

**Yi-Lai Berhad**  
(Company No. 516043-K)  
(Incorporated in Malaysia)

**Interim Financial Report**  
**30 September 2006**

# Yi-Lai Berhad

(Company No. 516043-K)  
(Incorporated in Malaysia)

## Condensed consolidated balance sheet at 30 September 2006 - unaudited

	Note	30.09.2006 RM'000	31.12.2005 RM'000
<b>Assets</b>			
Property, plant and equipment	A10	81,729	80,564
Deferred tax assets		203	203
<b>Total non-current assets</b>		81,932	80,767
Inventories		30,406	32,690
Trade and other receivables		40,554	36,598
Tax recoverable		223	2,078
Cash and cash equivalents		58,502	48,198
<b>Total current assets</b>		129,685	119,564
<b>Total assets</b>		211,617	200,331
<b>Equity</b>			
Share capital		80,000	80,000
Reserves		100,893	80,070
<b>Total equity attributable to shareholders of the Company</b>		180,893	160,070
<b>Negative goodwill</b>	A2	--	17,633
<b>Total equity</b>		180,893	177,703
<b>Liabilities</b>			
Deferred tax liabilities/ <b>Total non-current liabilities</b>		8,616	8,141
Trade and other payables		15,665	14,257
Dividend payable		5,760	--
Taxation		683	230
<b>Total current liabilities</b>		22,108	14,487
<b>Total liabilities</b>		30,724	22,628
<b>Total equity and liabilities</b>		211,617	200,331
<b>Net Assets per share of RM0.50 each (RM)</b>		<b>1.13</b>	<b>1.11</b>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

# Yi-Lai Berhad

(Company No. 516043-K)  
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## Condensed consolidated income statement for the period ended 30 September 2006 - unaudited

	Note	Individual 3 months ended 30 September		Cumulative 9 months ended 30 September	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Revenue</b>		34,945	30,785	100,649	87,686
Operating expenses		<u>(26,345)</u>	<u>(22,409)</u>	<u>(76,913)</u>	<u>(62,716)</u>
<b>Operating profit</b>		8,600	8,376	23,736	24,970
Interest income		<u>342</u>	<u>332</u>	<u>1,013</u>	<u>1,090</u>
<b>Profit before tax</b>		8,942	8,708	24,749	26,060
Tax expense	<b>B5</b>	<u>(2,219)</u>	<u>(1,501)</u>	<u>(6,715)</u>	<u>(4,854)</u>
<b>Net profit for the period</b>		<u>6,723</u>	<u>7,207</u>	<u>18,034</u>	<u>21,206</u>
Basic earnings per ordinary share (sen)	<b>B13</b>	<u>4.20</u>	<u>4.50</u>	<u>11.27</u>	<u>13.25</u>

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

# Yi-Lai Berhad

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## Condensed consolidated statement of changes in equity for the period ended 30 September 2006 - unaudited

	Note	← Non-distributable →			Distributable Retained profits RM'000	Total RM'000
		Share capital RM'000	Share premium RM'000	Exchange fluctuation reserve RM'000		
<b>At 1 January 2006</b>		80,000	24,376	246	55,448	160,070
Opening balance adjustment in respect of negative goodwill	<b>A2</b>	--	--	--	17,633	17,633
As restated, after opening balance adjustment carried forward		80,000	24,376	246	73,081	177,703
<i>Net gain not recognised in the income statements</i>						
Exchange differences on translation of the financial statements of foreign subsidiary		--	--	132	--	132
Net profit for the period		--	--	--	18,034	18,034
Total recognised income for the period		--	--	132	18,034	18,166
Dividends						
- 2005 Final		--	--	--	(9,216)	(9,216)
- 2006 Interim		--	--	--	(5,760)	(5,760)
		--	--	--	(14,976)	(14,976)
<b>At 30 September 2006</b>		<u>80,000</u>	<u>24,376</u>	<u>378</u>	<u>76,139</u>	<u>180,893</u>
<b>At 1 January 2005</b>		80,000	24,376	352	42,718	147,446
<i>Net loss not recognised in the income statements</i>						
Exchange differences on translation of the financial statements of foreign subsidiary		--	--	(208)	--	(208)
Net profit for the period		--	--	--	21,206	21,206
Total recognised income for the period		--	--	(208)	21,206	20,998
Dividends						
- 2004 Final		--	--	--	(6,912)	(6,912)
- 2005 Interim		--	--	--	(8,064)	(8,064)
		--	--	--	(14,976)	(14,976)
<b>At 30 September 2005</b>		<u>80,000</u>	<u>24,376</u>	<u>144</u>	<u>48,948</u>	<u>153,468</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

# Yi-Lai Berhad

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## Condensed consolidated cash flow statement for the period ended 30 September 2006 - unaudited

	9 months ended 30 September	
	2006	2005
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	24,749	26,060
Adjustments for non-cash flow:		
Non-cash items	5,698	6,161
Non-operating items	(1,088)	(1,090)
Operating profit before changes in working capital	29,359	31,131
Changes in working capital:		
Net change in current assets	(1,671)	(8,410)
Net change in current liabilities	(2,524)	(7,268)
<b>Net cash generated from operating activities</b>	<u>25,164</u>	<u>15,453</u>
<b>Cash flows from investing activity</b>		
Other investments/ Net cash used in investing activity	<u>(5,772)</u>	<u>(25,357)</u>
<b>Cash flows from financing activity</b>		
Dividend paid/ Net cash used in financing activity	<u>(9,216)</u>	<u>(24,192)</u>
Exchange differences on translation of the financial statement of foreign operation	<u>128</u>	<u>(202)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	10,304	(34,298)
<b>Cash and cash equivalents at beginning of period</b>	<u>48,198</u>	<u>76,230</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>58,502</u></u>	<u><u>41,932</u></u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

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## (A) Notes to the Interim Financial Report

### A1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134<sub>2004</sub>, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (MASB).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2006 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with FRS 134<sub>2004</sub>, *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with FRSs.

The financial information relating to the financial year ended 31 December 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2005 are available from the Company's registered office.

### A2. Changes in accounting policies

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs, which term collectively includes the MASB's Issues Committee's Interpretations) that are effective for accounting periods beginning on or after 1 January 2006.

The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2006 on the basis of FRSs currently in effect.

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## A2. Changes in accounting policies (continued)

The FRSs that will be effective in the annual financial statements for the year ending 31 December 2006 may be affected by the issue of additional interpretation(s) or other changes announced by the MASB subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2006 which have been reflected in this interim financial report.

### *Summary of the effect of changes in accounting policies*

#### *(a) Negative goodwill (FRS 3, Business Combinations)*

In prior periods, negative goodwill was stated at cost on balance sheet.

With effect from 1 January 2006 and in accordance with FRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

The new policy in respect of negative goodwill has been applied prospectively in accordance with the transitional arrangements under FRS 3. As a result, comparative amounts have not been restated, the negative goodwill has been adjusted to opening balance for presentation purposes.

## A3. Audit opinion

The audit report of the Company and its subsidiaries for the preceding annual financial statements were not subject to any audit qualification.

## A4. Seasonality or cyclicity of interim operations

Generally, the Group does not have any significant seasonal sales cycle, except during the few months prior to Hari Raya and Chinese New Year, when sales would be slightly higher due to increased renovation works.

## A5. Unusual items affecting the assets, liabilities, equity, net income, or cash flows

There are no unusual items affecting the assets, liabilities, equity, net income, or cash flows of the Group for the current quarter and financial year-to-date.

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### **A6. Material changes in estimates**

There were no changes in estimates that have had material effect in the current quarter results except for the followings:

#### *Depreciation of assets (FRS 116, Property, plant and equipment)*

With effect from 1 January 2006 and in accordance with FRS 116, the useful lives of the plant and machineries will be reviewed and assessed at each financial year to better reflect the economic benefits of these assets. The revisions were accounted for as change in accounting estimates and as a result, the depreciation charges for the current quarter and cumulative quarters to-date have been reduced by RM516,000 and RM1,601,000 respectively.

### **A7. Issuances, cancellations, repurchase, resale and repayments of debts and equity securities**

There are no issuance, cancellations, repurchases, resale and repayment of debts and equity securities for the current financial year-to-date.

### **A8. Dividends paid**

Since the end of the previous financial year, the Company paid:-

- i) A final dividend of 8.0 sen less tax per ordinary share of RM0.50 each totalling RM9.216 million in respect of the year ended 31 December 2005 on 28 June 2006.
- ii) An interim dividend of 5.0 sen less tax per ordinary share of RM0.50 each totalling RM5.760 million in respect of the year ending 31 December 2006 on 8 November 2006.

### **A9. Segment information**

No segmental reporting has been prepared as the Group principally operates in Malaysia and its activities are mainly relating to the manufacture and sale of ceramic and homogeneous tiles.

### **A10. Property, plant and equipment**

The property, plant and equipment of the Group are stated at cost less accumulated depreciation. During the period, the useful lives of certain plant and machineries have been revised to reflect the economic benefits of these assets. The effects of revision are disclosed in Note A6.



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## **A11. Material events subsequent to period end**

There are no material events subsequent to the end of the period reported that have not been reflected in this quarterly report.

## **A12. Changes in the composition of the Group**

There are no changes in the composition of the Group for the current quarter and year-to-date.

## **A13. Contingent liabilities and contingent assets**

The Group does not have any contingent liabilities and contingent assets since the last annual balance sheet date.

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### **(B) Additional Information on Interim Financial Report required by the Bursa Malaysia Listing Requirements**

#### **B1. Review of performance**

For the current quarter under review, the Group recorded a higher turnover of RM34.9 million compared to RM30.8 million for the corresponding quarter in 2005 whilst profit before tax was RM8.9 million compared to RM8.7 million for the corresponding quarter in 2005. The improvement in results was attributable to higher sales volume achieved in the current quarter.

On a cumulative basis for the first nine months of 2006, the turnover increased by 14.8% to RM100.6 million (2005 – RM87.7 million). However, profit before tax was lower by 5.0% to RM24.7 million (2005 – RM26.1 million) as a result of higher cost of production and stiff price competition.

#### **B2. Variation of results against the preceding quarter**

In the current quarter under review, the Group's consolidated profit before tax of RM8.9 million was comparable to the preceding quarter of RM9.0 million.

#### **B3. Current year prospects**

The Malaysian ceramic tile industry faces a challenging year ahead. The Group expects to increase the product range and increase the export sales in 2006 to mitigate the increasing competition within the industry as well as from imported tiles.

#### **B4. Profit forecast**

Not applicable.

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### B5. Tax expense

	3 months ended 30 September		9 months ended 30 September	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Tax expense				
Malaysian - current	2,095	863	6,136	3,257
- prior year	(125)	(62)	(125)	(62)
Overseas - current	90	58	229	72
	<u>2,060</u>	<u>859</u>	<u>6,240</u>	<u>3,267</u>
Deferred tax expense /(income)				
-Malaysian	159	642	475	1,587
	<u>2,219</u>	<u>1,501</u>	<u>6,715</u>	<u>4,854</u>

The effective tax rate in prior period was lower than the statutory tax rate due to availability of reinvestment allowance incentive in one of the subsidiaries.

### B6. Profit on sale of unquoted investments and/or properties

There is no sale of unquoted investments and properties for the current quarter and financial year-to-date.

### B7. Purchase or disposal of quoted securities

There is no purchase or disposal of quoted securities for the current quarter and financial year-to-date.

### B8. Status of uncompleted corporate proposals

As at the date of this quarterly report, there are no outstanding uncompleted corporate proposals.

### B9. Group borrowings and debts securities

The Group has no borrowings and debts securities as at the end of the reporting period.

### B10. Off balance sheet financial instruments

There are no financial instruments with off balance sheet risk at the date of this quarterly report.

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### B11. Changes in material litigation

There are no pending material litigations as at the date of this quarterly report.

### B12. Dividends

- (a) An interim dividend of 5.0 sen less tax per ordinary share of RM0.50 each amounting to RM5.760 million was declared on 21 August 2006 for the financial year ending 31 December 2006 and was paid on 8 November 2006 to shareholders whose names appear on the Company's Record of Depositors on 10 October 2006.
- (b) The total dividend per share for the current financial year is 5.0 sen less tax (previous year corresponding period: 7.0 sen less tax).

### B13. Earnings per share

#### (A) *Basic earnings per share*

For the purpose of calculating basic earnings per share:-

- (i) The amount used as the numerator is the net profit after tax attributable to ordinary shareholders of RM6.723 million for the current quarter and RM18.034 million for the 9 months ended 30 September 2006.
- (ii) The number of ordinary shares used as the denominator is 160 million ordinary shares.

#### (B) *Diluted earnings per share*

Not applicable to date.

### B14. Capital commitment

*Property, plant and equipment*  
Approved but not contracted for

**30/09/06**  
**RM'000**

10,350