

Yi-Lai Berhad

Registration Number: 200001013437
(Incorporated in Malaysia)

Interim Financial Report 30 June 2020

Yi-Lai Berhad

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Condensed consolidated statement of financial position As at 30 June 2020 - unaudited

	30.06.2020 RM'000	31.12.2019 RM'000
Assets		
Property, plant and equipment	46,672	49,409
Right-of-use assets	5,906	6,089
Deferred tax assets	478	642
Total non-current assets	<u>53,056</u>	<u>56,140</u>
Inventories	42,743	47,012
Contract assets	3,070	5,783
Trade and other receivables	15,871	29,291
Tax recoverable	1,086	976
Other investments	25,376	25,051
Cash and cash equivalents	57,307	52,962
Total current assets	<u>145,453</u>	<u>161,075</u>
Total assets	<u><u>198,509</u></u>	<u><u>217,215</u></u>
Equity		
Share capital	93,692	93,692
Reserves	92,812	102,518
Total equity	<u>186,504</u>	<u>196,210</u>
Liabilities		
Deferred tax liabilities	--	186
Lease liabilities	177	278
Total non-current liabilities	<u>177</u>	<u>464</u>
Trade and other payables	11,494	20,125
Lease liabilities	233	230
Taxation	101	186
Total current liabilities	<u>11,828</u>	<u>20,541</u>
Total liabilities	<u>12,005</u>	<u>21,005</u>
Total equity and liabilities	<u><u>198,509</u></u>	<u><u>217,215</u></u>
Net Assets per share (RM)	<u><u>1.29</u></u>	<u><u>1.35</u></u>

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Condensed consolidated statement of comprehensive income for the period ended 30 June 2020 - unaudited

	Note	Individual 3 months ended 30 June		Cumulative 6 months ended 30 June	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue					
Goods sold	21	9,351	27,727	32,336	54,495
Dividend income	23	179	234	374	407
		9,530	27,961	32,710	54,902
Operating expenses		(15,986)	(32,122)	(42,593)	(61,425)
Operating loss		(6,456)	(4,161)	(9,883)	(6,523)
Interest income	23	60	12	128	98
Interest expense	23	(5)		(12)	
Loss before tax		(6,401)	(4,149)	(9,767)	(6,425)
Taxation	16	141	975	22	1,414
Loss for the period		<u>(6,260)</u>	<u>(3,174)</u>	<u>(9,745)</u>	<u>(5,011)</u>
Loss attributable to:					
Owners of the Company/ Loss for the period		<u>(6,260)</u>	<u>(3,174)</u>	<u>(9,745)</u>	<u>(5,011)</u>
Basic loss per ordinary share (sen)					
		<u>(4.31)</u>	<u>(2.18)</u>	<u>(6.71)</u>	<u>(3.44)</u>
Loss for the period					
Foreign currency translation differences for foreign operation/ Other comprehensive expense for the period, net of tax		199	299	194	157
Total comprehensive expense for the period		<u>(6,061)</u>	<u>(2,875)</u>	<u>(9,551)</u>	<u>(4,854)</u>
Total comprehensive expense attributable to:					
Owners of the Company/ Total comprehensive expense for the period		<u>(6,061)</u>	<u>(2,875)</u>	<u>(9,551)</u>	<u>(4,854)</u>

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Condensed consolidated statement of changes in equity for the period ended 30 June 2020 - 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	
<i>At 1 January 2020</i>	93,692	(101)	3,614	99,005	196,210
Total comprehensive expense for the period	--	--	194	(9,745)	(9,551)
Acquisition of treasury shares	--	(155)	--	--	(155)
<i>At 30 June 2020</i>	<u>93,692</u>	<u>(256)</u>	<u>3,808</u>	<u>89,260</u>	<u>186,504</u>
<i>At 1 January 2019</i>	100,907	(11,390)	3,570	108,984	202,071
Total comprehensive income/ expense for the period	--	--	157	(5,011)	(4,854)
Cancellation of treasury shares	--	11,390	--	(11,390)	--
Acquisition of treasury shares	--	(2)	--	--	(2)
<i>At 30 June 2019</i>	<u>100,907</u>	<u>(2)</u>	<u>3,727</u>	<u>92,583</u>	<u>197,215</u>

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Condensed consolidated statement of cash flow for the period ended 30 June 2020 - unaudited

	6 months ended 30 June	
	2020 RM'000	2019 RM'000
Cash flows from operating activities		
Loss before tax	(9,767)	(6,425)
Adjustments for:		
Depreciation	2,757	2,697
Property, plant and equipment written off	170	31
Loss/(Gain) on disposal of property, plant and equipment	222	(36)
Interest expense	12	--
Interest income	(128)	(98)
Dividend income	(374)	(407)
Changes in fair value of other investments	25	84
Trade receivables – Impairment loss	225	368
	<hr/>	<hr/>
Operating loss before changes in working capital	(6,858)	(3,786)
Changes in working capital:		
Change in inventories	4,269	9,944
Change in contract assets	2,713	2,696
Change in trade and other receivables	13,195	(2,137)
Change in trade and other payables	(8,631)	(5,766)
Interest paid	(12)	--
Tax paid	(195)	(172)
	<hr/>	<hr/>
Net cash generated from operating activities	4,481	779
Cash flows from investing activities		
Acquisition of other investments	(350)	(206)
Acquisition of property, plant and equipment	(251)	(232)
Proceeds from disposal of property, plant and equipment	25	36
Interest received	128	98
Dividend received	374	407
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(74)	103
Cash flows from financing activities		
Acquisition of treasury shares	(155)	(2)
Payment of lease liabilities	(101)	--
	<hr/>	<hr/>
Net cash used in financing activities	(256)	--
Net increase/(decrease) in cash and cash equivalents	4,151	880
Effect of exchange rate fluctuations	194	157
Cash and cash equivalents at beginning of period	52,962	45,228
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>57,307</u>	<u>46,265</u>

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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 six months period ended 30 June 2020 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 2019 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 25 August 2020.

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 2019.

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 2019, 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 2020:

- Amendments to MFRS 3, Business Combinations – Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform

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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 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.

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 did not purchase any of its own shares.

As at 30 June 2020, the number of treasury shares held in hand was 484,900 ordinary shares at a total cost of RM256,687. The average cost per share is RM0.53.

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

	6 months ended 30 June 2020		
	Malaysia	Singapore	Total
	RM'000	RM'000	RM'000
External revenue	29,615	2,721	32,336
Inter-segment revenue	1,896	-	1,896
Segment (loss)/profit before tax	(9,850)	(22)	(9,872)

	6 months ended 30 June 2019		
	Malaysia	Singapore	Total
	RM'000	RM'000	RM'000
External revenue	49,609	4,886	54,495
Inter-segment revenue	3,595	-	3,595
Segment (loss)/profit before tax	(6,484)	161	(6,323)

(b) Reconciliation of reportable segment profit or loss

	6 months ended 30 June	
	2020	2019
	RM'000	RM'000
Total loss for reportable segment	(9,872)	(6,323)
Other non-reportable segments	105	(102)
Consolidated loss before tax	(9,767)	(6,425)

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 RM9.4 million compared to RM27.7 million for the corresponding quarter in 2019 due to lower sales volume. As a result, the Group recorded a higher loss before tax of RM6.4 million as compared to RM4.1 million for the corresponding quarter in 2019. Lower revenue in current quarter was due mainly to implementation of Movement Control Order.

13. Variation of results against the preceding quarter

In the current quarter under review, the Group registered a consolidated loss before tax of RM6.4 million compared to a loss before tax of RM3.4 million in the preceding quarter which was caused by lower sales.

14. Current year prospects

Malaysia's economic prospects for 2020 is being severely affected by the COVID-19 pandemic as well as the subsequent Movement Control Order (MCO).

With our operations halted during the MCO, the Group's performance has been affected. Slow trade activities continued after the resumption of operation due to cautious approach on expansion, investment and spending taken by businesses and consumers.

Notwithstanding this, we do expect to see gradual recovery towards the second half of 2020 with more property launches as well as increase in transactions in the secondary property market. In the recently announced Economic Recovery Plan (Penjana), various initiatives were introduced to provide reliefs to the property sector. These developments would bode well for the Group as they lead to more interior fit-out activities with higher demand for tiles.

The Board is cautious on the Group's current year outlook. We are monitoring the situation closely and are taking necessary measures and initiatives to protect the Group and our people.

15. Profit forecast

Not applicable.

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16. Taxation

	3 months ended 30 June		6 months ended 30 June	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Tax expense				
Malaysian - current	(49)	172	--	316
Deferred tax income				
Malaysian - current	(92)	(1,147)	(22)	(1,730)
	<u>(141)</u>	<u>(975)</u>	<u>(22)</u>	<u>(1,414)</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

Save as disclosed below, the Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or business of the Group. The Board is not aware of any other proceedings, pending or threatened against the Group, or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group.

With reference to the previous announcements made by the Company on 21 July 2020 and 23 July 2020, the Board wishes to provide the latest update on the legal proceedings as follows:-

(a) the Company has been cited as the 2nd defendant in Kuala Lumpur High Court Suit No. WA-22NCC-285-07/2020 (“Suit No. 285”) filed on 8 July 2020 by one Teng Kam Kheong;

(b) in Suit No.285, the said Teng Kam Kheong seeks the following specific prayers against the Company namely: (i) specific performance for the Company to purchase the therein described “Three Properties” for a sum of RM100 million, (ii) costs and (iii) further or other relief;

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(c) the Company has not entered into any written or oral agreement with the said Teng Kam Kheong for the purchase of the Three Properties for a sum of RM 100 million nor has the Company, at the level of the Board or its shareholders, ever approved any such purchase of the Three Properties; and

(d) the Company has taken out an application on 30 July 2020 to have Suit No. 285 summarily determined in favour of the Company. The said application is now fixed for case management before the Court on 8 September 2020.

Based on the advice of the solicitors appointed by the Company, the Directors are of the view that Suit No. 285 is baseless, frivolous, vexatious, and an abuse of the court's process.

20. Dividends

No dividend has been recommended for the current quarter.

21. Revenue – Goods sold

Disaggregation of revenue

	3 months ended 30 June		6 months ended 30 June	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Timing and recognition				
At a point in time	6,940	18,535	23,036	37,621
Over time	2,411	9,192	9,300	16,874
	9,351	27,727	32,336	54,495

22. 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 RM6.260 million for the current quarter and loss after tax of RM9.745 million for the 6 months ended 30 June 2020.
- (ii) The weighted average number of ordinary shares used as the denominator is approximately 145.086 million ordinary shares for the current quarter and 145.189 million for the 6 months ended 30 June 2020.

(B) *Diluted earnings per share*

Not applicable to date.

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23. Loss for the period

	3 months ended 30 June		6 months ended 30 June	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loss for the period is arrived at after charging/ (crediting):				
Depreciation	1,372	1,337	2,757	2,697
Trade receivables:				
- Impairment loss	159	335	225	368
(Reversal)/Inventory written down	(250)	120	(376)	50
Property, plant and equipment written off	169	31	170	31
Gain on disposal of property, plant and equipment	227	(36)	222	(36)
Foreign exchange (gain)/loss	(223)	(403)	(269)	(309)
Interest expense	5	--	12	--
Interest income	(60)	(12)	(128)	(98)
Dividend income	(179)	(234)	(374)	(407)