

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

Interim Financial Report
30 September 2019

Yi-Lai Berhad

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

Condensed consolidated statement of financial position As at 30 September 2019 - unaudited

	30.09.2019 RM'000	31.12.2018 RM'000
Assets		
Property, plant and equipment	55,589	59,182
Deferred tax assets	1,035	258
Total non-current assets	56,624	59,440
Inventories	42,854	56,318
Contract assets	3,842	5,450
Trade and other receivables	28,372	28,940
Tax recoverable	1,339	2,023
Other investments	24,849	24,572
Cash and cash equivalents	52,769	45,228
Total current assets	154,025	162,531
Total assets	210,649	221,971
Equity		
Share capital	100,907	100,907
Reserves	95,117	101,164
Total equity	196,024	202,071
Liabilities		
Deferred tax liabilities/ Total non-current liabilities	105	923
Trade and other payables	14,452	18,906
Taxation	68	71
Total current liabilities	14,520	18,977
Total liabilities	14,625	19,900
Total equity and liabilities	210,649	221,971
Net Assets per share (RM)	1.35	1.39

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Condensed consolidated statement of comprehensive income for the period ended 30 September 2019 - unaudited

	Note	Individual 3 months ended 30 September		Cumulative 9 months ended 30 September	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue					
Goods sold		31,428	32,783	85,923	92,852
Dividend income	24	131	179	538	625
		<u>31,559</u>	<u>32,962</u>	<u>86,461</u>	<u>93,477</u>
Operating expenses		<u>(32,354)</u>	<u>(34,406)</u>	<u>(93,779)</u>	<u>(97,270)</u>
Operating loss		(795)	(1,444)	(7,318)	(3,793)
Interest income	24	136	76	234	200
Loss before tax		(659)	(1,368)	(7,084)	(3,593)
Tax income/(expense)	16	(329)	(257)	1,085	301
Loss for the period		<u>(988)</u>	<u>(1,625)</u>	<u>(5,999)</u>	<u>(3,292)</u>
Loss attributable to:					
Owners of the Company/ Loss for the period		<u>(988)</u>	<u>(1,625)</u>	<u>(5,999)</u>	<u>(3,292)</u>
Basic loss per ordinary share (sen)		<u>(0.68)</u>	<u>(1.11)</u>	<u>(4.12)</u>	<u>(2.20)</u>
Loss for the period		(988)	(1,625)	(5,999)	(3,292)
Foreign currency translation differences for foreign operation/ Other comprehensive income/(expense) for the period, net of tax		<u>(167)</u>	<u>406</u>	<u>(10)</u>	<u>(34)</u>
Total comprehensive expense for the period		<u>(1,155)</u>	<u>(1,219)</u>	<u>(6,009)</u>	<u>(3,326)</u>
Total comprehensive expense attributable to:					
Owners of the Company/ Total comprehensive expense for the period		<u>(1,155)</u>	<u>(1,219)</u>	<u>(6,009)</u>	<u>(3,326)</u>

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Condensed consolidated statement of changes in equity for the period ended 30 September 2019 - unaudited

	← Attributable to owners of the Company →				Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	
	← Non-distributable →		Distributable		
<i>At 1 January 2019</i>	100,907	(11,390)	3,570	108,984	202,071
Total comprehensive expense for the period	--	--	(10)	(5,999)	(6,009)
Cancellation of treasury shares	--	11,390	--	(11,390)	--
Acquisition of treasury shares	--	(38)	--	--	(38)
<i>At 30 September 2019</i>	<u>100,907</u>	<u>(38)</u>	<u>3,560</u>	<u>91,595</u>	<u>196,024</u>
<i>At 1 January 2018</i>	100,907	(6,465)	3,578	112,139	210,159
Total comprehensive expense for the period	--	--	(34)	(3,292)	(3,326)
Acquisition of treasury shares	--	(4,660)	--	--	(4,660)
<i>At 30 September 2018</i>	<u>100,907</u>	<u>(11,125)</u>	<u>3,544</u>	<u>108,847</u>	<u>202,173</u>

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Condensed consolidated statement of cash flow for the period ended 30 September 2019 - unaudited

	9 months ended 30 September	
	2019	2018
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax	(7,084)	(3,593)
Adjustments for:		
Depreciation	4,007	4,278
(Gain)/Loss on disposal of property, plant and equipment	(36)	9
Property, plant and equipment written off	40	40
Interest income	(234)	(200)
Dividend income	(538)	(625)
Changes in fair value of other investments	60	(108)
Trade receivables – Impairment loss	155	--
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Operating loss before changes in working capital	(3,630)	(199)
Changes in working capital:		
Change in inventories	13,464	(2,636)
Change in contract assets	1,608	(1,776)
Change in trade and other receivables	413	(9,991)
Change in trade and other payables	(4,453)	4,701
Tax refunded/(paid)	171	(890)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	7,573	(10,791)
Cash flows from investing activities		
(Acquisition)/Disposal of other investments	(337)	7,088
Acquisition of property, plant and equipment	(456)	(961)
Proceeds from disposal of property, plant and equipment	36	7
Interest received	234	200
Dividend received	538	625
	<hr/>	<hr/>
Net cash generated from investing activities	15	6,959
Cash flows from financing activity		
Acquisition of treasury shares/ Net cash used in financing activity	<hr/>	<hr/>
	(38)	(4,660)
Net increase/(decrease) in cash and cash equivalents	7,550	(8,492)
Effect of exchange rate fluctuations	(9)	(31)
Cash and cash equivalents at beginning of period	45,228	51,874
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Cash and cash equivalents at end of period	52,769	43,351
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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 2019 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 2018 are available upon request from the Company's registered office at:

Registered office

Suite 9D, Level 9
Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor
Malaysia

These condensed consolidated interim financial statements were approved by the Board of Directors on 21 November 2019.

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 2018.

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 2018, except for the adoption of the following new accounting standards, interpretations and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") that are effective for financial statements effective from 1 January 2019:

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)

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- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

The adoption of the above new accounting standards, interpretations and amendments does not have any material impact on the financial statements to the Group.

3. Seasonality or cyclical nature 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.

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

As at 31 March 2019, the number of treasury shares held in hand was 14,429,408 ordinary shares at a total cost of RM11,389,805. The average cost per share is RM0.79. On 17 April 2019, all these treasury shares were cancelled by the Company.

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	3,600			0.64	2
Aug 2019	4,100	0.58	0.58	0.58	3
Sep 2019	56,400	0.53	0.60	0.57	33
Balance c/f	64,100			0.58	38

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

7. Dividends paid

No dividend was paid for the current quarter.

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8. Segment information

(a) Information about reportable segments

	9 months ended 30 September 2019		
	Malaysia	Singapore	Total
	RM'000	RM'000	RM'000
External revenue	77,781	8,142	85,923
Inter-segment revenue	5,841	-	5,841
Segment profit/(loss) before tax	(7,485)	495	(6,990)
	<hr/>		
	9 months ended 30 September 2018		
	Malaysia	Singapore	Total
	RM'000	RM'000	RM'000
External revenue	83,577	9,275	92,852
Inter-segment revenue	6,928	-	6,928
Segment profit/(loss) before tax	(4,320)	502	(3,818)
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(b) Reconciliation of reportable segment profit or loss

	9 months ended	
	30 September	
	2019	2018
	RM'000	RM'000
Total loss for reportable segments	(6,990)	(3,818)
Other non-reportable segments	(94)	225
Consolidated loss before tax	(7,084)	(3,593)
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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 lower turnover of RM31.4 million compared to RM32.8 million for the corresponding quarter in 2018. Despite lower turnover, the loss before tax was reduced from RM1.4 million to RM0.7 million. Higher loss recorded last year was mainly due to impairment of inventories amounting to RM1.3 million.

On a cumulative basis for the first nine months of 2019, the turnover decreased by 7.5% to RM85.9 million (2018 – RM92.9 million). A higher loss before tax of RM7.1 million was recorded as compared to RM3.6 million in 2018, which was mainly caused by lower sales and higher operating expenses.

13. Variation of results against the preceding quarter

In the current quarter under review, the Group registered a consolidated loss before tax of RM0.7 million compared to loss of RM4.1 million in the preceding quarter.

14. Current year prospects

In the recent 2020 budget, the government has further introduced stimulus measures in property market, amid the ongoing initiatives, to address the property overhang issue. Among the new measures are lowering the threshold for foreign property purchase and introducing Rent To Own Financing schemes.

While hoping for positive impact from the government's initiatives, Yi-Lai Group has successfully developed and launched a new generation of tiles – under the Group's new proprietary brand, Talos Living Tiles. Talos Living Tiles are a premium series of functional products that have wellness benefits.

With the recent launching of new products, the Group aims to achieve better financial results for the current financial year.

15. Profit forecast

Not applicable.

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16. Tax expense

	3 months ended 30 September		9 months ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Tax expense				
Malaysian -current	203	149	451	333
Prior years	11	21	11	56
Overseas	48	--	48	--
	<u>262</u>	<u>170</u>	<u>510</u>	<u>389</u>
Deferred tax expense/(income)				
Malaysian	67	87	(1,595)	(690)
	<u>329</u>	<u>257</u>	<u>(1,085)</u>	<u>(301)</u>

The effective tax rate is lower than statutory tax rate due to unrecognised deferred tax asset.

17. Status of uncompleted corporate proposals

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

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.

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21. Loss per share

(A) *Basic loss per share*

For the purpose of calculating basic loss per share:-

- (i) The amount used as the numerator is the net loss after tax attributable to ordinary shareholders of RM1.0 million for the current quarter and loss after tax of RM6.0 million for the 9 months ended 30 September 2019.
- (ii) The weighted average number of ordinary shares used as the denominator is approximately 145.558 million ordinary shares for the current quarter and 145.566 million ordinary shares for the 9 months ended 30 September 2019.

(B) *Diluted earnings per share*

Not applicable to date.

22. Revenue – Goods sold

Disaggregation of revenue

	3 months ended 30 September		9 months ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Timing and recognition				
At a point in time	20,790	15,547	58,411	47,319
Over time	10,638	17,236	27,512	45,533
	31,428	32,783	85,923	92,852

23. Capital commitment

	30/09/19 RM'000
<i>Property, plant and equipment</i>	
Contracted but not provided for	600

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24. Loss for the period

	3 months ended		9 months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Loss for the period is arrived at after charging/(crediting):				
Depreciation	1,310	1,421	4,007	4,278
Trade receivables:				
- (Impairment loss recovered)/				
Impairment loss	(213)	--	155	--
(Reversal)/Inventory written				
down	(255)	1,301	(205)	1,270
Property, plant and equipment				
written off	9	2	40	40
(Gain)/Loss on disposal of				
property, plant and				
equipment	--	9	(36)	9
Foreign exchange (gain)/loss	176	(522)	(133)	107
Interest income	(136)	(76)	(234)	(200)
Dividend income	(131)	(179)	(538)	(625)