

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

Interim Financial Report
30 September 2016

Yi-Lai Berhad

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

Condensed consolidated statement of financial position As at 30 September 2016 - unaudited

	30.09.2016 RM'000	31.12.2015 RM'000
Assets		
Property, plant and equipment	68,358	71,642
Deferred tax assets	2	2
Total non-current assets	<u>68,360</u>	<u>71,644</u>
Inventories	60,559	53,490
Trade and other receivables	35,742	36,154
Tax recoverable	1,279	619
Other investments	29,438	26,520
Cash and cash equivalents	44,456	48,012
Total current assets	<u>171,474</u>	<u>164,795</u>
Total assets	<u><u>239,834</u></u>	<u><u>236,439</u></u>
Equity		
Share capital	80,000	80,000
Reserves	135,300	132,777
Total equity	<u>215,300</u>	<u>212,777</u>
Liabilities		
Deferred tax liabilities/ Total non-current liabilities	4,644	5,142
Trade and other payables	19,014	17,657
Taxation	876	863
Total current liabilities	<u>19,890</u>	<u>18,520</u>
Total liabilities	<u>24,534</u>	<u>23,662</u>
Total equity and liabilities	<u><u>239,834</u></u>	<u><u>236,439</u></u>
Net Assets per share of RM0.50 each (RM)	<u><u>1.36</u></u>	<u><u>1.34</u></u>

Yi-Lai Berhad

(Company No. 516043-K)
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Condensed consolidated statement of comprehensive income for the period ended 30 September 2016 - unaudited

	Note	Individual 3 months ended 30 September		Cumulative 9 months ended 30 September	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue					
Goods sold		29,765	30,106	99,932	101,819
Dividend income	24	373	205	787	564
		<u>30,138</u>	<u>30,311</u>	<u>100,719</u>	<u>102,383</u>
Operating expenses		<u>(29,848)</u>	<u>(29,023)</u>	<u>(94,568)</u>	<u>(93,784)</u>
Operating profit		290	1,288	6,151	8,599
Interest income	24	42	241	429	532
Profit before tax		332	1,529	6,580	9,131
Tax expense	16	<u>(27)</u>	<u>(306)</u>	<u>(1,483)</u>	<u>(2,145)</u>
Profit for the period		<u>305</u>	<u>1,223</u>	<u>5,097</u>	<u>6,986</u>
Profit attributable to:					
Owners of the Company/ Profit for the period		<u>305</u>	<u>1,223</u>	<u>5,097</u>	<u>6,986</u>
Basic earnings per ordinary share (sen)		<u>0.19</u>	<u>0.77</u>	<u>3.23</u>	<u>4.38</u>
Profit for the period		305	1,223	5,097	6,986
Foreign currency translation differences for foreign operation/ Other comprehensive income for the period, net of tax		<u>231</u>	<u>1,313</u>	<u>8</u>	<u>2,019</u>
Total comprehensive income for the period		<u>536</u>	<u>2,536</u>	<u>5,105</u>	<u>9,005</u>
Total comprehensive income attributable to:					
Owners of the Company/ Total comprehensive income for the period		<u>536</u>	<u>2,536</u>	<u>5,105</u>	<u>9,005</u>

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Condensed consolidated statement of changes in equity for the period ended 30 September 2016 - unaudited

	← Attributable to owners of the Company →					Total equity RM'000
	← Non-distributable →			Distributable		
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	
<i>At 1 January 2016</i>	80,000	20,907	(862)	3,576	109,156	212,777
Total comprehensive income for the period	--	--	--	8	5,097	5,105
Acquisition of treasury shares	--	--	(2,582)	--	--	(2,582)
<i>At 30 September 2016</i>	<u>80,000</u>	<u>20,907</u>	<u>(3,444)</u>	<u>3,584</u>	<u>114,253</u>	<u>215,300</u>
<i>At 1 January 2015</i>	80,000	20,907	(307)	1,800	102,865	205,265
Total comprehensive income for the period	--	--	--	2,019	6,986	9,005
Acquisition of treasury shares	--	--	(555)	--	--	(555)
Dividends to owner	--	--	--	--	(3,192)	(3,192)
<i>At 30 September 2015</i>	<u>80,000</u>	<u>20,907</u>	<u>(862)</u>	<u>3,819</u>	<u>106,659</u>	<u>210,523</u>

Yi-Lai Berhad

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Condensed consolidated statement of cash flow for the period ended 30 September 2016 - unaudited

	9 months ended 30 September	
	2016	2015
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	6,580	9,131
Adjustments for:		
Depreciation	5,059	6,208
(Gain)/Loss on disposal of property, plant and equipment	(2)	(104)
Property, plant and equipment written off	6	109
Interest income	(429)	(532)
Dividend income	(787)	(564)
Changes in fair value of other investments	36	(10)
Operating profit before changes in working capital	10,463	14,238
Changes in working capital:		
Change in inventories	(7,069)	2,213
Change in trade and other receivables	412	6,130
Change in trade and other payables	1,356	(6,060)
Tax paid	(2,627)	(4,069)
Net cash generated from operating activities	2,535	12,452
Cash flows from investing activities		
Acquisition of other investments	(2,953)	(3,364)
Acquisition of property, plant and equipment	(1,789)	(1,495)
Proceeds from disposal of property, plant and equipment	5	193
Interest received	429	532
Dividend received	787	564
Net cash used in investing activities	(3,521)	(3,570)
Cash flows from financing activities		
Dividend paid	--	(3,192)
Acquisition of treasury shares	(2,582)	(555)
Net cash used in financing activities	(2,582)	(3,747)
Net (decrease)/increase in cash and cash equivalents	(3,568)	5,135
Effect of exchange rate fluctuations	12	1,968
Cash and cash equivalents at beginning of period	48,012	40,929
Cash and cash equivalents at end of period	44,456	48,032

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Notes to the condensed consolidated interim financial statements

Yi-Lai Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements of the Group as at and for the nine months period ended 30 September 2016 comprise the Company and its subsidiaries (together referred to as the Group).

The consolidated financial statements of the Group as at and for the year ended 31 December 2015 are available upon request from the Company's registered office at:

Registered office

Suite 7E, Level 7
Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor
Malaysia

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 November 2016.

1. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

2. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 December 2015.

3. 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.

Yi-Lai Berhad

(Company No. 516043-K)

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4. 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.

5. Material changes in estimates

There are no material changes in estimates for the current quarter and financial year-to-date.

6. Issuances, cancellations, repurchase, resale and repayments of debts and equity securities

During the current financial quarter, the company had purchased its own shares as follows:-

Month	No of shares purchased	Purchase price per unit		Average cost per share RM	Total cost RM'000
		Lowest RM	Highest RM		
Balance b/f	1,689,208			0.81	1,363
Aug 2016	1,757,900	0.82	0.84	0.83	1,456
Sep 2016	741,900	0.82	0.85	0.84	625
Balance c/f	4,189,008			0.82	3,444

These shares were retained as treasury shares and there is no resale or cancellation of the treasury shares.

7. Dividends paid

No dividend was paid for the current quarter.

8. Segment information

(a) Information about reportable segments

	9 months ended 30 September 2016		
	Malaysia RM'000	Singapore RM'000	Total RM'000
External revenue	88,631	11,301	99,932
Inter-segment revenue	8,457	-	8,457
Segment profit before tax	5,307	966	6,273

	9 months ended 30 September 2015		
	Malaysia RM'000	Singapore RM'000	Total RM'000
External revenue	91,323	10,496	101,819
Inter-segment revenue	7,617	-	7,617
Segment profit before tax	7,591	1,259	8,850

Yi-Lai Berhad

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8. Segment information (Cont'd)

(b) Reconciliation of reportable segment profit or loss

	9 months ended	
	30 September	
	2016	2015
	RM'000	RM'000
Total profit for reportable segments	6,273	8,850
Other non-reportable segments	307	281
Consolidated profit before tax	6,580	9,131

9. 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.

10. 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.

11. 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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Additional Information on Interim Financial Report required by the Bursa Malaysia Listing Requirements

12. Review of performance

For the current quarter under review, the Group recorded a slightly lower turnover of RM29.8 million compared to RM30.1 million for the corresponding quarter in 2015 whilst profit before tax was lower at RM0.3 million compared to RM1.5 million for the corresponding quarter in 2015. The lower figures achieved for the current quarter was mainly due to lower sales volume coupled with increased operating expenses.

As a result, on a cumulative basis for the first nine months of 2016, the turnover decreased by 1.9% to RM99.9 million (2015 – RM101.8 million) while profit before tax decreased by 27.5% to RM6.6 million (2015 – RM9.1 million).

13. Variation of results against the preceding quarter

In the current quarter under review, the Group registered a consolidated profit before tax of RM0.3 million compared to RM4.5 million in the preceding quarter. The decrease in consolidated profit before tax was mainly due to the reasons stated above.

14. Current year prospects

The latest data of third quarter 2016 showed that the world economy continued to experience moderate growth. The Malaysian economy grew at 4.3% and there remain bright spots of growth in civil and residential construction sector.

The Ringgit has depreciated against most major and regional currencies during the third quarter of 2016, with increased volatility post-2016 US presidential election.

The Malaysian tile industry remains in a competitive pricing environment despite the rising cost of raw materials, energy and labour.

Despite the current challenging business environments, the Group remains financially sound and we are continually working to exceed the expectations of our customers.

Barring any unforeseen circumstance, the Group will strive to achieve satisfactory financial results for the financial year ending 31 December 2016.

15. Profit forecast

Not applicable.

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16. Tax expense

	3 months ended 30 September		9 months ended 30 September	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Tax expense				
Malaysian - current	115	300	1,854	2,117
- prior year	(10)	(28)	(10)	(28)
Overseas - current	78	55	137	173
	<hr/>	<hr/>	<hr/>	<hr/>
	183	327	1,981	2,262
Deferred tax income				
Malaysian - current	(156)	(21)	(498)	(117)
	<hr/>	<hr/>	<hr/>	<hr/>
	27	306	1,483	2,145
	<hr/>	<hr/>	<hr/>	<hr/>

17. Status of uncompleted corporate proposals

On 24 February 2016, the Company entered into a Heads of Agreement with Aspen Vision Group Sdn. Bhd. (“AVG”) and Setia Batu Kawan Sdn. Bhd. (“SBK”) (collectively referred to as the “Vendors”) for the proposed acquisition of the entire equity interest of 6,000,000 ordinary shares of RM1.00 each in Aspen Vision All Sdn. Bhd. for a total purchase consideration of RM550 million. The purchase consideration shall be settled via the issuance of 450 million new ordinary shares of RM0.50 each in the Company at an issue price of RM1.00 each and RM100 million cash to be funded through internally generated funds and/or bank borrowings.

Upon fulfilment of certain terms and conditions, the Company and the Vendors will enter into a Definitive Agreement for the sale and purchase of the shares within 90 days from the date of the Heads of Agreement.

On 10 May 2016, the Company announced that the Company and the Vendors have mutually agreed to extend the duration of the Heads of Agreement (HOA) up to and including 30 June 2016 to allow the parties to complete the legal and financial due diligence inquiry, and to execute the Definitive Agreement.

On 30 June 2016, the Company announced that the duration of the HOA was further extended to 31 July 2016.

On 1 August 2016, the Company announced that the HOA has lapsed on 31 July 2016 and the parties involved have decided not to extend the validity of the HOA due to non-approval of the waiver from compliance with Paragraph 7.03(b) of the Equity Guidelines issued by the Securities Commission Malaysia.

The non-extension of the HOA will not have any material financial impact on the operations of the Company and the Group.

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18. Group borrowings and debts securities

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

19. Changes in material litigation

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

20. Dividends

No dividend has been recommended for the current quarter.

21. 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 RM0.305 million for the current quarter and RM5.097 million for the 9 months ended 30 September 2016.
- (ii) The weighted average number of ordinary shares used as the denominator is approximately 157.276 million ordinary shares for the current quarter and 158.010 million ordinary shares for the 9 months ended 30 September 2016.

(B) *Diluted earnings per share*

Not applicable to date.

22. Capital commitment

	30/09/16 RM'000
<i>Property, plant and equipment</i>	
Approved but not contracted for	2,110
Contracted but not provided for	162
	<hr/> 2,272 <hr/> <hr/>

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23. Disclosure of realised and unrealised profits/losses

	Current Quarter As At 30/09/2016 RM'000	Preceding Quarter As At 30/06/2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	187,605	187,456
- Unrealised	(4,642)	(4,798)
	<u>182,963</u>	<u>182,658</u>
Consolidation adjustments	(68,710)	(68,710)
	<u>114,253</u>	<u>113,948</u>

24. Profit for the period

	3 months ended 30 September		9 months ended 30 September	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the period is arrived at after charging/(crediting):				
Depreciation	1,712	2,094	5,059	6,208
Inventory written down/ (Reversal of write-down)	241	(579)	851	(1,821)
Property, plant and equipment written off	5	58	6	109
Gain on disposal of property, plant and equipment	--	(1)	(2)	(104)
Foreign exchange gain	(444)	(895)	(517)	(1,487)
Interest income	(42)	(241)	(429)	(532)
Dividend income	(373)	(205)	(787)	(564)