



YEE LEE CORPORATION BHD.

(Company No. 13585-A)

**QUARTERLY REPORT ON CONSOLIDATION RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2019
(THE FIGURES HAVE NOT BEEN AUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	INDIVIDUAL QUARTER		Changes (%)	CUMULATIVE		Changes (%)
	Quarter ended	Quarter ended		Period ended	Period ended	
	31/3/2019 RM'000	31/3/2018 RM'000		31/3/2019 RM'000	31/3/2018 RM'000	
Revenue	268,307	276,759	-3.1%	268,307	276,759	-3.1%
Other income	1,930	1,532	26.0%	1,930	1,532	26.0%
Operating expenses	(262,665)	(266,924)	-1.6%	(262,665)	(266,924)	-1.6%
Finance costs	(1,602)	(1,681)	-4.7%	(1,602)	(1,681)	-4.7%
Share of profits of an associated company	2,315	1,912	21.1%	2,315	1,912	21.1%
Share of loss of joint venture	(52)	(10)	420.0%	(52)	(10)	420.0%
Profit before tax	8,233	11,588	-29.0%	8,233	11,588	-29.0%
Tax expense	(1,897)	(2,910)	-34.8%	(1,897)	(2,910)	-34.8%
Profit for the period	6,336	8,678	-27.0%	6,336	8,678	-27.0%
Profit attributable to: Owners of the Company	6,336	8,678	-27.0%	6,336	8,678	-27.0%
Earnings per share:						
(a) Basic (sen)	3.31	4.53	-26.9%	3.31	4.53	-26.9%
(b) Fully diluted (sen)	3.31	4.53	-26.9%	3.31	4.53	-26.9%

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)



YEE LEE CORPORATION BHD.

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	INDIVIDUAL QUARTER		Changes (%)	CUMULATIVE		Changes (%)
	Quarter ended	Quarter ended		Period ended	Period ended	
	31/3/2019 RM'000	31/3/2018 RM'000		31/3/2019 RM'000	31/3/2018 RM'000	
Profit for the period	6,336	8,678	-27.0%	6,336	8,678	-27.0%
Other comprehensive (loss)/income:						
Exchange differences on translating foreign entity	(497)	(1,791)	-72.3%	(497)	(1,791)	-72.3%
Fair value loss on investments in equity instruments designated as at fair value through other comprehensive income	-	(1)	100.0%	-	(1)	100.0%
Share of other comprehensive (loss)/income of an associated company	(10)	5	-300.0%	(10)	5	-300.0%
Total other comprehensive loss for the period	(507)	(1,787)	-71.6%	(507)	(1,787)	-71.6%
Total comprehensive income attributable to owners of the Company	5,829	6,891	-15.4%	5,829	6,891	-15.4%

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)



YEE LEE CORPORATION BHD.
(Company No. 13585-A)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	As at 31/03/19 RM'000	As at 31/12/18 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	456,774	455,819
Right-of-use assets	2,146	-
Investment properties	8,076	8,076
Investment in an associated company	132,454	130,166
Investment in a joint venture	486	538
Other investments	33	33
Goodwill on consolidation	1,612	1,612
	601,581	596,244
Current assets		
Other investments	11,699	13,550
Biological assets	236	245
Inventories	107,312	104,129
Trade and other receivables	187,268	188,184
Current tax assets	6,298	5,995
Other assets	5,758	5,416
Deposits, cash and bank balances	61,666	63,879
	380,237	381,398
TOTAL ASSETS	981,818	977,642
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	108,400	108,400
Investment revaluation reserve	(4)	(4)
Translation reserve	(31)	466
Capital reserve	13,280	13,290
Retained earnings	515,103	508,767
TOTAL EQUITY	636,748	630,919
Non-current liabilities		
Borrowings	20,340	19,993
Lease liabilities	305	-
Deferred tax liabilities	41,175	41,092
	61,820	61,085
Current liabilities		
Trade and other payables	120,384	129,234
Borrowings	137,831	129,797
Lease liabilities	1,841	-
Current tax liabilities	172	721
Other liabilities	23,022	25,886
	283,250	285,638
TOTAL LIABILITIES	345,070	346,723
TOTAL EQUITY AND LIABILITIES	981,818	977,642
Net assets per share (RM)	3.3232	3.2928

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Non-distributable				Distributable	Total RM'000	
	Share Capital RM'000	Property Revaluation Reserve RM'000	Investment Revaluation Reserve RM'000	Translation Reserve RM'000	Capital Reserve RM'000		Retained Earnings RM'000
Balance at 1 January 2019	108,400	-	(4)	466	13,290	508,767	630,919
Total comprehensive (loss)/income for the period	-	-	-	(497)	(10)	6,336	5,829
Balance at 31 March 2019	108,400	-	(4)	(31)	13,280	515,103	636,748
Balance at 1 January 2018	108,400	187,859	(1)	531	13,274	299,045	609,108
As previously stated	-	(187,859)	-	-	-	181,064	(6,795)
Effect of adoption of MFRS framework	108,400	-	(1)	531	13,274	480,109	602,313
Restated balance	-	-	(1)	(1,791)	5	8,678	6,891
Total comprehensive (loss)/income for the period	108,400	-	(2)	(1,260)	13,279	488,787	609,204
Balance at 31 March 2018							

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	PERIOD ENDED 31/03/19 RM'000	PERIOD ENDED 31/03/18 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	8,233	11,588
Adjustments for:		
Non-cash and non-operating items	3,975	3,935
Operating profit before working capital changes	12,208	15,523
Movements in working capital		
(Increase)/Decrease in current assets	(4,022)	10,939
Decrease in current liabilities	(11,683)	(5,118)
Cash (used in)/generated from operations	(3,497)	21,344
Tax paid	(3,074)	(3,389)
Tax refunded	403	-
Net cash (used in)/from operating activities	(6,168)	17,955
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Interest received	240	190
Rental from investment properties received	71	61
Dividend income from other investments	3	-
Proceeds from disposal of property, plant and equipment	35	13
Redemption of other investments	2,000	-
Purchase of additional shares in an associated company	-	(611)
Placement of other investments	-	(2,000)
Purchase of property, plant and equipment	(3,972)	(3,586)
Net cash used in investing activities	(1,623)	(5,933)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from/(Repayment of) borrowings	319	(3,535)
Repayment of lease liabilities	(490)	-
Finance cost paid	(1,520)	(1,681)
Net cash used in financing activities	(1,691)	(5,216)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(9,482)	6,806
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	61,322	53,356
Effect of exchange rate changes on the balance of cash held in foreign currencies	98	163
CASH AND CASH EQUIVALENTS AT END OF PERIOD	51,938	60,325
Cash and cash equivalents comprise the following:		
Deposits	31,558	18,851
Cash and bank balances	30,108	45,158
Bank overdrafts	(9,728)	(3,674)
	51,938	60,335
Less: Fixed deposits pledged to a bank	-	(10)
	51,938	60,325

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)



PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

This interim financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standard (MFRS) 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the audited financial statements of the Group for the financial year ended 31 December 2018, except for the adoption of the following new MFRS, amendments and annual improvements to MFRSs and IC Interpretation for annual financial periods beginning on or after 1 January 2019.

Amendments to MFRS 9:	Prepayment Features with Negative Compensation
MFRS 16:	Leases
Amendments to MFRS 119:	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128:	Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	
IC Interpretation 23:	Uncertainty over Income Tax Treatments

The adoption of the above MFRSs does not have significant financial impact to the Group except for MFRS 16 Leases as disclosed below:

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 Property, Plant and Equipment whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019, comparative are not restated. The Group recognised ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

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In accordance with the transition requirements, comparative figures are not restated. The effect of the adoption of MFRS 16 is as follows:

Condensed Consolidated Statement of Financial Position

	As at 31 December 2018 RM'000	Effect of adoption of MFRS 16 RM'000	As at 1 January 2019 RM'000
<u>Non-current assets</u>			
Right-of-use assets	-	2,553	2,553
<u>Non-current liabilities</u>			
Lease liabilities	-	2,553	2,553

3. AUDIT QUALIFICATION

The preceding year's annual audited financial statements of the Group were not subject to any qualification.

4. SEASONAL OR CYCLICAL FACTORS

Apart from the traditional variations in the level of business activities, the operations of the Group were not materially affected by any seasonal nor cyclical factors.

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial period to date.

6. MATERIAL CHANGES IN ESTIMATES

There were no changes in the estimates that have had any material effect on the current financial period to date.

7. DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial period to date.

8. DIVIDEND PAID

No dividend was paid during the current quarter.



10. MATERIAL SUBSEQUENT EVENT

On 26 April 2019, the Company announced that a notice of unconditional voluntary take-over offer ("the Offer") was received from Yee Lee Organization Bhd, Dato' Lim A Heng @ Lim Kok Cheong, Datin Chua Shok Tim @ Chua Siok Hoon, Lim Ee Young and Langit Makmur Sdn Bhd ("Joint Offerors") in respect of the Joint Offerors' intention to undertake the Offer to acquire all the remaining ordinary shares in the Company ("Offer Shares") not already held by the Joint Offerors for a cash consideration of RM2.33 per offer share.

On 17 May 2019, the Offer Documents were circulated to the shareholders by the Joint Offerors and the closing date is on 7 June 2019.

On 27 May 2019, the Company's Independent Adviser, Affin Hwang Investment Bank Berhad ("Affin Hwang"), had circulated the Independent Advice Circular to the Holders of the Offer Shares ("the Holders"). Affin Hwang was of the view that the Offer price was unfair but reasonable, and accordingly recommended the Holders to accept the Offer.

Other than the abovementioned, there were no other material events subsequent to the end of the financial period ended 31 March 2019 up to the date of issuance of this report which have not been reflected in the financial statements for the said period.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no other changes in the composition of the Group during the current financial period to date.

12. CONTINGENT ASSETS AND LIABILITIES

The Company has provided corporate guarantees amounting to RM9.70 million to suppliers of its joint venture company, YLTC Sdn Bhd for their supply of goods.

Other than the above, there were no other contingent assets and liabilities as at 28 May 2019.

13. CAPITAL COMMITMENTS

Capital commitments not provided for in the financial statements as at 31 March 2019 are as follows:

	RM'000
Property, plant and equipment: Approved and contracted for	<u>9,461</u>



**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

14. REVIEW OF PERFORMANCE

Current quarter vs. preceding year corresponding quarter

The Group registered a lower revenue of RM268.31 million in this quarter as compared to RM276.76 million in the preceding year corresponding quarter. Correspondingly, the Group's profit before tax dropped by 29.0% to RM8.23 million from RM11.59 million a year ago. All the divisions' performance was lower than the preceding year corresponding quarter. However, our associated company, Spritzer Bhd ("SB") performed better in this quarter, contributed a profit of RM2.32 million as compared to RM1.91 million a year ago.

Manufacturing division

The manufacturing division's revenue dropped by 15.3% from RM65.68 million a year ago to RM55.60 million. The lower revenue in this quarter was mainly due to drop in sales of aerosol cans and palm kernel. The selling price of palm based products was also lower arising from substantial drop in crude palm oil ("CPO") price. Our aerosol can business was facing profit margin compression as their competitors aggressively compete in selling price to gain market share despite increase in the price of their main raw material, tinplate. As a result, the division's profit before tax dropped by 8.9% from RM5.07 million a year ago to RM4.62 million. Our palm oil mill managed to achieve higher profit in this quarter after turning around in the second half of last year through better oil extraction rate ("OER").

Trading division

The trading division managed to achieve marginal sales growth of 0.6% on the back of tough economic conditions. The sales growth was mainly contributed from higher sales of beverages especially the bottled water benefited from the current scorching hot weather, Kizz, Sunplus, Red Chef products and two newly secured distributorships for herbal soups, spices and peppers offsetting the drop in sales of cooking oils. Higher advertisement and promotion was incurred in this quarter for marketing campaign and brand building to boost sales and to sustain for long term growth. As a result, the trading division's profit before tax dropped to RM1.69 million from RM4.88 million a year ago.

Plantation division

The plantation division incurred a higher loss before tax of RM0.97 million in this quarter as compared to RM0.66 million a year ago as both the tea and oil palm plantations have not turnaround in this quarter. The current sales volume of tea is still insufficient to cover its plantation cost. Despite higher production of fresh fruit bunches ("FFB") in this quarter, the oil palm plantation still incurred losses as the selling price of FFB was lower as a result of weak CPO price. The newly developed oil palm plantation in Ranau, Sabah has started their first harvest in stages but the yield for these young palm trees is expected to be very low to cover its plantation's costs.

15. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER

The Group's profit before tax dropped by 36.1% from RM12.87 million in the preceding quarter to RM8.23 million this quarter mainly due to substantial drop in sales of Campbells' products, energy drinks and aerosol cans coupled with profit margin compression faced by the aerosol cans business as a result of intense price competition among its competitors on the back of increase in its raw material costs. The Group had recognised the increase in fair value of investment properties and reversal of impairment in property, plant and equipment amounted to RM0.67 million and RM0.61 million respectively in the preceding quarter.

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16. CURRENT YEAR PROSPECTS

The domestic consumer sentiments index fell further below the optimism level in the first quarter of 2019. The rising trade tensions between the United States and China could derail the global economy recovery and depress growth in near terms. As such, the Board expects the economic conditions to remain challenging with cautious consumers' spending behaviour. Our trading division will continue to launch more variety of products, marketing programmes and campaigns to drive sales growth.

The strategy adopted by our palm oil mill to further tighten the quality of FFB supplies and revise the FFB pricing to commensurate with our OER achieved in the expense of quantity of FFB supplies has proven successful as the mill continued to contribute to the Group's profitability. Continuous efforts have been taken to source for more reliable FFB supplies to optimise the mill's production in order to further enhance its profitability. The price of tinplate has been on the uptrend since the last quarter of 2018. Although facing with fierce price competition, our aerosol can business will progressively increase its selling price to recover the full cost increase of its raw materials while improving on its operation efficiency in order to remain competitive and to recover its profit margin.

More planted area are due for the first round of harvesting in the newly developed oil palm plantation in Ranau, Sabah. Although the yield for these young palm trees is expected to be low, at least this estate is starting to generate cash flow to cover its costs. Our newly developed ego-tourism resort will also be commencing business operation in the second half of 2019.

17. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Quarter ended	
	31/03/19	31/03/18
	RM'000	RM'000
Interest income	(240)	(190)
Interest expense	1,500	1,529
Depreciation and amortisation	4,384	3,895
Provision for and write off of receivables	174	191
Provision for and write off of inventories	423	367
Loss on disposal of property, plant and equipment	40	7
Property, plant and equipment written off	70	4
Changes in fair value of biological assets	9	26
(Gain)/Loss on foreign exchange	(175)	249
(Gain)/Loss on derivatives	-	-
Exceptional items	-	-

18. VARIANCE BETWEEN FORECAST AND ACTUAL PROFIT

No profit forecast or guarantee was issued by the Group.

19. TAX EXPENSE

	Current Quarter	Current Year To-Date
	RM'000	RM'000
Current tax expense	(1,814)	(1,814)
Deferred tax	(83)	(83)
	<u>(1,897)</u>	<u>(1,897)</u>

The effective tax rate for the current quarter is lower than the statutory income tax rate mainly due to lower statutory tax rate in a foreign subsidiary company.

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20. STATUS OF CORPORATE PROPOSALS

There were no outstanding corporate proposals as at 28 May 2019.

21. STATUS OF UTILISATION OF PROCEEDS RAISED FROM ANY CORPORATE PROPOSAL

Not applicable.

22. GROUP BORROWINGS

The Group borrowings (denominated in local currency) as at 31 March 2019 are as follows:

	Non-current RM'000	Current RM'000	Total RM'000
<u>Unsecured</u>			
Term loans	18,507	2,046	20,553
Revolving credits	-	17,500	17,500
Bankers' acceptances	-	107,382	107,382
Bank overdrafts	-	9,728	9,728
<u>Secured</u>			
Hire-purchase payables	1,833	1,175	3,008
	<u>20,340</u>	<u>137,831</u>	<u>158,171</u>

23. MATERIAL LITIGATION

There were no material litigation involving the Group as at 28 May 2019.

24. PROPOSED DIVIDEND

No interim dividend has been declared for the current financial period under review.

25. EARNINGS PER SHARE (EPS)

The basic and diluted earnings per share are calculated as follows:

	Current Quarter	Current Year To-Date
<u>Basic/Fully Diluted EPS</u>		
Profit attributable to owners of the Company (RM'000)	<u>6,336</u>	<u>6,336</u>
<u>Number of shares ('000)</u>		
Number of ordinary shares in issue	<u>191,604</u>	<u>191,604</u>
Basic/Fully Diluted EPS (sen)	<u>3.31</u>	<u>3.31</u>

26. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 May 2019.