



YEE LEE CORPORATION BHD.

(Company No. 13585-A)

**QUARTERLY REPORT ON CONSOLIDATION RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

(THE FIGURES HAVE NOT BEEN AUDITED)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	INDIVIDUAL QUARTER		Changes (%)	CUMULATIVE		Changes (%)
	Quarter ended	Quarter ended		Period ended	Period ended	
	30/9/2019 RM'000	30/9/2018 RM'000		30/9/2019 RM'000	30/9/2018 RM'000	
Revenue	280,003	293,952	-4.7%	833,915	838,960	-0.6%
Other income	1,784	1,953	-8.7%	5,599	5,217	7.3%
Operating expenses	(276,098)	(283,009)	-2.4%	(820,480)	(809,867)	1.3%
Finance costs	(1,547)	(1,690)	-8.5%	(4,981)	(4,992)	-0.2%
Share of profits of an associated company	2,704	2,180	24.0%	7,345	6,021	22.0%
Share of loss of joint venture	(61)	(18)	238.9%	(186)	(43)	332.6%
Profit before tax	6,785	13,368	-49.2%	21,212	35,296	-39.9%
Tax expense	(1,373)	(2,868)	-52.1%	(4,701)	(8,063)	-41.7%
Profit for the period	5,412	10,500	-48.5%	16,511	27,233	-39.4%
Profit attributable to: Owners of the Company	5,412	10,500	-48.5%	16,511	27,233	-39.4%
Earnings per share:						
(a) Basic (sen)	2.82	5.48	-48.5%	8.62	14.21	-39.3%
(b) Fully diluted (sen)	2.82	5.48	-48.5%	8.62	14.21	-39.3%

(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.

(Company No. 13585-A)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	INDIVIDUAL QUARTER		Changes (%)	CUMULATIVE		Changes (%)
	Quarter ended	Quarter ended		Period ended	Period ended	
	30/9/2019 RM'000	30/9/2018 RM'000		30/9/2019 RM'000	30/9/2018 RM'000	
Profit for the period	5,412	10,500	-48.5%	16,511	27,233	-39.4%
Other comprehensive (loss)/income:						
Exchange differences on translating foreign entity	541	312	73.4%	418	(239)	274.9%
Fair value loss on investments in equity instruments designated as at fair value through other comprehensive income	(8)	-	100.0%	(9)	(4)	125.0%
Share of other comprehensive income of an associated company	18	7	157.1%	5	16	-68.8%
Total other comprehensive income/(loss) for the period	551	319	72.7%	414	(227)	282.4%
Total comprehensive income attributable to owners of the Company	5,963	10,819	-44.9%	16,925	27,006	-37.3%

(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 30 SEPTEMBER 2019**

	As at 30/09/19 RM'000	As at 31/12/18 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	460,186	455,819
Right-of-use assets	1,643	-
Investment properties	8,076	8,076
Investment in an associated company	135,350	130,166
Investment in a joint venture	352	538
Other investments	24	33
Goodwill on consolidation	1,612	1,612
	607,243	596,244
Current assets		
Other investments	21,957	13,550
Biological assets	249	245
Inventories	116,243	104,129
Trade and other receivables	180,935	188,184
Current tax assets	8,262	5,995
Other assets	8,181	5,416
Deposits, cash and bank balances	57,846	63,879
	393,673	381,398
TOTAL ASSETS	1,000,916	977,642
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	108,400	108,400
Investment revaluation reserve	(13)	(4)
Translation reserve	884	466
Capital reserve	13,295	13,290
Retained earnings	517,614	508,767
TOTAL EQUITY	640,180	630,919
Non-current liabilities		
Borrowings	22,871	19,993
Lease liabilities	634	-
Deferred tax liabilities	41,367	41,092
	64,872	61,085
Current liabilities		
Trade and other payables	123,594	129,234
Borrowings	138,297	129,797
Lease liabilities	999	-
Current tax liabilities	141	721
Other liabilities	32,833	25,886
	295,864	285,638
TOTAL LIABILITIES	360,736	346,723
TOTAL EQUITY AND LIABILITIES	1,000,916	977,642
Net assets per share (RM)	3.3412	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)



YEE LEE CORPORATION BHD.

(Company No. 13585-A)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	-	-	(9)	418	5	16,511	16,925
Dividend	-	-	-	-	-	(7,664)	(7,664)
Balance at 30 September 2019	108,400	-	(13)	884	13,295	517,614	640,180

Balance at 1 January 2018

As previously stated

Effect of adoption of MFRS framework

Restated balance

Total comprehensive (loss)/income for the period

Dividend

Balance at 30 September 2018

108,400	187,859	(1)	531	13,274	299,045	609,108
-	(187,859)	-	-	-	180,873	(6,986)
108,400	-	(1)	531	13,274	479,918	602,122
-	-	(4)	(239)	16	27,233	27,006
-	-	-	-	-	(8,622)	(8,622)
108,400	-	(5)	292	13,290	498,529	620,506

(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)



YEE LEE CORPORATION BHD.

(Company No. 13585-A)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

	PERIOD ENDED 30/9/2019 RM'000	PERIOD ENDED 30/9/2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	21,212	35,296
Adjustments for:		
Non-cash and non-operating items	12,137	11,759
Operating profit before working capital changes	33,349	47,055
Movements in working capital		
(Increase)/Decrease in current assets	(9,882)	6,369
Increase/(Decrease) in current liabilities	1,280	(10,101)
Cash generated from operations	24,747	43,323
Tax paid	(8,492)	(9,613)
Tax refunded	1,221	-
Net cash from operating activities	17,476	33,710
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Dividend received from an associated company	2,188	3,335
Interest received	747	578
Rental from investment properties received	212	162
Dividend income from other investments	3	1
Proceeds from disposal of property, plant and equipment	95	114
Redemption of other investments	2,000	-
Withdrawal of fixed deposits	-	10
Purchase of additional shares in an associated company	-	(7,462)
Placement of other investments	(10,000)	(2,000)
Purchase of property, plant and equipment	(14,485)	(14,629)
Net cash used in investing activities	(19,240)	(19,891)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from borrowings	3,273	9,334
Dividend paid	(7,664)	(8,622)
Repayment of lease liabilities	(1,438)	-
Finance cost paid	(4,896)	(4,992)
Net cash used in financing activities	(10,725)	(4,280)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(12,489)	9,539
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	(67)	54
CASH AND CASH EQUIVALENTS AT END OF PERIOD	48,766	62,949
Cash and cash equivalents comprise the following:		
Deposits	12,274	24,665
Cash and bank balances	45,572	39,754
Bank overdrafts	(9,080)	(1,470)
	48,766	62,949

(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 ("Bursa Securities") 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.

MFRS 16:	Leases
Amendments to MFRS 9:	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119:	Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128:	Investments in Associates and Joint Ventures: 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.



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. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2018 was unmodified.

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

The first and final dividend of 4.0 sen per share under the single tier system for the financial year ended 31 December 2018 amounted to RM7,664,172 has been paid on 17 July 2019.



10. MATERIAL SUBSEQUENT EVENT

There were no material events subsequent to the end of the financial period ended 30 September 2019 up to the date of issuance of this report which have not been reflected in the financial statements for the said period.

11. SIGNIFICANT 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 first 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.

On 3 June 2019, the Joint Offerors extended the closing date of the Offer from 7 June 2019 to 21 June 2019.

On 13 June 2019, the Company announced that the Joint Offerors have collectively hold 79.33% of the total issued shares of the Company. As a result, the Company's public shareholding spread fell below 25% of its total listed shares and is deemed not in compliance with the public shareholding spread requirement under Paragraph 8.02(1) of the Listing Requirements which stipulates that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders ("Public Spread Requirements").

Under Section 4 of the Offer Documents dated 17 May 2019, the Joint Offerors have stated that they do not intend to maintain the listing status of the Company and may procure the Company to take the requisite steps to withdraw its listing status from the Official List of Bursa Securities in accordance with Paragraph 16 of the Listing Requirements.

On 18 June 2019, the Joint Offerors informed that the closing date of the Offer for acceptance of the Offer has been extended to 3 July 2019 ("Final Closing Date").

On 3 July 2019, the Joint Offerors informed that the Offer has closed at 5.00 p.m. on 3 July 2019.

On 11 July 2019, Bursa Securities had vide its letter dated 10 July 2019, granted the Company an extension of time of 6 months until 4 January 2020, to comply with the Public Spread Requirements.

Other than the abovementioned, there were no other events subsequent to the end of the financial period ended 30 September 2019 up to the date of issuance of this report which have not been reflected in the financial statements for the said period.

12. 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.

13. CONTINGENT ASSETS AND LIABILITIES

The Company has provided corporate guarantees amounting to RM17.50 million to suppliers and banking facilities 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 25 November 2019.



14. CAPITAL COMMITMENTS

Capital commitments not provided for in the financial statements as at 30 September 2019 are as follows:

	RM'000
Property, plant and equipment: Approved and contracted for	<u>36,680</u>

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

15. REVIEW OF PERFORMANCE

Current quarter vs. preceding year corresponding quarter

The Group recorded a lower revenue of RM280.00 million in this quarter as compared to RM293.95 million a year ago. Correspondingly, the Group's profit before tax dropped by 49.2% to RM6.79 million. All the divisions' performance was lower than the preceding year corresponding quarter except our associated company, Spritzer Bhd ("Spritzer") registered a 24.0% increase in profit contribution to the Group, from RM2.18 million a year ago to RM2.70 million.

Manufacturing division

The manufacturing division's revenue dropped by 4.4% in this quarter, mainly attributed to lower selling price of palm kernel and sales of corrugated carton boxes. Despite the sales of corrugated carton boxes dropped by 19.7%, this business managed to turnaround in this quarter with improvement in its profit margin arising from tighter control over its raw materials and overhead costs. Our palm oil mill continued to perform better with higher fresh fruit bunches ("FFB") processed coupled with increase in its oil extraction rate ("OER") and palm kernel recovery rate ("KER"). However, the manufacturing division registered a drop in profit before tax from RM4.77 million a year ago to RM0.97 million. The division's bottom line was affected by aerosol can business and palm oil refinery as both continued to face profit margin compression as a result of intense price competition to gain market share.

Trading division

The trading division recorded a lower revenue of RM222.09 million in this current quarter as compared to RM233.74 million a year ago. The decrease in revenue was mainly attributed to drop in sales of energy drinks, Ribena and cooking oils. Correspondingly, the division's profit before tax dropped from RM6.43 million to RM3.53 million.

Plantation division

The plantation division incurred a higher loss before tax of RM1.19 million in this quarter as compared to RM0.75 million a year ago as both the tea and oil palm plantation still have not turnaround. Our tea plantation managed to narrow down its losses in this quarter through higher sales while the oil palm plantation incurred higher losses as a result of depressed FFB prices coupled with low FFB yield for its young palm trees in Ranau, Sabah.

Current year to-date vs. preceding year to-date

The Group registered a lower revenue of RM833.92 million for the period ended 30 September 2019 as compared to RM838.96 million a year ago. Correspondingly, the Group's profit before tax dropped by 39.9% to RM21.21 million. All the divisions' performance was lower than the preceding year except for Spritzer where its profit contribution to the Group increased by 22.0% from RM6.02 million to RM7.35 million.



Manufacturing division

The manufacturing division recorded a lower revenue of RM163.23 million as compared to RM184.92 million a year ago. The decrease in revenue was mainly attributed to lower sales of aerosol cans and palm kernel coupled with lower selling price of palm based products as a result of substantial drop in crude palm oil price. Correspondingly, the division's profit before tax dropped by 40.4% to RM7.93 million. Both the aerosol can business and palm oil refinery's profit margin was affected by intense price competition among its competitors to gain market share. On the other hand, our palm oil mill continued to contribute positively to the Group after turning around last year with much better OER and KER.

Trading division

The trading division managed to achieve a 2.4% sales growth in the current period through higher sales of beverages, Campbells', Kizz, Sunplus and MorningKiss products offsetting the drop in sales of cooking oils. The division had continued to invest in brand building and awareness campaign to strengthen its product portfolio for long term sustainable growth which resulted in higher advertisement and promotion expenses in this current period. More marketing campaigns were also been carried out to drive growth. As a result, the division's profit before tax dropped from RM16.67 million to RM7.94 million.

Plantation division

The plantation division recorded a higher loss before tax of RM3.31 million in the current period as compared to RM2.19 million a year ago. The oil palm plantation suffered higher losses in the current period as the yield for their young palm trees at the new Ranau estate was low coupled with weak FFB prices. The tea plantation managed to increase its sales but the sales volume is still insufficient to support its plantation costs in order for the plantation to turnaround.

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

Despite revenue decreased by 2.0%, the Group recorded a higher profit before tax of RM6.79 million in this quarter as compared to RM6.19 million in the preceding quarter. The better performance was contributed by our palm oil mill achieving better OER and KER on the back of increase in FFB supplies. The profit contribution from Spritzer was also higher in the current quarter.

17. CURRENT YEAR PROSPECTS

The Board foresees that the global economic conditions will remain challenging with the prolonged unresolved trade disputes between China and United States. Our domestic consumer sentiments have also weakened in the current quarter as the consumers were cautious on their spending. This has resulted in our domestic market conditions became more competitive and challenging. Our Group will continue to leverage on its wide range of branded consumer products, distribution strength and innovative marketing campaigns to drive growth. Various measures have also been implemented to further improve on its operational efficiencies, products quality and cost control in order to remain competitive.

Our palm oil mill managed to further improve on its profitability with its well executed strategies. Judging by its performance, the Board expects the palm oil mill will continue to contribute positively to the Group's profitability.

**YEE LEE CORPORATION BHD.**

(Company No. 13585-A)

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

	Quarter ended		Period ended	
	30/9/2019 RM'000	30/9/2018 RM'000	30/9/2019 RM'000	30/9/2018 RM'000
Interest income	(250)	(190)	(747)	(578)
Interest expense	1,425	1,566	4,652	4,594
Depreciation and amortisation	4,564	4,221	13,455	12,000
Provision for and write off of receivables	198	59	695	439
Provision for and write off of inventories	440	450	1,263	1,165
(Gain)/Loss on disposal of property, plant and equipment	(22)	7	19	15
Property, plant and equipment written off	34	24	257	103
Changes in fair value of biological assets	(9)	7	(4)	54
(Gain)/Loss on foreign exchange	64	(32)	(110)	445
(Gain)/Loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-

19. VARIANCE BETWEEN FORECAST AND ACTUAL PROFIT

No profit forecast or guarantee was issued by the Group.

20. TAX EXPENSE

	Current Quarter RM'000	Current Year To-Date RM'000
Current tax expense	(1,253)	(4,541)
Overprovision in previous year	116	116
Deferred tax	(236)	(276)
	<u>(1,373)</u>	<u>(4,701)</u>

The effective tax rate for the current quarter and financial period to date is lower than the statutory income tax rate mainly due to overprovision of taxation in previous year coupled with lower statutory tax rate in a foreign subsidiary company.

21. STATUS OF CORPORATE PROPOSALS

There were no outstanding corporate proposals as at 25 November 2019.

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

Not applicable.

23. GROUP BORROWINGS

The Group borrowings (denominated in local currency) as at 30 September 2019 are as follows:

	Non-current RM'000	Current RM'000	Total RM'000
<u>Unsecured</u>			
Term loans	20,642	527	21,169
Revolving credits	-	19,500	19,500
Bankers' acceptances	-	108,678	108,678
Bank overdrafts	-	9,080	9,080
<u>Secured</u>			
Hire-purchase payables	2,229	512	2,741
	<u>22,871</u>	<u>138,297</u>	<u>161,168</u>



24. MATERIAL LITIGATION

There were no material litigation involving the Group as at 25 November 2019.

25. PROPOSED DIVIDEND

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

26. 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)	5,412	16,511
<u>Number of shares ('000)</u>		
Number of ordinary shares in issue	191,604	191,604
Basic/Fully Diluted EPS (sen)	2.82	8.62

27. 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 28 November 2019.