cash (used in)/generated from financing activities	(16,054)	17,240
Net change in cash and cash equivalents	18,479	21,665
Cash and cash equivalents at the beginning of financial period	65,926	44,261
Cash and cash equivalents at the end of financial period	84,405	65,926
Represented by:		
Cash and bank balances	66,089	50,201
Fixed deposits with licensed bank	18,316	15,725
	84,405	65,926

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Annual Financial Statements for the year ended 31 December 2019 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 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

These interim consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019 which was prepared in accordance with the MFRS. 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 2019.

2. Changes in Accounting Policies

The significant accounting policies adopted in the preparation of this condensed report are consistent with those of the audited financial statements for the financial year ended 31 December 2019 except for the mandatory adoption of the Malaysian Financial Reporting Standards (“MFRS”s), Amendments to MFRSs and IC Interpretations effective for the financial period beginning on or after 1 January 2020.

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

The Group has not adopted the following new MRFS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

	Effective for financial periods beginning on or after
<u>New MFRS</u>	
MFRS 17 Insurance Contracts	1 January 2023

2. Changes in Accounting Policies (Continued)

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 4	Insurance Contracts	1 January 2021/ 1 January 2023
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2021/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2021/ 1 January 2022/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2020/ 1 January 2021/ 1 January 2022
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 116	Property, Plant and Equipment	1 January 2022 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provision, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021
MFRS 140	Investment Property	1 January 2023#

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2019 was not qualified.

4. Segment Information

The Group prepared the following segment information in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's Chief Executive Officer ("CEO") for the purpose of making decisions about resource allocation and performance assessment.

Geographical segments

The Group's business segments operate substantially from Malaysia. In determining the geographical segments of the Group, revenues are based on the country in which the customer is located.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2020 RM'000	Preceding Year Corresponding Quarter Ended 31.12.2019 RM'000	Current Year to Date Ended 31.12.2020 RM'000	Preceding Year Corresponding Period Ended 31.12.2019 RM'000
Malaysia	44,491	44,657	139,142	161,527
Overseas	6,357	8,358	20,021	31,934
	<u>50,848</u>	<u>53,015</u>	<u>159,163</u>	<u>193,461</u>

Measurement of Reportable Segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment profit or loss is profit earned or loss incurred by each segment with allocation of interest income, depreciation and etc. There are no significant changes from prior financial year in the measurement methods used to determine reported segment statements of comprehensive income.

4. Segment Information (Continued)

Measurement of Reportable Segments (Continued)

The three reportable segments are as follows:

- a) Investment Holding;
- b) Cable Support Systems; and
- c) Electrical Lighting and Fittings.

Except as above, no other operating segment has been aggregated to form the above reportable segments.

There are varying levels of integration between Cable Support Systems reportable segments and the Electrical Lighting and Fittings reportable segments. This integration includes sale of raw materials and shared distribution services, respectively.

	Investment Holding RM'000	Cable Support Systems RM'000	Electrical Lighting and Fittings RM'000	Elimination RM'000	Consolidated Financial Statements RM'000
Revenue					
External customer	-	41,917	8,931	-	50,848
Inter-segment	2,858	648	-	(3,506)	-
Total revenue	2,858	42,565	8,931	(3,506)	50,848
Results					
Interest income	-	(198)	(32)	-	(230)
Depreciation	10	3,372	199	(546)	3,035
Segment profit and (loss)	2,669	6,678	(1,623)	(2,754)	4,970

5. Unusual Items Due to Their Nature, Size or Incidence

Other than those stated in the notes, there were no unusual items affecting the Group's assets, liabilities, equity, net income, or cash flows during the financial period ended 30 December 2020.

6. Changes in Estimates

There were no changes in estimates that resulted in material effect to 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 2019.

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 31 December 2020, 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 RM414,917.

14. Changes in Contingent Assets and Contingent Liabilities

There were no material changes in other contingent liabilities or contingent assets since 31 December 2019.

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 25 February 2021, which had affected substantially the results of the Group for the financial quarter ended 31 December 2020.

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 revenue for the current financial period ended 31 December 2020 of RM159.163 million was lower than the previous corresponding period of RM193.461 million, mainly due to lower revenue contribution from both Cable Support Systems division and the Electrical Lighting and Fittings division amid the outbreak of the Covid-19 pandemic, which subsequently resulted in the implementation of the MCO lockdown.

The Group achieved a higher profit before taxation of RM5.693 million for the period ended 31 December 2020 as compared to RM1.401 million in the previous corresponding period, mainly due to better profit margins achieved on goods sold from the Cable Support Systems division during the period under review. In general, lower operating expenses had helped to mitigate the impact of lower revenue generated during the period under review.

Performance of the respective operating business segments for the current period ended 31 December 2020 as compared to previous corresponding period are as follows:-

Cable Support Systems

For the current financial period ended 31 December 2020, this business segment registered a revenue of RM131.911 million as compared to RM156.847 million in the previous corresponding period, a decrease of 15.90% comparatively.

This segment achieved a higher profit before taxation of RM9.098 million as compared to RM3.590 million in the previous corresponding period, mainly due to better profit margins achieved on goods sold and lower operating expenses during the period under review.

16. Performance Review on Operating Segments (Continued)

a) Current year to date vs previous year to date (Continued)

Electrical Lighting and Fittings

For the current financial period ended 31 December 2020, this business segment registered a revenue of RM27.252 million as compared to RM36.614 million in the previous corresponding period, a decrease of 25.57% comparatively.

This segment incurred a higher loss before taxation of RM2.955 million as compared to RM1.697 million in the previous corresponding period. This is mainly due to provision for doubtful debts and impairment of slow-moving inventories during the period under review.

b) Current quarter vs previous year corresponding quarter

The Group's revenue for the current quarter ended 31 December 2020 of RM50.848 million was lower than the previous corresponding quarter of RM53.015 million.

The Group made a higher profit before taxation of RM4.970 million for the current quarter ended 31 December 2020 as compared to RM2.243 million in the previous corresponding quarter, mainly due to better profit margins achieved on goods sold from the Cable Support Systems division, higher gain on foreign exchange, lower administrative expenses, lower labour costs and lower selling and distribution expenses during the quarter under review.

Performance of the respective operating business segments for the current quarter ended 31 December 2020 as compared to previous corresponding quarter are as follows:-

Cable Support Systems

For the current quarter ended 31 December 2020, this business segment registered a marginally higher revenue of RM41.917 million as compared to RM41.762 million in the previous corresponding quarter.

This division achieved a higher profit before taxation of RM6.678 million for the current quarter as compared to RM1.380 million in the previous corresponding quarter. This is mainly due to better profit margins achieved on goods sold, higher gain on foreign exchange, lower finance costs and lower selling and distribution expenses during the quarter under review.

16. Performance Review on Operating Segments (Continued)

b) Current quarter vs previous year corresponding quarter (Continued)

Electrical Lighting and Fittings

For the current quarter ended 31 December 2020, this business segment registered a lower revenue of RM8.931 million as compared to RM11.253 million in the previous corresponding quarter, a decrease of 20.63% comparatively.

This division made a loss before taxation of RM1.623 million for the current quarter as compared to a profit before taxation of RM0.866 million in the previous corresponding quarter. This is mainly due to provision for doubtful debts and impairment of slow-moving inventories 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 had achieved a profit before taxation of RM4.970 million as compared to RM5.653 million in the immediate preceding quarter. The decrease in profit before taxation is mainly due to provision for doubtful debts and impairment of slow-moving inventories during the quarter under review.

18. Commentary on Prospects

Malaysia is now battling the third wave of the Covid-19 pandemic following a significant increase in new infections which resulted in the Movement Control Order (MCO) being implemented throughout Kuala Lumpur, Selangor, Penang and Johor. Overall, businesses within Malaysia are facing higher prices for some raw materials and slow collection.

Under this unprecedented economic environment, the Group believes that domestic demand for Cable Support Systems and Electrical Lighting and Fittings products will continue to recover and grow albeit at a slower pace while the outlook for export market is expected to soften in the near future. Nevertheless, the Group will continue to exercise caution in all its business dealings as local and global market conditions remain uncertain. The Group will continue its efforts to further improve on product quality and customers' needs while maintaining efficient operations.

The Group is also committed to explore various cost saving measures to relieve the financial burden and improve the cash flow position of the Group. The Group hopes to sail through this unprecedented time and emerge stronger going forward.

19. Profit Forecast or Profit Guarantee

The 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.

20. Income Tax Expense

	Current Quarter Ended 31.12.2020 RM'000	Current Year to Date Ended 31.12.2020 RM'000
<u>Malaysian income tax</u>		
- Current year	2,829	3,450
- Over provision in prior years	18	18
<u>Deferred tax</u>		
- Current year	(20)	(20)
- Over provision in prior years	(1,275)	(1,275)
	1,552	2,173

21. Borrowings

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
<u>Short term borrowings</u>		
Secured:-		
- Portion of long term loans payable within the next 12 months	840	840
- Bankers Acceptances	24,222	40,078
- Portion of hire purchase creditors payable within the next 12 months	1,579	1,221
<u>Long term borrowings</u>		
Secured:-		
- Portion of long term loans payable after the next 12 months	3,428	4,268
- Portion of hire purchase creditors payable after the next 12 months	2,479	2,999
Total borrowings	32,548	49,406

There are no borrowings denominated in foreign currency.

22. Profit Before Tax for the Period

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

	Current Quarter Ended		Cumulative Quarter Ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Interest income	(230)	201	(677)	(235)
Gain on disposal of property, plant and equipment	(79)	(18)	(178)	(44)
Net foreign exchange (gain)/loss	(149)	(60)	(357)	719
Depreciation and amortization	3,035	3,062	10,981	11,132
Interest expense	162	562	1,083	2,059
Other income	(305)	(431)	(1,104)	(1,435)
Reversal of impairment loss on receivables	(18)	(36)	(18)	(36)
Insurance recoverable	-	(1)	-	(7)

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

On 29 December 2020, the Board of Directors had recommended a single-tier interim dividend amounting to RM 2.178 million for the year ended 31 December 2020, payable on 4 February 2021.

26. 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 RM3.418 million and current year to date of RM3.520 million and the number of ordinary shares in issue of 217,800,000.

b) Diluted

Not applicable.

27. 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 25 February 2021.