

Yi-Lai Berhad

Registration Number: 200001013437

(Incorporated in Malaysia)

Interim Financial Report 30 September 2020

Yi-Lai Berhad

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(Incorporated in Malaysia)

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

	30.09.2020 RM'000	31.12.2019 RM'000
Assets		
Property, plant and equipment	45,841	49,409
Right-of use assets	5,811	6,089
Deferred tax assets	478	642
Total non-current assets	<u>52,130</u>	<u>56,140</u>
Inventories	44,102	47,012
Contract assets	3,892	5,783
Trade and other receivables	29,097	29,291
Tax recoverable	1,086	976
Other investments	27,204	25,051
Cash and bank balances	51,138	52,962
Total current assets	<u>156,519</u>	<u>161,075</u>
Total assets	<u><u>208,649</u></u>	<u><u>217,215</u></u>
Equity		
Share capital	93,692	93,692
Reserves	100,319	102,518
Total equity	<u>194,011</u>	<u>196,210</u>
Liabilities		
Deferred tax liabilities	-	186
Lease liabilities	114	278
Total non-current liabilities	<u>114</u>	<u>464</u>
Trade and other payables	14,202	20,125
Lease liabilities	236	230
Taxation	86	186
Total current liabilities	<u>14,524</u>	<u>20,541</u>
Total liabilities	<u>14,638</u>	<u>21,005</u>
Total equity and liabilities	<u><u>208,649</u></u>	<u><u>217,215</u></u>
Net Assets per share (RM)	<u>1.34</u>	<u>1.35</u>

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

	Note	Individual 3 months ended 30 September		Cumulative 9 months ended 30 September	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue					
Goods sold	21	29,420	31,428	67,540	85,923
Dividend income	23	133	131	507	538
		<u>29,553</u>	<u>31,559</u>	<u>68,047</u>	<u>86,461</u>
Operating expenses		(22,713)	(32,354)	(70,456)	(93,779)
Operating profit/(loss)		<u>6,840</u>	<u>(795)</u>	<u>(2,409)</u>	<u>(7,318)</u>
Interest income	23	161	136	288	234
Interest expense	23	(6)	-	(18)	-
		<u>6,995</u>	<u>(659)</u>	<u>(2,139)</u>	<u>(7,084)</u>
Profit/(Loss) before tax		<u>6,995</u>	<u>(659)</u>	<u>(2,139)</u>	<u>(7,084)</u>
Taxation	16	-	(329)	108	1,085
		<u>6,995</u>	<u>(988)</u>	<u>(2,031)</u>	<u>(5,999)</u>
Profit/(Loss) for the period		<u>6,995</u>	<u>(988)</u>	<u>(2,031)</u>	<u>(5,999)</u>
Profit/(Loss) attributable to:					
Owners of the company/ Profit/(Loss) for the period		<u>6,995</u>	<u>(988)</u>	<u>(2,031)</u>	<u>(5,999)</u>
Basic profit/(loss) per ordinary share (sen)		<u>4.82</u>	<u>(0.68)</u>	<u>(1.40)</u>	<u>(4.12)</u>
Profit/(Loss) for the period		6,995	(988)	(2,031)	(5,999)
Foreign currency translation differences for foreign operation/ other comprehensive expense for the period, net of tax		515	(167)	(13)	(10)
		<u>7,510</u>	<u>(1,155)</u>	<u>(2,044)</u>	<u>(6,009)</u>
Total comprehensive expense for the period		<u>7,510</u>	<u>(1,155)</u>	<u>(2,044)</u>	<u>(6,009)</u>
Total comprehensive expense attributable to:					
Owners of the company/ Total comprehensive expense for the period		<u>7,510</u>	<u>(1,155)</u>	<u>(2,044)</u>	<u>(6,009)</u>

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Condensed consolidated statement of changes in equity for the period ended 30 September 2020 – unaudited

	←—Attributable to owners of the Company —→				
	←— Non-distributable —→			→ Distributable	
	Share capital RM'000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2020	93,692	(101)	3,614	99,005	196,210
Total comprehensive expense for the period			(13)	(2,031)	(2,044)
Acquisition of treasury shares		(155)			(155)
At 30 September 2020	<u>93,692</u>	<u>(256)</u>	<u>3,601</u>	<u>96,974</u>	<u>194,011</u>
At 1 January 2019	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)
At 30 September 2019	<u>100,907</u>	<u>(38)</u>	<u>3,560</u>	<u>91,595</u>	<u>196,024</u>

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Condensed consolidated statement of cash flow for the period ended 30 September 2020 – unaudited

	9 months ended 30 September	
	2020	2019
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax	(2,139)	(7,084)
Adjustments for:-		
Depreciation	3,910	4,007
Property, plant & equipment written off	173	40
Loss/(Gain) on disposal of property, plant & equipment	222	(36)
Interest expense	18	-
Interest income	(288)	(234)
Dividend income	(507)	(538)
Changes in fair value of other investments	25	60
Trade receivables - impairment loss	(53)	155
	1,361	(3,630)
Operating profit/(loss) before working capital changes		
Changes in working capital:		
Change in inventories	2,910	13,464
Change in contract assets	1,891	1,608
Change in trade and other receivables	247	413
Change in trade and other payables	(5,923)	(4,453)
Interest paid	(18)	-
Tax (paid)/refunded	(124)	171
	344	7,573
Net cash generated from operating activities		
Cash flows from investing activities		
Acquisition of other investments	(2,178)	(337)
Acquisition of property, plant & equipment	(484)	(456)
Proceeds on disposal of property, plant & equipment	25	36
Interest received	288	234
Dividend received	507	538
	(1,842)	15
Net cash (used in)/generated from investing activities		
Cash flows from financing activities		
Acquisition of treasury shares	(155)	(38)
Payment of lease liabilities	(158)	-
	(313)	(38)
Net cash used in financing activities		
Net (decrease)/increase in cash & cash equivalents	(1,811)	7,550
Effect of exchange rate changes	(13)	(9)
Cash and cash equivalents at beginning of period	52,962	45,228
Cash and cash equivalents at end of period	51,138	52,769

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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 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 10.02, Level 10,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur,
W.P. Kuala Lumpur.

These condensed consolidated interim financial statements were approved by the Board of Directors on 30 November 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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2. Significant accounting policies (Continued)

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 September 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.

8. Segment information

	9 months ended	
	30 September	
	2020	2019
	RM'000	RM'000
Tiles manufacturing & trading income	67,540	85,823
Dividend income	507	538
Interest income	288	234

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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.

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 RM29.4 million compared to RM31.4 million for the corresponding quarter in 2019 due to economic downturn because of MCO pandemic lower sales volume. However, the Group recorded a higher profit before tax of RM7 million as compared to loss before tax of RM0.7 million for the corresponding quarter in 2019. Lower revenue in current quarter was due mainly to implementation of Movement Control Order. Higher profit before tax achieved due to we have increase cost efficiency which put more effort in monitoring utility and raw material cost and increase selling price on old stocks.

13. Variation of results against the preceding quarter

In the current quarter under review, the Group registered a consolidated profit before tax of RM7 million compared to a loss before tax of RM6.4 million in the preceding quarter which was caused by increase of selling price on old stocks and effort in cost saving.

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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.

16. Taxation

	3 months ended 30 September		9 months ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Tax expense				
Malaysian - current	--	262	--	510
Deferred tax income				
Malaysian - current	--	67	(108)	(1,595)
	--	329	(108)	(1,085)

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

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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, 23 July 2020 and 23 September 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;
- (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.

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19. Changes in material litigation (Continued)

(e) the previous trial dates for Suit No.285 have been reassigned (following the CMCO) to 7 December 2020, 18 December 2020, 21 December 2020 and 12 January 2021 with most pre-trial directions having been complied (save for witness statements due on 30 November 2020).

(f) the previous application taken out by the Company to have Suit No.285 summarily determined in favour of the Company is still pending and tentatively fixed for hearing on 7 December 2020.

In summary, the counsels representing Yi-Lai are of the view that the claim against Yi-Lai is unsustainable as a matter of law and fact and in their opinion, the claim against Yi-Lai will not succeed and be dismissed by court with costs in favour of Yi-Lai.

20. Dividends

No dividend has been recommended for the current quarter.

21. Revenue – Goods sold

Disaggregation of revenue

	3 months ended 30 September		9 months ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Timing and recognition				
At a point in time	25,841	20,790	54,661	58,411
Over time	3,579	10,638	12,879	27,512
	29,420	31,428	67,540	85,923

22. Earnings/Loss per share

For the purpose of calculating basic earnings/loss per share:-

- (i) The amount used as the numerator is the net profit after tax attributable to ordinary shareholders of RM6.995 million for the current quarter and loss after tax of RM2.031 million for the 9 months ended 30 September 2020.
- (ii) The weighted average number of ordinary shares used as the denominator is approximately 145.086 million ordinary shares.

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23. Loss for the period

	3 months ended 30 September		9 months ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loss for the period is arrived at after charging/ (crediting):				
Depreciation	1,153	1,310	3,910	4,007
Trade receivables:				
- Impairment loss	(277)	(213)	(53)	155
(Reversal)/Inventory written down	(4,465)	(255)	(4,842)	(205)
Property, plant and equipment written off	4	9	173	40
Loss/(gain) on disposal of property, plant and equipment	--	--	222	(36)
Foreign exchange loss/(gain)	313	176	44	(133)
Interest expense	6	--	18	--
Interest income	(161)	(136)	(288)	(234)
Dividend income	(133)	(131)	(507)	(538)