

YLI HOLDINGS BERHAD

Company No. 367249 A

Interim report for the six months ended 30 September 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Individual Quarter		Year To Date	
	3 months ended		6 months ended	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
	RM'000	RM'000	RM'000	RM'000
Revenue	30,371	37,276	50,780	76,903
Cost of sales	(27,405)	(33,327)	(46,598)	(69,291)
Gross profit	2,966	3,949	4,182	7,612
Other income	157	240	362	428
Selling & distribution costs	(513)	(954)	(985)	(1,471)
Administrative expenses	(1,925)	(1,903)	(3,643)	(3,527)
Operating profit/(loss)	685	1,332	(84)	3,042
Finance cost	(434)	(607)	(833)	(1,251)
Share of profit of Joint Venture (refer note 16)	108	81	167	173
Profit/(loss) before taxation	359	806	(750)	1,964
Taxation	(112)	(231)	7	(423)
Profit/(loss) for the period / year (refer note 8)	247	575	(743)	1,541
Other comprehensive income:				
Currency translation differences	247	285	54	662
Total comprehensive income/(loss) for period / year	494	860	(689)	2,203
Profit/(loss) attributable to :				
Owners of the Company	159	456	(326)	1,313
Non-controlling interest	88	119	(417)	228
	247	575	(743)	1,541
Total comprehensive income/(loss) attributable to :				
Owners of the Company	406	741	(272)	1,975
Non-controlling interest	88	119	(417)	228
	494	860	(689)	2,203
	Sen	Sen	Sen	Sen
Earnings/(loss) per share for profit/(loss) attributable to the Owners of the Company:				
- basic/diluted	0.16	0.46	(0.33)	1.33

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31st March 2014)

YLI HOLDINGS BERHAD

Company No. 367249 A

Interim report for the six months ended 30 September 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	30/09/2014 RM'000	31/03/2014 RM'000
Non-current assets		
Property, plant and equipment	88,340	90,838
Investment in Joint Venture	11,402	11,181
Receivables	137	137
Total non-current assets	<u>99,879</u>	<u>102,156</u>
Current assets		
Inventories	41,070	41,555
Trade and other receivables	43,818	39,786
Advance to Joint Venture	83	83
Tax recoverable	94	2
Deposits, bank and cash balances	22,344	21,324
Total current assets	<u>107,409</u>	<u>102,750</u>
TOTAL ASSETS	<u>207,288</u>	<u>204,906</u>
EQUITY AND LIABILITIES		
Equity attributed to equity holders of the parent		
Share capital	98,560	98,560
Share premium	7,208	7,208
Treasury shares	(108)	(108)
Exchange fluctuation reserve	690	636
Retained earnings	45,007	45,333
	<u>151,357</u>	<u>151,629</u>
Non-controlling interest	1,233	1,650
Total equity	<u>152,590</u>	<u>153,279</u>
Non-current liabilities		
Deferred tax liabilities	6,010	6,379
Lease payable	199	124
Long term borrowings	4,616	6,924
Total non-current liabilities	<u>10,825</u>	<u>13,427</u>
Current liabilities		
Trade and other payables	24,776	16,848
Bank overdraft	2,927	2,195
Lease payable	132	147
Short term borrowings	16,035	18,625
Provision for taxation	3	385
Total current liabilities	<u>43,873</u>	<u>38,200</u>
Total liabilities	<u>54,698</u>	<u>51,627</u>
TOTAL EQUITY AND LIABILITIES	<u>207,288</u>	<u>204,906</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.54	1.54

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31st March 2014)

YLI HOLDINGS BERHAD

Company No. 367249 A

Interim report for the six months ended 30 September 2014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	ISSUED AND FULLY PAID ORDINARY		NON - DISTRIBUTABLE			DISTRIBUTABLE			
	SHARE OF RM1 EACH								
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling Interest RM'000	Total Equity RM'000
06 months ended 30 September 2014									
Balance As At 1 April 2014	98,560	98,560	7,208	(108)	636	45,333	151,629	1,650	153,279
Total comprehensive income/(loss) for the financial year	0	0	0	0	54	(326)	(272)	(417)	(689)
Transactions with owners :									
Dividend for the financial year ended 31 March 2014	0	0	0	0	0	0	0	0	0
Balance As At 30 September 2014	98,560	98,560	7,208	(108)	690	45,007	151,357	1,233	152,590
06 months ended 30 September 2013									
Balance as at 1 April 2013	98,560	98,560	7,208	(108)	(132)	44,378	149,906	1,697	151,603
Total comprehensive income for the financial period	0	0	0	0	662	1,313	1,975	228	2,203
Transactions with owners :									
Dividend for the financial year ended 31 March 2013	0	0	0	0	0	0	0	0	0
Balance As At 30 September 2013	98,560	98,560	7,208	(108)	530	45,691	151,881	1,925	153,806

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st March 2014)

YLI HOLDINGS BERHAD

Company No. 367249 A

Interim report for the six months ended 30 September 2014

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

	06 months ended	
	30/09/2014	30/09/2013
	RM'000	RM'000
OPERATING ACTIVITIES		
Cash receipts from customers	46,936	64,015
Cash paid to suppliers and employees	(40,122)	(63,912)
Cash generated from operations	6,814	103
Interest received	239	229
Interest paid	(833)	(1,251)
Tax paid	(834)	(262)
Tax refund	0	27
Net cash flow generated from/(used in) operating activities	5,386	(1,154)
INVESTING ACTIVITIES		
Property, plant and equipment :		
- additions	(259)	(449)
- disposal	0	0
Net cash flow used in investing activities	(259)	(449)
FINANCING ACTIVITIES		
Net movement of bank borrowings	(4,899)	(779)
Net movement of hire purchase creditor	60	(83)
Dividends paid	0	0
Deposits charged for credit facilities	(249)	(580)
Net cash flow used in financing activities	(5,088)	(1,442)
Net change in cash and cash equivalents	39	(3,045)
Cash and cash equivalents :		
- at the beginning of the period	17,163	17,819
- at the end of the period	17,202	14,774
Cash and cash equivalents comprise :-		
Deposits with financial institutions	15,893	13,200
Bank and cash balances	6,450	6,548
Bank overdraft	(2,926)	(2,991)
Deposits charged for credit facilities	(2,215)	(1,983)
	17,202	14,774

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31st March 2014)

YLI HOLDINGS BERHAD

Company No. 367249 A

Interim report for the six months ended 30 September 2014

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. **Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting, paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 March 2014. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2014.

2. **Disclosure of audit report qualification and status of matters raised**

There was no qualification in the audit report of the preceding annual financial statements.

3. **Seasonality and cyclicity of interim operations**

The Group operations were not significantly affected by any unusual seasonality or cyclicity factors.

4. **Unusual Item**

There were no material unusual items for the current financial year to date.

5. **Changes in Estimates of Amounts**

There were no changes in the nature and estimates of amounts from those of the prior interim periods of prior financial years that have a material effect in the current interim period.

6. **Debt and Equity Securities**

There were no issuance and repayment of debt and equity securities, share buy backs, share cancellations and resale of treasury shares except previous share buy backs which are being held as treasury shares for the current financial year to date.

7. **Dividends Paid**

No dividend was paid for the current interim period.

8. **Profit/(loss) for the period / year**

	Individual Quarter		Year To Date	
	03 months ended		06 months ended	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
	RM'000	RM'000	RM'000	RM'000
Interest income	129	91	243	246
Interest expenses	(434)	(607)	(833)	(1,251)
Depreciation and amortization	(1,382)	(1,438)	(2,756)	(2,809)
Foreign exchange gain	41	89	23	195
Recovery of doubtful debts	12	0	22	0

9. **Segmental Reporting**

There is no disclosure of segmental information as the Group operates principally within one industry of manufacturing and the other activities include water treatment operation which is held as an investment in joint venture.

10. **Significant off balance sheet event**

To the date of this report, there were no significant off balance sheet events subsequent to the financial period which have not been reflected in the financial statements.

11. **Changes in the Composition of the Group**

There were no changes in the composition of the Group during the period under review.

12. **Changes in Contingent Liabilities**

Total corporate guarantees given by the Company has increased from RM53.73 million to RM54.90 million since the last balance sheet date mainly due to increased in utilisation of corporate guarantee extended to Laksana Wibawa Sdn. Bhd.

Analysed as follows:-

Subsidiary companies

Corporate guarantees of RM53.69 million were given to banks to secure bank borrowings of the subsidiary companies.

Joint venture

Corporate guarantees of USD370,000 (approximately RM1.21 million) were given to a bank to secure banking facilities.

13. Capital Commitment

The capital expenditure not provided for in the financial statement as at 30 September 2014 is as follows:-

	Group 30/09/2014 RM'000
Authorised and contracted for	3,087
Authorised and not contracted for	13,327
	<u>16,414</u>
Analysed as follows :-	
- Property, plant and equipment	<u>16,414</u>

14. Related Party Transactions

There were no related party transactions recorded during the period under review.

15. Material Events Subsequent to the End of the Interim Reporting Period

There were no material events subsequent to the current financial quarter ended 30 September 2014 up to the date of this report.

16. Share of results of joint venture

The Group has accounted for its share of results of the joint venture (37%) in the consolidated financial statements by the equity method of accounting. The Group's share of profit is as follows:-

	Individual Quarter 03 months ended		Year To Date 06 months ended	
	30/09/2014 RM'000	30/09/2013 RM'000	30/09/2014 RM'000	30/09/2013 RM'000
Profit before tax	110	82	171	176
Less : Taxation	(2)	(1)	(4)	(3)
Profit after tax	<u>108</u>	<u>81</u>	<u>167</u>	<u>173</u>

17. Review of Performance

For the quarter under review, the Group recorded lower sales revenue by approximately 18.5% compared to preceding year corresponding quarter mainly due to lower demand of waterworks pipes especially for domestic Peninsular markets compared to preceding year. As a result of lower sales recorded, the Group net profit for the current quarter is also lower by 57.0% compared to net profit for the corresponding quarter in preceding year. Lower sales recorded for the 6 months ended 30 September 2014 by almost 34.0% compared to previous year corresponding period has also contributed to net loss of RM0.743 million for current 6 months under review compared to net profit of RM1.541 million for previous year corresponding period.

18. Material Changes in Quarterly Results as Compared with the Preceding Quarter

	Current Quarter 30/09/2014 RM'000	Preceding Quarter 30/06/2014 RM'000
Revenue	30,371	20,409
Consolidated Profit/(Loss) before taxation	359	(1,109)
Consolidated Profit/(Loss) after taxation	247	(990)

The Group recorded higher profit after taxation for current quarter under review of RM0.247 million compared to preceding quarter net loss after taxation of RM0.990 million mainly due to higher sales revenue recorded as compare to preceding quarter.

19. Future Prospects

Water supply and sewerage projects continue to be in focus under the 10th Malaysia Plan with uncompleted projects under 9th Malaysia Plan is expected to be carried forward to 10th Malaysia Plan. In view of the fact that the Government and state water authorities are working towards improved water quality and efficiency of water supply in Malaysia, this would augur well for the Group's business.

Despite the above, the Board would expect the operating environment to remain extremely challenging in view of the competitive pricings offered among waterworks pipe industry players for projects available and uncertain trend in prices of raw materials such as scrap metal, hot rolled coils, nodulant coupled with upward trend in utility costs such as electricity & gas. Nevertheless, the Group is optimistic to sail through these market challenges given its solid financial position, extensive customer networking and in-depth experience in the production of waterwork pipes.

20. Profit Forecast or Profit Guarantee

Not applicable as no profit forecast was required.

21. Tax

	Individual Quarter		Year To Date	
	03 months ended		06 months ended	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
	RM'000	RM'000	RM'000	RM'000
In respect of current year :				
- income tax	213	316	362	693
- deferred tax	(101)	(86)	(369)	(271)
	<u>112</u>	<u>230</u>	<u>(7)</u>	<u>422</u>
In respect of prior years :				
- income tax	0	1	0	1
	<u>112</u>	<u>231</u>	<u>(7)</u>	<u>423</u>

21. **Tax** (continued)

Reconciliation of effective tax is as follows:-

	Individual Quarter		Year To Date	
	03 months ended		06 months ended	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) from ordinary activities before taxation	359	806	(750)	1,964
Tax calculated at the Malaysia income tax rate of 25%	89	201	(188)	491
Tax effect of Joint Venture	(27)	(20)	(42)	(43)
Tax effect of expenses not deductible for tax purpose	56	32	89	75
Tax effect of current year's tax loss not Recognized	(15)	57	271	90
Temporary differences not recognized	14	27	(127)	(41)
Tax effect of previously unabsorbed tax loss	0	(65)	0	(145)
Tax effect of income not subject to tax / exempted income	(5)	(2)	(10)	(5)
(Over)/under provision in respect of prior financial year				
- current taxation	0	1	0	1
Tax expenses/(credit)	112	231	(7)	423

22. **Status of Corporate Proposals**

The Company had on 7 August 2014, entered into two (2) conditional sale and purchase agreements (“SPAs”) in relation to the Proposed Haluan Prisma Sdn Bhd (“HPSB”) Acquisition (as defined below) and Proposed MRPI Pipes Sdn Bhd (“MPipes”) Acquisition (as defined below). Details of the Proposed Acquisitions (as defined below) are set out as follows:

(i) Proposed acquisition of 525,000 ordinary shares of RM1.00 each in HPSB, representing 70% equity interest in HPSB, for a purchase consideration of RM1,162,598 (“HPSB Purchase Consideration”) from Ahmad Hadli Bin Mohamed (“Ahmad Hadli”), Shah Razak Bin Mohamad and Marliza Binti Mohd Zamedin (“Proposed HPSB Acquisition”) to be satisfied in the following manner:

(a) Cash consideration of RM116,260, representing 10% of the HPSB Purchase Consideration; and

(b) Issuance of 1,046,338 new ordinary shares of RM1.00 each in YLI (“YLI Shares”), representing 90% of the HPSB Purchase Consideration, in favour of the HPSB Vendors at an issue price of RM1.00 per YLI Share (“HPSB Consideration Shares”); and

(ii) Proposed acquisition of 2,130,800 ordinary shares of RM1.00 each in MPipes (“MPipes Sale Shares”), representing 70% equity interest in MPipes, for a purchase consideration of RM5,393,877 (“MPipes Purchase Consideration”) from Jalur Cahaya Sdn Bhd (“Proposed MPipes Acquisition”) to be satisfied in the following manner:

(a) Cash consideration of RM539,388 (“MPipes Deposit”), representing 10% of the MPipes Purchase Consideration; and

(b) Issuance of up to 4,854,489 new YLI Shares, representing 90% of the MPipes Purchase Consideration, in favour of the MPipes Vendor at an issue price of RM1.00 per YLI Share (“MPipes Consideration Shares”).

(The Proposed HPSB Acquisition and Proposed MPipes Acquisition shall collectively be defined as the “Proposed Acquisitions”. The HPSB Consideration Shares and MPipes Consideration Shares shall be defined as the “Consideration Shares”)

In addition to the HPSB Purchase Consideration, Ahmad Hadli, who will hold the remaining 30% equity interest in HPSB after the completion of the Proposed HPSB Acquisition, shall be entitled to an earn-out incentive of up to RM3.5 million (“Earn-Out Incentive”), subject to HPSB achieving a net profit after taxation of at least 50% of RM1,075,182 and RM2,342,336 for the respective financial years during the financial years ending (“FYE”) 31 March 2015 and FYE 31 March 2016 respectively. The Earn-Out Incentive, if any, will be settled by cash or via the issuance of up to 3,500,000 new YLI Shares at the issue price of RM1.00 per YLI Share (“Earn-Out Incentive Shares”) at the option of YLI.

All approvals for the Proposed Acquisitions as follows have been obtained:

(i) Bursa Securities for the listing of and quotation for the Consideration Shares and Earn-Out Incentive Shares to be issued pursuant to the Proposed HPSB Acquisition on the Main Market of Bursa Securities which was obtained via its letter dated 25 September 2014; and

(ii) The shareholders of YLI was obtained at an extraordinary general meeting (“EGM”) convened on 14 November 2014.

For further information on the Proposed Acquisitions, please refer to the Company’s announcement dated 7 August 2014 and the circular to the shareholders of YLI dated 30 October 2014.

23. Bank borrowings

(a) <u>Short Term Borrowings</u>	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Bankers' Acceptance	4,901	0	4,901
Trust Receipt	4,898	0	4,898
Term Loan	4,236	0	4,236
Revolving Credit	2,000	0	2,000
Lease Payable	132	0	132
Total	16,167	0	16,167
(b) <u>Long Term Borrowings</u>	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Lease Payable	199	0	199
Term Loan	4,616	0	4,616
Total	4,815	0	4,815

The Group's borrowings as at the financial year to date consist of Foreign Currency Trust Receipt of USD312,143.40.

24. Material Litigation

There was no material litigation as at the date of this report.

25. Dividend Proposed

The Board of Directors does not recommend the payment of any dividends for the 6 months ended 30 September 2014 (2013: Nil).

26. Earning/(loss) per share

	Individual Quarter		Year To Date	
	03 months ended		06 months ended	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Basic earnings/(loss) per share for profit/(loss) attributable to Owners of the Company				
Net profit/(loss) for the period (RM'000)	159	456	(326)	1,313
Weighted average number of ordinary shares in issue excluding treasury shares held by the Company ('000)	98,439	98,439	98,439	98,439
Basic/diluted earnings/(loss) per share (sen)	0.16	0.46	(0.33)	1.33

27. **Disclosure of realised and unrealised profits/(losses)**

The following analysis of realised and unrealised retained profits/(losses) at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or (Losses) in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	As at 30/09/2014 RM'000	As at 31/03/2014 RM'000
Total retained profits of YLI Holdings Berhad and its subsidiaries :		
- realised profits	47,010	47,983
- unrealised losses	(4,649)	(5,130)
	<hr/> 42,361	<hr/> 42,853
Total share of retained profits from jointly controlled entity :		
- realised profits	2,647	2,410
- unrealised profits	(1)	70
	<hr/> 2,646	<hr/> 2,480
Total group retained profits as per consolidated accounts	<hr/> 45,007	<hr/> 45,333

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

By Order of the Board

MOLLY GUNN CHIT GEOK

Secretary

Kuala Lumpur, 27 November 2014