

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 THIRD QUARTER ENDED 30 APRIL 2020 ⁽¹⁾

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30.04.2020	30.04.2019	30.04.2020	30.04.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	55,796	38,308	157,644	97,446
Cost of sales	(35,873)	(23,576)	(100,579)	(64,752)
Gross profit	19,923	14,732	57,065	32,694
Other income	1,809	454	3,360	11,061
Administrative and other expenses	(3,645)	(3,043)	(10,262)	(9,589)
Finance costs	(56)	(598)	(358)	(1,831)
Profit before tax	18,031	11,545	49,805	32,335
Taxation	(3,438)	(2,723)	(10,687)	(6,172)
Profit for the financial period, attributable to owners of the parent	14,593	8,822	39,118	26,163
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	14,593	8,822	39,118	26,163
Earnings per share attributable to owners of the parent:				
Basic and diluted ⁽²⁾ (sen)	2.65	2.97	7.11	8.82

Notes:

- (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 July 2019 and the accompanying explanatory notes attached to the interim financial report.
- (2) Based on weighted average number of ordinary shares outstanding during the period under review.

UWC BERHAD
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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2020⁽¹⁾

	Unaudited as at 30 April 2020	Audited as at 31 July 2019
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	105,768	95,785
Current assets		
Inventories	35,738	37,080
Trade and other receivables	51,013	43,667
Contract assets	444	880
Cash and bank balances	61,190	54,418
TOTAL ASSETS	<u>254,153</u>	<u>231,830</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	115,467	115,467
Reserves	89,163	61,049
TOTAL EQUITY	<u>204,630</u>	<u>176,516</u>
Non-current liabilities		
Borrowings	3,000	11,947
Government grants	3,857	4,741
Deferred tax liabilities	5,406	4,067
Current liabilities		
Trade and other payables	29,246	17,694
Borrowings	2,252	12,818
Government grants	1,178	1,178
Current tax liabilities	4,584	2,869
TOTAL LIABILITIES	<u>49,523</u>	<u>55,314</u>
TOTAL EQUITY AND LIABILITIES	<u>254,153</u>	<u>231,830</u>

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 THIRD QUARTER ENDED 30 APRIL 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	-	-	39,118	39,118
Other comprehensive income, net of tax	-	-	-	-
Dividend Paid	-	-	(11,004)	(11,004)
Total comprehensive income	-	-	28,114	28,114
Balance as at 30 April 2020	115,467	(56,226)	145,389	204,630

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 THIRD QUARTER ENDED 30 APRIL 2020 ⁽¹⁾

	9-months ended 30 April 2020 RM'000	9-months ended 30 April 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	49,805	32,335
Adjustments for:		
Amortisation of government grants	(884)	(884)
Depreciation of property, plant and equipment	7,416	6,716
Finance costs	358	1,831
Interest income	(908)	(259)
Gain on disposal of property, plant and equipment	(5)	(181)
Gain on disposal of property classified as held for sale	-	(8,612)
Property, plant and equipment written off	-	195
Reversal of allowance for impairment loss	(42)	(29)
Operating profit before changes in working capital	<u>55,740</u>	<u>31,112</u>
Decrease/ (Increase) in inventories	1,342	(11,122)
(Increase)/ Decrease in trade and other receivables	(7,304)	8,513
Decrease in contract assets	436	-
Increase/ (Decrease) in trade and other payables	11,552	(12,412)
Cash generated from operations	<u>61,766</u>	<u>16,091</u>
Interest paid	(358)	(1,831)
Tax paid	(7,633)	(5,286)
Tax refunded	-	483
Net cash from operating activities	<u>53,775</u>	<u>9,457</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	908	259
Proceeds from disposal of property, plant and equipment	17	664
Proceeds from disposal of asset classified as held for sale	-	12,347
Purchase of property, plant and equipment	(17,411)	(12,322)
Net cash (used in)/ from investing activities	<u>(16,486)</u>	<u>948</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bankers' acceptance	7,000	24,200
Proceeds from term loans	-	810
Dividend paid	(11,004)	-
Repayment of:		
- Bankers' acceptance	(14,000)	(21,200)
- Hire purchase payables	(10,857)	(3,175)
- Term loans	(1,656)	(1,221)
Net cash used in financing activities	<u>(30,517)</u>	<u>(586)</u>
Net increase in cash and cash equivalents	6,772	9,819
Cash and cash equivalents at beginning of financial year	<u>54,418</u>	<u>13,106</u>
Cash and cash equivalents at end of financial period	<u>61,190</u>	<u>22,925</u>

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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 APRIL 2020 ⁽¹⁾ (Cont'd)

Notes:

- (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.

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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 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 July 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 were issued by 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 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	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

No dividend was paid during the current quarter.

A9. Segmental Information

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

30 April 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	-	145,556	12,088	-	157,644
Inter-segment revenue	15,495	33,205	15,674	(64,374)	-
Total revenue	15,495	178,761	27,762	(64,374)	157,644
Interest income	450	341	117	-	908
Interest expense	-	(258)	(100)	-	(358)
Net interest income	450	83	17	-	550
Segment profit before tax	15,018	44,889	4,882	(14,984)	49,805

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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

On 01 June 2020, UWC incorporated a wholly owned subsidiary, UPLUS Solutions Sdn. Bhd. ("UPLUS") capitalised at RM1 comprising of 1 ordinary share. The intended principal activities of UPLUS are to provide engineering, designing, manufacturing and assembling for automation solutions. The incorporation of this subsidiary company is mainly to facilitate the Group's business expansion plans. None of the directors and/or substantial shareholders of the Company, and/or persons connected to such director and/or substantial shareholders have any interest, direct or indirect, in the subsidiary company.

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 30 April 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	7,930
- Approved but not contracted for	16,264
Total	24,194

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 30 April 2020.

	RM'000
Rental of premises	293

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.

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

B1. Review of Performance

Comparison with the corresponding period in the previous financial year

The Group's revenue for the current quarter was RM55.8 million, representing an increase of 45.7% as compared to RM38.3 million generated in the corresponding quarter in the previous year. The increase was mainly due to stronger demand from global customers in the semiconductor industry and life science industry.

Profit before tax ("**PBT**") of the Group for the quarter under review increased by 56.2% to RM18.0 million from RM11.5 million, a similar quarter of the preceding year. It was mainly derived from the increase in revenue specifically on newly qualified products from semiconductor and life science customers, and also favourable foreign exchange rate compared to the corresponding period in the previous financial year.

B2. Comparison with Immediate Preceding Quarter

The Group's revenue for the quarter under review increased by 1.6% to RM55.8 million from RM54.9 million in the preceding quarter despite the implementation of the Movement Control Order ("MCO") by the Malaysian government due to COVID-19. The MCO began on 18th March 2020. Since UWC is listed as a provider of essential services, UWC was granted approval to continue operations at 50% capacity by MITI. Thus for the period under review, UWC only operated at 50% capacity from 18th March 2020 till 28th April 2020. UWC maintained the momentum by utilizing our suppliers' capacity and achieved a slight increase in revenue. The orders mainly came from the semiconductor industry and life science industry. In addition, being involved in the supply chain of COVID-19 related equipment, the Group had been working very closely with our life-science customers in which we have supported the front line analysis and contributed in the fight against COVID-19.

The Group's PBT increased by 6.1% to RM18.0 million as compared to the PBT of RM17.0 million in the preceding quarter. The increase was mainly attributed to lower finance cost and scrap income earned in the current quarter. In addition, there was a gain on foreign exchange as a result of the stronger US Dollar against the Ringgit Malaysia during the current quarter.

B3. Prospects

The government allowed approved manufacturers, including UWC, to run at full capacity during Phase 4 of the MCO which began on 1st May 2020. Despite having slight supply chain disruptions, the Group has yet to receive order cancellation and has received consistent enquires from existing and new customers. The Group has also taken the necessary preventive measures to minimize the impact caused by Covid-19 during our operations.

With new norms created due to the Covid-19's existence, more people are practicing working from home. The demand for laptop computers and servers remains on the rise. Hence, the testers' demand continues to remain positive. Despite the ongoing trade tension and global pandemic, the Group is optimistic in our long-term performance. Technology development will continue regardless of economic conditions as the adoption of 5G and AI are imminent.

UWC is involved in the supply chain of Covid-19 related equipment, therefore, expecting continuous demand from our life-science customers. At the moment, the Group is expediting the qualification for selected items with our customers and continue to work closely with our customers in developing more products.

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B3. Prospects (Cont'd)

The current economic sentiment will accelerate the Group's implementation of automation and Industry 4.0 to reduce dependency on labour and improve productivity to optimize production efficiency. With the new machines that has docked into our premise, there is more integration between machines and automation, hence, dependency on labour could be reduced and adequate social distancing can be further enhanced.

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:

	9-months ended 30 April 2020 RM'000	9-months ended 30 April 2019 RM'000
Income tax		
• Current year provision	9,371	5,966
• Under/ (over) provision in prior year	18	(144)
Deferred tax		
• Current year provision/ (reversal of temporary differences)	1,339	(315)
• Over provision in prior year	-	(20)
Real property gain tax		
• Current year provision	-	685
• Over provision in prior year	(41)	-
Overall tax expenses	10,687	6,172
Effective tax rate (%)	21.5	19.1
Statutory tax rate (%)	24.0	24.0

Notes:

The effective tax rate of the Group for the current financial period is lower than the statutory tax rate of 24% due to tax incentive enjoyed by its wholly-owned subsidiary, UWC Holdings Sdn. Bhd., as there is Green Investment Tax Allowance (GITA) of 100% of qualifying capital expenditure (QCE) incurred for Solar PV System project from the date of application received by the Malaysian Industrial Development Authority (MIDA) which comprises of Renewable Energy, Energy Efficiency, Green Building, Green Data Centre and Integrated Waste Management Activity.

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B6. Status of Corporate 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 was 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	8,031	29.3	Within 36 months
- Industrial robotic arms and material handling system	4,700	841	17.9	Within 36 months
Repayment of bank borrowings	18,000	18,000	100.0	Within 12 months
Working capital	2,868	2,868	100.0	Within 12 months
Estimated listing expenses	4,416	4,416	100.0	Within 2 months
Total	57,400	34,156		

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:

	As at 30 April 2020 (RM'000)	Audited as at 31 July 2019 (RM'000)
Current liabilities		
Hire purchase creditors	-	3,609
Term loan	2,252	2,209
Bankers' acceptance	-	7,000
	2,252	12,818
Non-current liabilities		
Hire purchase creditors	-	7,248
Term loan	3,000	4,699
	3,000	11,947
Total borrowings	5,252	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 30 April 2020.

B11. Earnings Per Share ("EPS")

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

	9-months ended 30 April 2020	9-months ended 30 April 2019
Profit after tax attributable to the owners of the parent (RM'000)	39,118	26,163
Weighted average number of ordinary shares in issue ('000)	550,200	296,800
Basic EPS ⁽¹⁾ (sen)	7.11	8.82
Diluted EPS ⁽²⁾ (sen)	7.11	8.82

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

Notes:

- (1) 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.
- (2) 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):

	9-months ended 30 April 2020 RM’000	9-months ended 30 April 2019 RM’000
Interest income	(908)	(259)
Interest expense	358	1,831
Depreciation of property, plant and equipment	7,416	6,716
Amortisation of government grants	(884)	(884)
Property, plant and equipment written off	-	195
Gain on disposal of property, plant and equipment	(5)	(181)
Gain on disposal of asset classified as held for sale	-	(8,612)
Gain on foreign exchange	(1,071)	(569)
Scrap income	(337)	(469)
Miscellaneous income	(155)	(87)

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.

BY ORDER OF THE BOARD
04 June 2020