ALPHA TILES®

STYLISH LIVING

ANNUAL 2019 REPORT

YI-LAI BERHAD
誼來有限公司

Registration Number: 200001013437 (516043-K)

OUR CORE VALUES

1. Quality
2. Customer centered
3. Integrity
4. Passionate
5. Empowerment
6. Collaboration
7. Innovation

OUR VISION

To be a globally trusted brand for tile products and services, enhancing the quality of life of people who use our products.

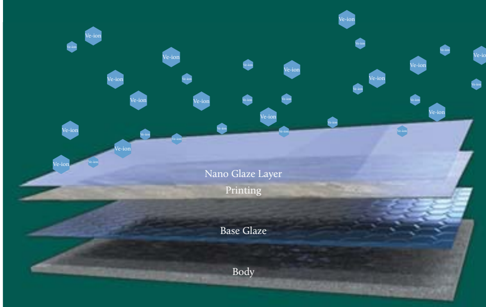
OUR MISSION

We deliver quality tiles that exceed the expectations of our customers. We operate fairly and ethically with our customers and suppliers alike, we are untiring in our pursuit of excellence, and we drive innovation through teamwork.

Why Talos Living Tiles

How we brought science and nature together

Talos Living Tiles are produced via application of Nano Glazing technology. The tiles are coated with ground-breaking Nano glazing on the surface of tile, which powers our tiles to constantly produce Negative Ions into the air through the charges of electron soft magnetic wave emitted by the Nano Capsule living in the tiles.



Wellness is the new sustainablity

The focus has shifted from, how to save energy in building, to how the building affects people's health and wellness. Human health and wellbeing are affected by building design and operations, in places where people live, work & play.

A building can be designed to promote health. The interior and fit-outs which are designed and selected for wellness will give a positive impact to the building's occupants.

Talos Living Tiles are designed for sustainability and better indoor air quality. It emits negative ions to reduce and eliminate the harmful pollutants indoors and transform your home into a natural sacntuary of wellness.

TALOS Living Tiles

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Corporate Information

BOARD OF DIRECTORS

Dato' Wong Gian Kui
Independent Non-Executive Chairman

Mr Tan Jian Hong, Aaron
Executive Director

Ms Wendy Kang Hui Lin
Non-Independent Non-Executive Director

Ms Anita Chew Cheng Im
Independent Non-Executive Director

Mr Lee Boon Siong *(Appointed w.e.f. 2/6/2020)*
Independent Non-Executive Director

AUDIT COMMITTEE

Ms Anita Chew Cheng Im *(Chairman)*
Dato' Wong Gian Kui
Ms Wendy Kang Hui Lin

NOMINATION COMMITTEE

Dato' Wong Gian Kui *(Chairman)*
Ms Anita Chew Cheng Im
Ms Wendy Kang Hui Lin

REMUNERATION COMMITTEE

Dato' Wong Gian Kui *(Chairman)*
Ms Anita Chew Cheng Im
Mr Tan Jian Hong, Aaron
Ms Wendy Kang Hui Lin

COMPANY SECRETARIES

Ms Santhi A/P Saminathan (MAICSA 7069709)
Ms Leong Siew Foong (MAICSA 7007572)

REGISTERED OFFICE

Suite 9D, Level 9, Menara Ansar
65, Jalan Trus, 80000 Johor Bahru
Johor
Tel : 607-224 1035
Fax : 607-221 0891

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 603-2783 9299
Fax : 603-2783 9222

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd
OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad
CIMB Bank Berhad

AUDITORS

KPMG PLT
Chartered Accountants
Level 3, CIMB Leadership Academy
No. 3, Jalan Medini Utara 1
Medini Iskandar
79200 Iskandar Puteri
Johor

WEBSITE ADDRESS

www.alpha-tiles.com.my

CORPORATE EMAIL

yilai@alpha-tiles.org

DATE AND PLACE OF INCORPORATION

Incorporated in Malaysia on 6 June 2000

DATE OF LISTING

3 May 2002

STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia Securities Berhad
("Bursa Securities")
Sector : Industrial Products
Stock Short Name : YILAI
Stock Code : 5048

Profile of Directors

Dato' Wong Gian Kui

Independent Non-Executive Chairman
Male, Malaysian, aged 60

Dato' Wong was appointed as the Independent Non-Executive Director on 11 August 2015 and was appointed as the Independent Non-Executive Chairman on 24 February 2016. Dato' Wong is also the Chairman of the Remuneration Committee and Nomination Committee and a member of the Audit Committee.

Dato' Wong is an accountant by profession and has been a member of the Malaysian Institute of Certified Public Accountants since 1985 and a member of the Malaysian Institute of Accountants since 1988. Dato' Wong had worked for Harun, Oh & Wong, a member of Horwath International firm of public accountants in Malaysia from 1981 to 1990 and Stoy Hayward London, Chartered Accountants from 1990 to 1991. Dato' Wong is currently an Executive Director of Insas Berhad, Inari Amertron Berhad and Ho Hup Construction Co. Bhd, and a Non-Executive Director in SYF Resources Berhad.

Dato' Wong does not have any family relationship with any Director or substantial shareholder of the Company, nor does he have any conflict of interest with the Group. Dato' Wong has not been convicted of any offences within the past five (5) years other than traffic offences, if any.

Mr Tan Jian Hong, Aaron

Executive Director (Key Senior Management)
Male, Malaysian, aged 36

Mr Tan Jian Hong, Aaron was appointed as the Executive Director on 5 June 2014. He is a member of the Remuneration Committee.

Mr Tan holds a Bachelor of Arts in Economics from Johns Hopkins University, Baltimore, Maryland, USA.

Mr Tan began his career as a Financial Advisor Associate with UBS Financial Services, Inc from 2008 to 2010. He was promoted to become a Branch Analyst, specializing in private wealth management in 2010. In 2011, he came back to Malaysia and joined Hong Leong Investment Bank as a Client Relationship Executive until 2013. In 2013, he moved on to join Wasco Energy Ltd Group, an international Oil and Gas and Industrial Services Group, as Project and Operations Senior Manager. Mr Tan joined the Company in 2014 and is presently responsible for the strategic business direction of the Group and plays an active role in the overall management. He is presently a Non-Independent Non-Executive Director of Wah Seong Corporation Berhad.

Mr Tan does not have any family relationship with any Director of the Company, nor does he have any conflict of interest with the Group. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any.

Mr Tan, by virtue of his indirect substantial shareholdings in the Company as disclosed in the Analysis of Shareholdings as at 29 May 2020, he is deemed to have interest in the ordinary shares held by the Company in its subsidiaries.



Profile of Directors
cont'd

Ms Wendy Kang Hui Lin

Non-Independent Non-Executive Director
Female, Singaporean, aged 50

Ms Wendy Kang was appointed as the Non-Independent Non-Executive Director on 5 June 2014. She is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Ms Wendy Kang holds a Bachelor of Commerce (major in Accounting) from the University of New South Wales, Sydney, Australia. She has over 26 years of working experience which include corporate finance, private banking and executive search. For the last 18 years, she has been with Gattie-Tan Soo Jin Management Consultants Pte Ltd, an international executive search consulting firm and is presently a director with the firm.

Ms Wendy Kang does not have any family relationship with any Director of the Company, nor does she have any conflict of interest with the Group. She has no directorship in other public companies and has not been convicted of any offences within the past five (5) years other than traffic offences, if any.

Ms Wendy Kang, by virtue of her indirect substantial shareholdings in the Company as disclosed in the Analysis of Shareholdings as at 29 May 2020, she is deemed to have interest in the ordinary shares held by the Company in its subsidiaries.

Ms Anita Chew Cheng Im

Independent Non-Executive Director
Female, Malaysian, aged 53

Ms Anita Chew was appointed as the Independent Non-Executive Director on 4 January 2016. She is the Chairman of the Audit Committee and also a member of the Remuneration Committee and Nomination Committee.

Ms Anita Chew graduated from Monash University, Australia with a Bachelor of Economics degree, majoring in Accounting.

Ms Anita Chew started her career at KPMG, Melbourne in 1989. In 1992, she joined the corporate finance department of Bumiputra Merchant Bankers Berhad and subsequently worked at Alliance Investment Bank Berhad and HwangDBS Investment Bank Berhad. She was involved in most related areas of corporate finance work during her 15 years tenure at the various investment banks, having advised clients on IPO, fund raising and corporate restructuring exercises. Her last position held at HwangDBS Investment Bank Berhad was Senior Vice President, Equity Capital Market.

Ms Anita Chew is presently an Independent Non-Executive Director of Notion VTec Berhad, M K Land Holdings Berhad, K-One Technology Berhad and Fortress Minerals Limited, a company listed on the Singapore Exchange's Catalist Board.

Ms Anita Chew does not have any family relationship with any Director or substantial shareholder of the Company, nor does she have any conflict of interest with the Group. She has not been convicted of any offences within the past five (5) years other than traffic offences, if any.

Profile of Directors
cont'd

Mr Lee Boon Siong

Independent Non-Executive Director
Male, Malaysian, aged 40

Mr Lee Boon Siong was appointed as the Independent Non-Executive Director on 2 June 2020.

Mr Lee holds a Bachelor's Degree in Computer Science/Informative Technology from Campbell University.

Prior to joining the Company, he was director of Zippy Bags, Inc. listed on OTC market. He has over 17 years of experience in sales and marketing, business development and IT consultant for clients from various industries including healthcare, manufacturing, retail, financial and F&B.

Mr Lee does not have any family relationship with any Director or substantial shareholder of the Company, nor does he have any conflict of interest with the Group. He has not been convicted of any offences within the past five (5) years other than traffic offences, if any.

Five-Year Financial Highlights

	2015	2016	2017#	2018	2019
OPERATING RESULTS (RM'000)					
Revenue	136,981	129,919	111,698	118,532	117,994
Net Interest income	807	769	677	633	831
Taxation	(2,867)	(1,174)	1,489	1,220	495
Depreciation	(8,356)	(6,811)	(5,921)	(5,697)	(5,682)
EBITDA *	19,899	12,158	835	689	(1,443)
(Loss)/Profit before tax	12,350	6,116	(4,409)	(4,375)	(6,294)
(Loss)/Profit after tax	9,483	4,942	(2,920)	(3,155)	(5,799)
Net (loss)/profit attributable to equity holders	9,483	4,942	(2,920)	(3,155)	(5,799)

** EBITDA- Earnings Before Interest, Taxes, Depreciation and Amortisation*

	2015	2016	2017#	2018	2019
KEY BALANCE SHEET HIGHLIGHTS (RM'000)					
Total Assets	236,440	232,739	228,361	221,971	217,215
Total Borrowings	-	-	-	-	-
Shareholders' Equity	212,777	212,554	210,159	202,071	196.211

	2015	2016	2017#	2018	2019
KEY FINANCIAL INDICATORS					
Return on Equity	4.5%	2.3%	(1.4%)	(1.6%)	(3.0%)
Return on Total Assets	4.0%	2.1%	(1.3%)	(1.4%)	(2.7%)
Gearing Ratio	-	-	-	-	-
Net Asset per Share (RM)	1.34	1.40	1.38	1.39	1.35
Earnings per Share (sen)	5.95	3.15	(1.92)	(2.14)	(3.98)
Net Dividend per Share (sen)	2.00	0.00	0.00	0.00	0.00
Net Dividend Yield	2.4%	0.0%	0.0%	0.0%	0.0%
Price Earning (PE) Ratio	14.20	25.70	(40.41)	(26.23)	(13.30)
Share Price as at the Financial Year End (RM)	0.845	0.810	0.775	0.560	0.530

 # restated for effect of MFRS 15, Revenue from Contracts with Customers

Management Discussion and Analysis

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, it is with pleasure that we share with you the review of Yi-Lai Berhad's ("Yi-Lai" and "the Group") Management Discussion and Analysis ("MD&A") for the financial year ended 31 December 2019 ("FY2019").

This MD&A provides our valued shareholders a comprehensive overview on the financial and operational performance of the Group through the eyes of management. The MD&A also includes disclosure of relevant non-financial information to complement the financial statements. The information and insights contained herein enable our shareholders to comprehend the overall performance, risks exposure and prospects of the Group going forward.

GROUP OVERVIEW

Yi-Lai is an investment holding company incorporated in Malaysia, while the subsidiaries are principally involved in the manufacture, sale, trading and distribution of tiles. Yi-Lai has been listed on the Main Market of Bursa Malaysia Securities Berhad under the Industrial Products and Services sector since May 2002. The current corporate structure of the Group is as follows:-

Corporate structure

Established in 1990, Yi-Lai Industry Berhad is a distinguished manufacturer of tiles in Kulai, Johor. The Group mainly produces tiles under its own brand, ALPHA TILES®, which is a major household name in construction as well as renovation & interior fit-out industries. In addition, we also serve as an Original Equipment Manufacturer ("OEM") producing tiles for other brands. The Group provides high quality ceramics, homogeneous and porcelain tiles that are used in residential, commercial and industrials developments. The tiles are suitable for use on the wall and floor with a wide range of sizes.

ALPHA TILES®
STYLISH LIVING

Categories of tiles produced at Yi-Lai

Management Discussion and Analysis
cont'd

GROUP OVERVIEW *cont'd*

Our manufacturing facilities, including head office and warehouses, are located in Kulai, Johor, spanning across approximately 35 acres of land in total. Our production facilities house a total of 7 production lines with the installed annual capacity of 11,000,000 square metres of tiles.

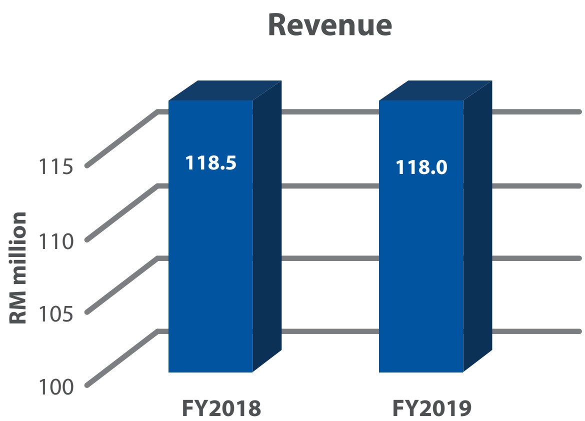
Our products are mainly marketed and distributed across Malaysia and Singapore via dealers and distributors. In order to support the dealers and distributors, the Group currently has 2 showrooms and marketing centres located in Kulai (Johor) and Petaling Jaya (Selangor), showcasing the latest product offerings from ALPHA TILES®. The sales and marketing efforts are further supported by 4 product centres in Ipoh (Perak), Melaka, Butterworth (Penang) and Singapore. In terms of staff force, there are currently a total of 682 employees in the Group.

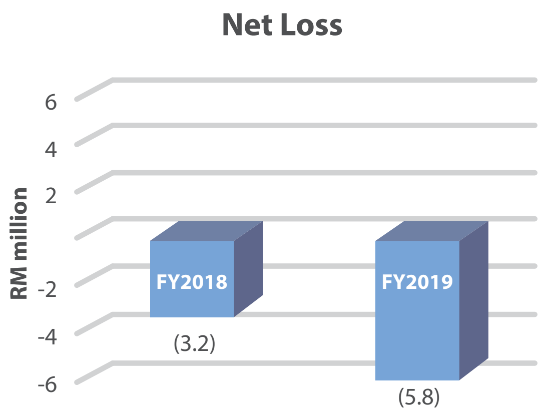
THE YEAR IN REVIEW

FY2019 has been a year of trials and tribulations. Malaysia's economy, measured by Gross Domestic product ("GDP"), expanded 4.3% in 2019, down from 4.7% in 2018. This was the slowest pace in a decade, attributable to weaker external trade performance and softer domestic demand growth.

Meanwhile, the domestic property market in 2019 remained in doldrums with issues such as, amongst others, oversupply, affordability and inability to obtain mortgage financing. According to the data from the National Property Information Centre ("NAPIC"), residential overhang continued to increase in the first half of 2019, though at a lower rate than the preceding year. There were 32,810 residential overhang units worth RM19.8 billion, an increase in volume of 1.5% over the first half of 2018. The persisting downcycle of the property industry, coupled with weak consumer sentiments, had inevitably in turn, caused cascading adverse effect on the tiles and building materials sectors.

FINANCIAL PERFORMANCE REVIEW





Against the highly challenging macroeconomic environment, Yi-Lai had managed to sustain its top-line in FY2019. At RM118.0 million, revenue for the year under review was relatively comparable to the RM118.5 million achieved in the preceding year. The flat turnover growth was largely due to the competitive landscape and the prevailing soft property market mentioned earlier, which had affected our sale of tiles.

With high raw materials cost and hike in natural gas tariff, our Cost of Sales unfortunately recorded an increase of 1.6% year-on-year ("YoY") to RM113.6 million in FY2019 despite the flat turnover. This resulted in Gross Profit ("GP") falling to RM4.4 million as compared to RM6.7 million a year ago. GP margin, as a result, fell to 3.7% in FY2019 from 5.7% in the preceding year. And akin to FY2018, the GP in FY2019 was insufficient to cover the operating cost despite the latter being successfully kept in check by management. As a result, the Group recorded an operating loss of RM7.1 million by comparison to a loss of RM5.0 million in the preceding year. After adding net finance income and a positive tax charge, net loss for the year stood at RM5.8 million against RM3.2 million the year before.

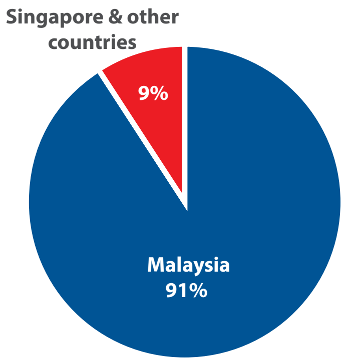
Management Discussion and Analysis
cont'd

FINANCIAL PERFORMANCE REVIEW *cont'd*

On operational efficiency, our inventory turnover days improved to 166 days in FY2019 from 171 days in FY2018, while receivables turnover days and payables turnover days stood at 90 days (FY18: 86 days) and 63 days (FY18: 56 days) respectively.

In terms of revenue breakdown by geographical markets, Malaysia remained the anchor revenue driver, accounting for 90.6% of total turnover, with the balance coming from Singapore and other countries. Overall, the revenue composition by geographical markets in FY2019 was largely similar to that of FY2018.

FY2019 Sales Breakdown by Country



Capital Structure and Resources

Under the management's prudent leadership, Yi-Lai has remained financially stable with firm fundamentals, as evident in the solid balance sheet despite the highly challenging operating environment. As at 31 December 2019, the Group's cash and cash equivalents stood at a healthy level of RM53.0 million, an increase of RM7.8 million or 17.1% over FY2018. The improvement in cash level was attributed to a combination of positive net operating cash flow ("NOCF"), coupled with minimal net cash used in investing and financing activities. In particular, we generated positive NOCF of RM8.2 million in FY2019, in contrast to an outflow of RM8.8 million in the preceding year.

RM8.2 million
NOCF in FY2019

Yi-Lai's total assets were marginally lower by 2.2% YoY at RM217.2 million in FY2019 due to, amongst others, lower inventory, tax recoverable as well as property, plant and equipment. Shareholders' equity too, was down 2.9% YoY to RM196.2 million with lower retained earnings arising from net loss incurred for the reporting period, coupled with cancellation of treasury shares.

The Group has no borrowings, relying solely on internally generated funds for operations. This also translated into high net cash per share of 36.4 sen. The net assets per share, meanwhile, stood at RM1.35 as at end-December 2019. The robust balance sheet certainly provides us strong backing to weather through the current difficult period.

RM **36.4 sen**
Net cash/share @ 31 Dec 2019

RM **RM1.35**
Net assets/share @ 31 Dec 2019

BUSINESS AND OPERATIONAL REVIEW

In line with the tough macro view, the operating environment at Yi-Lai has been equally difficult as well. In addition to slow demand associated with the sluggish property market and weak consumer sentiments, the Group also faces challenges that include highly competitive landscape especially with regards to cheaper imports from overseas, as well as escalating costs such as wages and utilities (particularly natural gas).

To this end, management has channelled much efforts into 2-prong strategies in mitigation – efficiency via lean management; and differentiation via service level and product innovation. On lean management, our focus was to optimise resources, improve efficiency, reduce cost and minimise waste. During the year under review, we worked diligently towards lowering inventory, with higher emphasis placed on just-in-time production to enhance efficiency and productivity.

At Yi-Lai, natural gas cost is one of the key expenses as we use natural gas for thermal processes that include firing kiln, powering the horizontal dryer and the spray dryer. The temperature at the firing kiln can reach up to 1,200 degrees Celsius. The average natural gas base tariff rose to RM32.74/MMBtu in 2019 from RM31.92/MMBtu in 2018. The average effective tariff stood at RM34.66/MMBtu after taking into account the gas cost pass-through surcharge.

Management Discussion and Analysis
cont'd

BUSINESS AND OPERATIONAL REVIEW *cont'd*

In this regard, we are delighted to share that in 2019, we have successfully reformulated the ingredient of the tiles to reduce firing cycle time by between 5% and 24%, depending of the size of tiles. At the same time, we also achieved reduction in firing temperature without compromising our product quality.

As for differentiation via innovation, the Group reached a major milestone in 2019 with the launch of the new premium tile brand – Talos Living Tiles ("Talos"). Launched on 7 November 2019, Talos represents a new generation of functional tiles that incorporates advanced nano glazing technology. Talos tiles generate continuous release of negative ions, cleansing the air from harmful contaminants and bringing health to human. Negative ions can help improve lung function, enhance immunity, lower blood pressure and improve sleep quality. From our testing, Talos tiles emit much higher concentration of negative ions as compared to normal tiles. The capability of Talos tiles has also been certified by the world-renowned German testing lab, TÜV SÜD (Singapore branch), as well as Gmicro Testing by GuangDong Detection Center of Microbiology, a China National Accredited Laboratory. We are now in the midst of applying for the MyHIJAU Mark or Green Label Certification from SIRIM, which will make our products more marketable. We believe the Talos product line has great potential and would work towards bringing it to fruition.

TALOS
Living Tiles

Amidst stiff competition, we strongly believe that excellent delivery of service is a key competitive edge. With this belief in mind, management had curated the Yi-Lai Business Partner Premium Scheme ("Scheme") which is aimed at driving sales for its higher-end, higher-margin products. Through this Scheme, a select group of dealers and distributors are provided with exclusively constructed signature displays to feature selected range of the premium products. First launched in January 2018, we are heartened that the Scheme has continued to produce good and encouraging results in 2019.

Beyond the Scheme, the Group's sales and marketing team along with the customer service team were kept busy during the year supporting our large database of dealers and distributors. Customer satisfaction, which usually leads to repeat orders, remained high in our priority. Feedbacks given to us by our customers were swiftly analysed and dealt with accordingly.

ANTICIPATED AND KNOWN RISKS

As a producer of tiles, Yi-Lai remains both cognisant and vigilant of the known and anticipated risks that may have material effects on our operations, financial performance and liquidity. These risks may ultimately disrupt the value creation process for our stakeholders if not managed proactively. The principal risks that the Group is exposed to are outlined below along with the mitigation measures.

KEY AREA	RISK FACTORS	MITIGATION MEASURES
Changes in regulations and policies	*Part of our workforce comprises foreign workers, while electricity and natural gas expenses form a key cost component. In addition, the Group's performance also partially correlates to the performance of the property sector.* *Any changes in regulations and policies governing these areas may impact our operations. Examples include issues pertaining to minimum wage; foreign worker levy; changes in utility tariffs and cost pass-through mechanism; as well as measures by authorities to relax or tighten guidelines pertaining to property purchase and lending, etc.*	First and foremost, we ensure our operations comply with all applicable regulations and policies. Management actively engages with authorities and relevant business associations to provide feedback and to gain understanding on any changes in regulations and policies. As for cost-related matters, the Group continuously monitor and track our costs to optimize production and improve efficiency while minimising waste.

Management Discussion and Analysis
cont'd

ANTICIPATED AND KNOWN RISKS *cont'd*

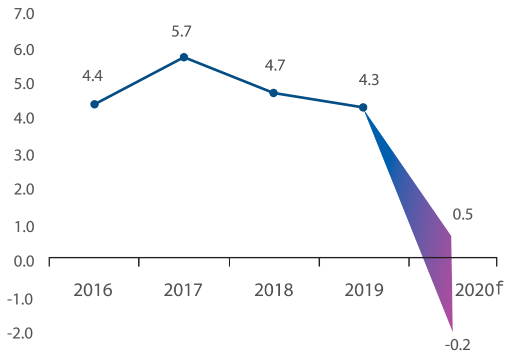
KEY AREA	RISK FACTORS	MITIGATION MEASURES
Competition risk	*The Group's business is very competitive and faces stiff competition from both local players and pressure from cheaper imports from overseas.*	To mitigate the risk, the Group cultivates close relationships with its partners and distributors to offer differentiation through excellent service levels. Product innovation is another key factor in fending off competition. Through R&D, we continue to reinvent our products by adopting the latest technological advancements and incorporating it with our proprietary formulation to create innovative products that define the latest trends.
Enterprise risk	*Enterprise risk relates to risks potentially affecting the Group's operations as well as financial and compliances matters.*	The Group monitors closely the various indicators relating to operational, financial and compliance aspects of the business. Additionally, we also have our Enterprise Risk Management Framework encapsulated in the Group's Risk Management Policy manual.

The Statement on Risk Management and Internal Control section of this Annual Report comprehensively highlights details of Yi-Lai's commitment towards a sound system of internal control and risk management.

OUTLOOK AND PROSPECTS

Moving ahead, we expect the economic and operating landscape to remain difficult. The Group faces various headwinds such as global economic uncertainties, prevailing soft property market with oversupply issues, weak consumer sentiments, rising cost environment and intense competition from both local and overseas front. The most recent Coronavirus ("Covid-19") pandemic and the resulting Movement Control Order ("MCO") added further pressure to the country's economy, rakyat and all businesses including Yi-Lai's. Consequently, Bank Negara Malaysia ("BNM") in the latest Economic Monetary Review 2019 report has also revised downward the GDP forecast from the earlier 3.7% to between a contraction of -2.0% and growth of 0.5% in 2020, against the 4.3% growth rate achieved in 2019.

Malaysia's GDP growth



f Forecast

Source: Department of Statistics, Malaysia, Bank Negara Malaysia

Over at Yi-Lai, with our operations halted during the MCO, the Group's performance was certainly affected. Great efforts are still underway to control the pandemic with the attempt to "flatten the curve". Given the fast-changing development and fluidity of the situation, it is difficult at this juncture for the Group to quantify the magnitude of impact on our operations and financial performance arising from this pandemic. We foresee a period of slow trade activities even as the situation improves in the near future as businesses and consumers would likely take a cautious approach on expansion, investment and spending. We are monitoring the development closely and are taking necessary measures and initiatives to protect the Group and our people.

Notwithstanding this, should the Covid-19 pandemic get under control soon with the strict measures put in place by the Government, 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. These developments would bode well for the Group as they lead to more interior fit-out activities with higher demand for tiles, amongst other building materials.

Management Discussion and Analysis
cont'd

OUTLOOK AND PROSPECTS *cont'd*

In other supportive developments, BNM has reduced the Overnight Policy rate by a total of 100 bps since January 2020 to provide a more accommodative monetary environment, taking cognisance of the weakening economic situation. Meanwhile, the Budget 2020 announced in October 2019 introduced several initiatives to address the property overhang issue. Among the new measures include lowering threshold for foreign property purchase and introducing Rent-To-Own Financing scheme. These initiatives should provide some reliefs to the property sector as well.

Operationally, our focus on streamlining our operations and further enhancing our lean management will remain. In addition, we will continue our efforts on process improvement initiatives to improve production efficiency and help reduce cost. Other cost control measures will also carry on to ensure our cost structure is kept in check.

On the frontline, the sales and marketing team has their hands full and plans worked out for the year. We will expand the Yi-Lai Business Partner Premium Scheme to recruit more dealers and distributors with potential, while working closely with the existing group. In the current demanding period, customer satisfaction is our priority and we continue to place great emphasis to exceed our customer expectations by going the extra mile for them.

As for our new Talos product line, the team is planning to step up marketing campaigns as well as advertising and promotional activities later this year (post Covid-19) to raise awareness on the Talos brand and its benefits. We have received encouraging enquiries and interests on the products and are following up on the leads. Management is also in discussion with several wellness-related institutions on the prospects of installing Talos tiles at their premises.

On balance, having considered the current and near-term economic prospect based on the aforementioned factors, the Board is cautious on the Group's current year outlook, but remain positive on the longer-term potential. With 29 years of operating history, Yi-Lai as a group has experienced various business cycles before and we are confident we have the resolve and capability to navigate through the current one as well, supported by our strong management, dedicated team and a solid balance sheet. We remain committed to our vision of becoming a globally trusted brand for tiles and creating value for our stakeholders while operating in a sustainable manner.

DIVIDEND

The Board of Directors did not recommend any dividend for FY2019 after taking into consideration the Group's performance and challenges ahead.

The management believes that there is a need to preserve funds and concentrate resources towards strengthening the entire value chain to boost future profitability and build a firmer financial footing.

ACKNOWLEDGEMENT

Our deepest appreciation goes to members of the Board of Directors for their wise counsel and guidance. We would also like to convey our heartfelt gratitude to all our loyal management and employees of Yi-Lai for their continued hard work, perseverance and dedication especially amidst the year's many challenges. We shall weather this difficult period together as a family and emerge stronger than before.

My sincerest thanks also go to our stakeholders that include, amongst others, shareholders, customers, business partners, bankers and relevant authorities for their enduring support and trust in Yi-Lai. Looking ahead, we remain steadfastly committed to turn around the Group for the better as we strive to create shareholders' value and reach for greater success in the coming year.

Thank you.

Tan Jian Hong, Aaron
Executive Director

Sustainability Statement

SUSTAINABILITY AT YI-LAI

At Yi-Lai Berhad ("Yi-Lai" or "the Group"), we are consciously aware of our role and responsibility to conduct business in a sustainable manner. As one of the country's leading tile manufacturers, Yi-Lai is committed to ensuring the sustainable growth of the Group, while creating a positive impact for our stakeholders in addition to conserving the surrounding environment.

Sustainability remains a key priority at Yi-Lai and serves as a guidance in all that we do. This means incorporating the principles of sustainability when setting our business strategies and in our day-to-day operations.

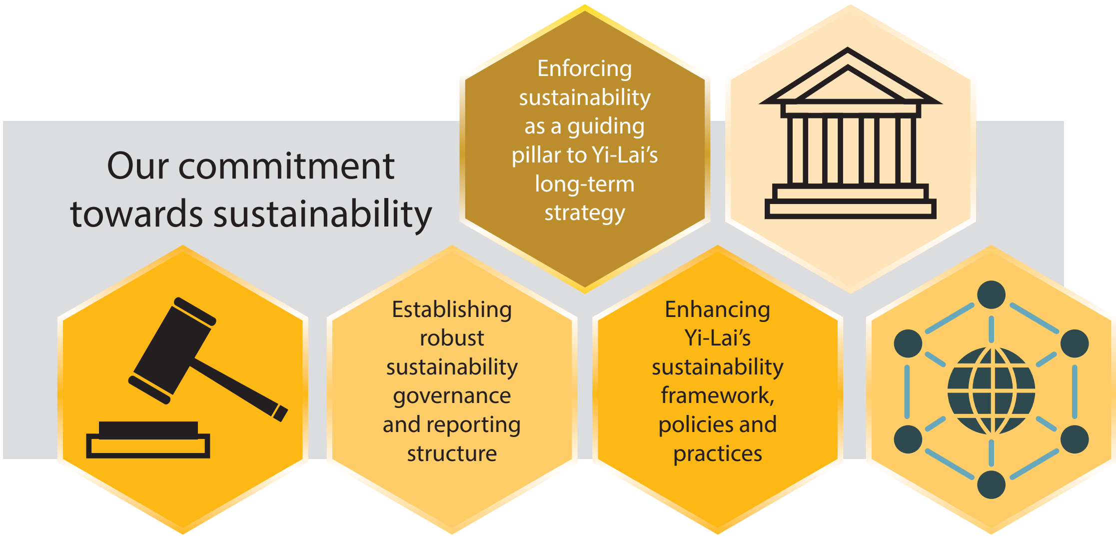


Diagram 1 : Yi-Lai's commitment towards sustainability

The core of Yi-Lai's economic sustainability is founded on effective governance and ethical business practices. At the same time, we are committed to collaborate with our network of partners to enhance the quality of life of our customers through innovative products with a driven workforce, while operating responsibly and mitigating our impact to the environment.

We are pleased to present our third Sustainability Statement ("Statement"), outlining the Group's sustainability initiatives in terms of economic, environmental and social aspects. Through this report, we aim to share the developments of our sustainability performance and efforts in relation to our most material topics, as well as challenges we faced during the reporting period.

Reporting Scope and Period

The scope of this Statement focuses on Yi-Lai's sustainability initiatives and performance covering the Group's tile manufacturing operations and head office in Kulai, Johor.

The reporting period aligns with Yi-Lai's financial year from 1 January 2019 to 31 December 2019, unless otherwise stated. Where possible, the indicators we provide include historical information for comparison purposes.

Reporting Framework

This Statement has been prepared in accordance with the Bursa Malaysia Securities Berhad's ("Bursa") Main Market Listing Requirements ("MMLR"), in reference to the 2nd Edition of Bursa's Sustainability Reporting Guide and Toolkits.

As we move forward, we endeavour to refine and expand the coverage of this Statement. We are progressively working to provide our stakeholders with better insights into our sustainability management.

Sustainability Statement
cont'd

SUSTAINABILITY GOVERNANCE

The Board of Directors ("Board") has the ultimate responsibility of setting sustainability-related strategies, as well as embedding them into the Group's strategies and operations.

The direction and strategies set by the Board is then communicated to the Risk Management Committee ("RMC"), which consists of the Executive Director and the Heads of all Departments, namely Finance, Production, Human Resource, Marketing and Research and Development ("R&D").

The RMC's responsibilities include overseeing the risk management activities of the Group and implementation of the sustainability-related initiatives across our operations.

Diagram 2: Yi-Lai's Sustainability Governance Structure

The RMC is supported by the Management Executive Team and Safety Committee ("SC"), who are accountable to execute the sustainability strategies at the operational level, including identifying, analysing, monitoring and managing of risks and opportunities related to the economic, environmental and social aspects. The SC also oversees the safety needs and requirements at our manufacturing plant. The SC is headed by the Factory Manager with members from the Safety, Human Resources and Operations functions.

MATERIALITY ASSESSMENT

We aim to review our materiality topics every year against the shifting business landscape to ensure they remain relevant to our business. Guided by Bursa's Sustainability Reporting Guide, Yi-Lai maintained a structured approach to our materiality assessment process, which involved internal stakeholders. In the process of identifying our most significant matters, considerations were given to the operating environment as well as emerging risks and opportunities associated with the tile manufacturing industry. The outcome of the assessment is displayed and plotted in the Materiality Matrix below.

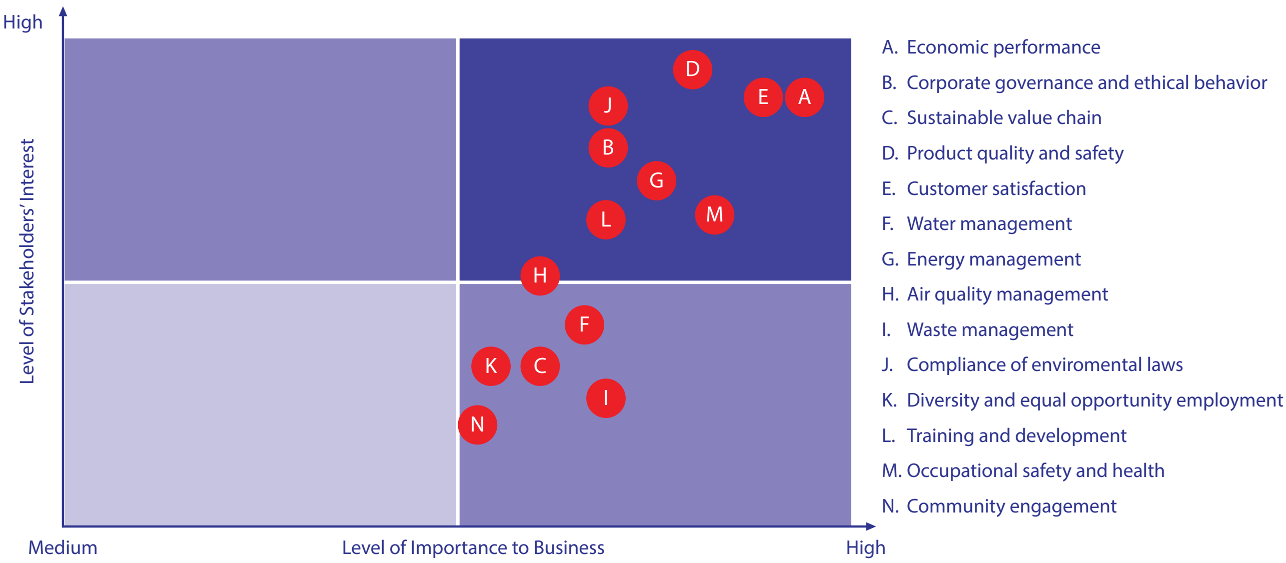


Diagram 3 : Yi-Lai's Materiality Matrix

Sustainability Statement
cont'd

STAKEHOLDER ENGAGEMENT

We believe in building a strong partnership with our wide array of stakeholders in driving our strategic measures. As such, we provide open channels as a means to engage with our stakeholders on matters which are of key concerns to them. Table 1 below outlines our major stakeholders, how we connect with them as well as their areas of interests.

Major stakeholders	Communication channels	Key concerns
Shareholders/Investors	• Annual General Meeting • Bursa Malaysia announcements • Meetings and briefings • Corporate website • Media releases	• Business continuity • Economic performance • Shareholders' return • Corporate governance
Customers	• Regular engagements • Meetings • Products and services briefings • Showrooms • Media announcements	• Customer satisfaction • Product quality and safety • Quality assurance
Suppliers	• Regular interactions • Procurement agreements • Business reviews • Meetings	• Supply chain management • Ethical and transparent procurement policies
Employees	• Daily interactions • Annual performance reviews • Benefits plans • Trainings and developments • Office events	• Fair HR policies and practices • Health and safety • Workplace satisfaction
Regulatory agencies	• Periodic site visits and meetings • Consultation on regulatory matters	• Compliance to regulations
Local communities	• Community events • Donations and awards	• Contribution towards local economy and community • Local employment and procurement

Table 1: Yi-Lai's Key Stakeholders

Sustainability Statement
cont'd

ECONOMIC IMPACT

Economic Performance

We are determined to grow our organisation through strategic and innovative initiatives in our quest to drive robust economic performance at Yi-Lai. Our commitment to sustainability extends beyond corporate responsibility as we strive to enhance stakeholders' value through direct contributions to the economy. As a corporate entity, our business performance impacts other stakeholders, including our shareholders, customers and employees, to name a few. The following diagram summarizes the direct economic value distributed by Yi-Lai.

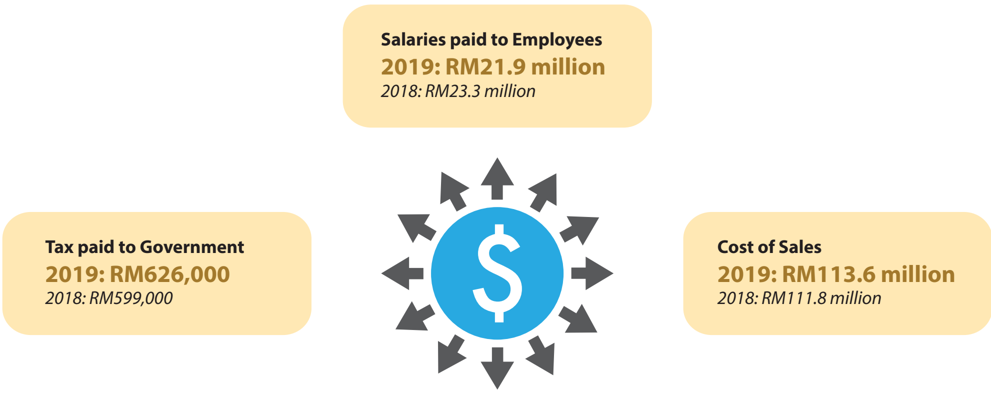
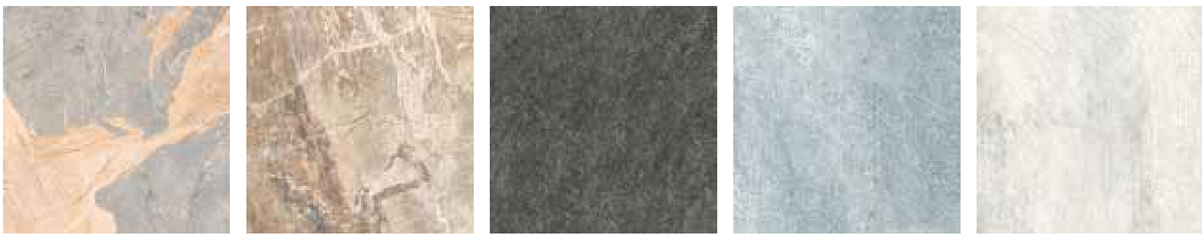


Diagram 4: Yi-Lai's Economic Contribution in 2019

Product Quality and Safety

In pursuit of becoming a preferred choice for tiles, our goal at Yi-Lai is to offer our customers safe, reliable and high-quality products along with services that meet or exceed their expectations, whilst mitigating the harmful impact on the surrounding environment.

We manufacture and market various types of tiles under our proprietary brand, ALPHA TILES ®, in addition to producing tiles under private labels for our Original Equipment Manufacturer ("OEM") customers. The tiles we produce come in three different forms, which are ceramic, homogenous as well as porcelain, and are versatile for any environment from commercial, industrial to residential.



ALPHA TILES ® range

www.alpha-tiles.com.my

Our tile manufacturing operations are governed by a series of quality control procedures built into our processes, and thus, ensuring the tiles meet our stringent standard of quality. To instil confidence in our processes amongst customers, our operations have been certified with globally recognised standards, namely the MS ISO 9001:2008 Quality Management System. At the same time, our broad array of ceramic products meets the standards of MS ISO 13006:2003 for Product Quality Certification, giving our customers assurance that our products are of best commercial standard. The standards we conform to solidify our credibility as a Group that is constantly working on strengthening our products, processes and practices.

Sustainability Statement
cont'd

ECONOMIC IMPACT *cont'd*

Product Innovation

We believe that innovation is a key growth driver at Yi-Lai in order to stay competitive in this highly challenging market environment. In recent times, there is an increasing interest and preference for sustainable product solutions. These products contribute positively to the indoor climate in buildings, leading to improved health and wellbeing of its occupants.

Through the Group's thorough and intense R&D activities that were made possible by advancement in technology, we have achieved breakthroughs which enable us to produce a premium range of tiles with enhanced features while attaining a higher level of efficiency.

TALOS
Living Tiles

In 2019, we successfully developed and launched a new generation of functional tiles – Talos Living Tiles ("Talos") – incorporating advanced nano glazing technology. What differentiates Talos from other ranges is that Talos tiles generate continuous release of negative ions, cleansing the air from harmful contaminants, and therefore beneficial to human health. This is in line with the Group's aim to cultivate healthy environments that promote improved wellbeing through green design. The range of Yi-Lai's Talos Living Tiles can be found on our website at www.taloslivingtiles.com.



Talos Living Tiles

To verify and confirm Talos' negative-ion generating property, the tiles underwent and passed various tests conducted in-house as well as by reputable external inspection and certification bodies. Talos tiles have been certified by the world-renowned German testing lab, TÜV SÜD (Singapore branch), as well as Gmicro Testing by GuangDong Detection Center of Microbiology, a China National Accredited Laboratory.

TÜV SÜD
PSB Singapore

World Recognized Germany Base Testing Lab
TUV SUD (PSB Singapore branch)
certified TALOS passed Standard For Measuring Methods of Airborne Ion Density, JIS B 9929:2006 standard.
Test Reference: 7191219581-CHM19-YMG

广微测
Gmicro Testing

China National Accredited Laboratory
GuangDong Detection Center of Microbiology
certified TALOS passed Test Method for Air Ion Concentration of Materials, GB/T 28628-2012 standard.
Test Reference: 2019FM11550R01E

From our testing, we discovered that Talos tiles emit a much higher concentration of negative ions as compared to a normal tile, hence creating an enhanced living and working area with a constant flow of negative ions in our customers' environment, be it homes, offices, institutions, etc.

Sustainability Statement
cont'd

ECONOMIC IMPACT *cont'd*

Product Innovation *cont'd*

We are also in the midst of obtaining the MyHIJAU Mark or Green Label Certification from SIRIM, which will make our products more marketable. To be certified with MyHIJAU Mark, companies are required to adhere to a set of environmental standards which promote sourcing and purchasing of green products and services in Malaysia.

Customer Satisfaction

At Yi-Lai, we endeavour to provide customers with the highest degree of satisfaction by producing first-rate quality products, complemented by top-notch services. As such, our efforts are focused on enhancing customer satisfaction by continuously soliciting feedback and utilising their input to improve production process, enabling us to deliver a superior experience to them.

During the year, we continued to engage with our customers by distributing Customer Satisfaction Surveys to assess general customer experience aspects relating to quality of product and services, as well as overall customer satisfaction. The survey is an important tool in managing customer satisfaction as it allows us to respond in a timely fashion as we implement measures to improve product quality and service delivery.

In 2019, we received an increasing number of customers' feedback. All matters have been explored to identify the root cause with corrective actions taken subsequently. It is worth noting that a majority of our customers' complaints were related to cracked tiles. Our team responded by taking several actions that included improving our wrapping material and strapping method during packaging stage, as well as tightening the tiles curvature standard. At the same time, we also conducted technical training sessions to upskill our workers, in addition to increasing the stability of raw materials used in production.

As part of our measures to enhance customer service, we also equip our dealers with proper and in-depth knowledge on the characteristics, designs and benefits of our products. This enables the dealers to better serve the customers by understanding the interpretation of their demands and recommending the most suitable technical and aesthetic specification to the customers.

Sustainable Value Chain

We understand the importance of establishing a secure and cost-effective supply chain that adhere to high standards of quality and delivery. To this end, we intend to manage our supply chain in a sustainable manner by collaborating with socially responsible and environmentally conscious business partners and suppliers.

Our efforts revolve on upholding ethical procurement practices, continual reviewing of supply chain performance and encouraging the sourcing of sustainable raw materials. Achieving these goals require close partnerships and sharing of best practices with our suppliers. As part of our practice, we screen and assess our vendors based on a set of criteria to ensure we work with reliable and reputable suppliers who are aligned to our objectives. This enhances our ability to source for the best materials through transparent procurement practices.

Moving ahead, we plan to incorporate more criteria in our selection process, on areas such as labour and human rights as well as environmental management, with the aim of building a more robust supply chain.

Local Spending

We recognise the significance of spending on local products and services, which include improved efficiency in logistics, shortened lead time and enhanced cost savings, in addition to supporting domestic economic growth, among others.

As and when feasible, we set out to source domestically to stimulate the local economy, subject to availability. In 2019, our purchasing of local items made up close to 80% of Yi-Lai's total spending, as we engaged 217 local suppliers, representing 83% of our total supplier database.

Sustainability Statement
cont'd

ECONOMIC IMPACT *cont'd*

Upholding Good Corporate Governance

Yi-Lai is committed to upholding integrity in the way we conduct our dealings, guided by good corporate governance practices outlined in our corporate governance framework. We believe sound corporate governance in our pursuit of sustainable success safeguards the interests of our stakeholders and the Group. With that in mind, we have developed several policies and initiatives, as displayed in Table 2 below.

Yi-Lai's Policies	
Code of Conduct	**Whistle-blowing Policy**
The Group's Code of Conduct is established to provide our employees clarity and guidance on maintaining high ethical standards when conducting business, involving workplace behaviour, addressing matters relating to confidentiality, conflict of interest, protection of assets as well as occupational health and safety. The Code is communicated to all employees Groupwide upon employment to ensure compliance with the laws, rules and regulations.	Our Whistle-blowing Policy is implemented to facilitate our employees to report to any member of the Audit Committee on any concerns or allegations relating to alleged behaviour or suspected misconduct which could adversely impact the Group and its stakeholders. The Policy assures that the report will be kept confidential and private while protecting the whistle-blower from disciplinary action or reprisals from their superiors.

Table 2: Yi-Lai's Policies

Going forward, we endeavour to strengthen our corporate governance efforts within the Group. At the moment, we are in the process of developing our anti-bribery management system to be implemented by mid-2020.

ENVIRONMENTAL IMPACT

At Yi-Lai, we remain steadfast in conserving the environment by implementing proactive measures throughout the Group while monitoring our environmental performance. As we grow our business, we intend to strengthen our approach in handling our environmental matters with efficient management of our resources and waste materials. Currently, we are in the midst of developing a formal Environmental Policy to solidify our commitment in this regard.

Water Management

Water is an essential resource in our operations as it is used in almost every phase of production, from preparation of the mass to glazing of the tiles. Therefore, it is imperative that we preserve this natural resource, not only for the Group's continued success, but also for the surrounding environment and communities.

100%
of wastewater is recycled

Our goal is to optimise water utilisation while minimising the usage of freshwater. In this regard, our factory is equipped with an on-site closed-circuit system, which enables the wastewater effluent from our production processes to be treated, recycled and reused in our operations. Before releasing the treated wastewater for production, the water quality will be tested for chemical content to ensure suitability of water.

As part of our efforts to minimise freshwater consumption, we only use clean water from the municipal water supply for specific methods, such as the glaze preparation process, where clean water is required to ensure the stability of the glaze during the procedure. Glazes are used to provide moisture resistance as well as for aesthetic purposes for the tile. In addition, we also source and collect rainwater from the natural pond within our facility.

Sustainability Statement
cont'd

ENVIRONMENTAL IMPACT *cont'd*

Water Management *cont'd*

The Group is continuously reviewing our processes and exploring ways to optimise water usage. In 2019, our total water consumption stood at approximately 42,328 m^3, 9% lower than 46,499 m^3 utilised in 2018. Table 3 displays our performance in relation to water management.

	2019	**2018**
Water consumption (m^3)	42,328	46,499
Water recycled and re-used (m^3)	101,925	118,697

Table 3: Yi-Lai's water consumption and recycled volume

Energy Management

Climate change is rapidly becoming a key consideration for companies worldwide as shifting weather patterns threaten economic sustainability and the built ecosystem. Keeping this in mind, we remain conscious of the way we operate and align ourselves to the best practices to reduce our carbon emissions.

We are aware that Yi-Lai consumes a significant amount of energy, mainly attributable to our tile manufacturing process. Our tiles go through a process where the raw materials are compressed and then fired at high temperatures to achieve the finished product. As part of our measures to mitigate the impact of our operations to the surrounding environment, we endeavour to optimise our energy consumption throughout the Group.

Energy used at our operations is primarily in the form of electricity powered by the national grid, as well as natural gas. We monitor our energy usage using an installed Energy Measuring Meter to track our energy efficiency levels.

In addition, we utilise clean energy like natural gas for thermal processes such as for firing kiln, the horizontal dryer as well as the spray dryer. The Group's most energy intensive activity is the firing stage, where the tiles are inserted into a kiln to be fired at very high temperatures of up to 1,200 degrees Celsius, to strengthen and harden the tiles.

During the year, we continued to implement energy efficient initiatives across our operations, as shown below:

Source	**Energy-saving initiatives**
Electricity	✓ LED light installation at the factory and head office to replace fluorescent lights ✓ Replaced the conventional air compressor with variable speed type as it adjusts the amount of power used to real-time demand ✓ Maintaining a high power factor to above 0.9, indicating an efficient level of electricity usage ✓ Installation of voltage stabiliser at our operations
Natural gas	✓ Reformulate the ingredient of the tiles to reduce firing temperature and cycle time. As a result, our firing time for 60 x 60 cm tiles has been reduced by 24%, while the 30 x 60 cm PE tiles recorded lower cycle time by 5% ✓ Reviewing the current burner efficiency as we explore new burners with higher firing efficiency

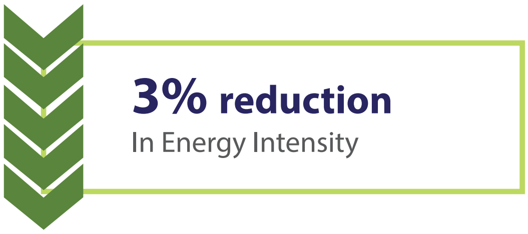
Table 4: Yi-Lai's energy saving initiatives

Sustainability Statement
cont'd

ENVIRONMENTAL IMPACT *cont'd*

Energy Management *cont'd*

In 2019, our annual electricity consumption reduced by 16% in line with lower production output during the year. Nonetheless, we managed to improve our electricity intensity by 3% in 2019, contributed by the ongoing energy saving initiatives implemented at the Group. Other continuing measures include scheduled maintenance of our equipment to prevent downtime and scheduling operations of energy-intensive machinery to off-peak hours.



Air Emission Management

Clean air is essential to a healthy environment. Controlling our air emissions is crucial for mitigating our impact on climate change, while protecting the wellbeing of our employees and communities. Our manufacturing plant emits air emission through the chimneys which includes dust, as well as greenhouse gases from combustion of natural gas and processes.

Every year, we perform air sampling tests to monitor our air emissions level. By conducting these tests, we are assured that our emissions remain well within the limits prescribed by the Department of Environment ("DOE") pursuant to the Environment Quality (Clean Air) Regulations 2014 of the Environmental Quality Act 1974. Our target is to minimise particulate matter and gaseous emissions to the atmosphere as much as possible. In 2019, our average reading for dust was 233 µg/m^3, which is below the Malaysian Ambient Air Quality Standards of 260 µg/m^3.

At the same time, we have fitted a dust filtration system at the main dust emission points within the facility, such as the spray dryer exhaust chimney, to reduce the release of dust into the atmosphere. Going ahead, we plan to expand our monitoring efforts to include carbon emissions, while continuing to perform more air sampling assessments.

Waste Management

As a major tile manufacturer, we generate waste or by-products in the form of both scheduled and non-scheduled waste, including greenware tiles, packing materials, used oils and wastewater, to name a few. As such, these various types of waste materials require different disposal methods.

For our scheduled waste materials, we have Standard Operating Procedures ("SOPs") in place to ensure the best methods are implemented when handling the waste, in order to minimise the impact to the environment. The scheduled waste is separated from the non-scheduled waste, to be collected by a DOE-licensed waste contractor. Our practices are in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005 of the Environmental Quality Act 1974. Meanwhile, our non-scheduled waste items are scrapped or collected by selected waste collectors for recycling purposes or disposed at authorised landfills.

Whenever practical, we practice minimisation of waste and recycling of waste within our processes. For example, used oils, the likes of engine oil and hydraulic oil, are re-used as a lubricant for the machineries. Non-hazardous waste that include greenware scraps are recycled for other purposes such as to prepare the mass of the tile.

We are continually strengthening our processes as we aim to establish a more reliable and systematic waste management system.

Sustainability Statement
cont'd

SOCIAL IMPACT

Our dedication towards promoting social sustainability emphasises on the Group's ability to develop an engaging workforce, creating value for the local community, while protecting the health and safety of our workforce.

Human Capital Management

Our people continue to be our most prized asset, without whom the Group's progress would not have been possible. We acknowledge that our success is dependent on a safe, skilled and motivated workforce. As a responsible and fair employer, it is our duty to develop a secure and conducive working environment which promotes diversity and professional growth while conforming to labour laws that respect human rights.

Diversity and Equal Opportunity Employment

We aim to build an inclusive workforce and view diversity as a strength in building Yi-Lai's competitive edge. We have zero tolerance for discrimination on the basis of race, gender, marital status, ethnic or social origin, sexual orientation, age, religion or political views. As at 31 December 2019, Yi-Lai's total workforce stood at 682 employees, as compared to 654 employees as at end-2018. Our workforce composition is displayed in Diagram 5.

In 2019, 17% of our employees are women, while the remaining 83% is made up of men. Due to the nature of our manufacturing activities, we have encountered challenges in attracting female talent. Nonetheless, we are working towards increasing the number of our female employees as we endeavour to introduce more opportunities for women within the Group. Meanwhile, we have a solid young talent pool with 56% of our employees below the age of 35 in 2019.

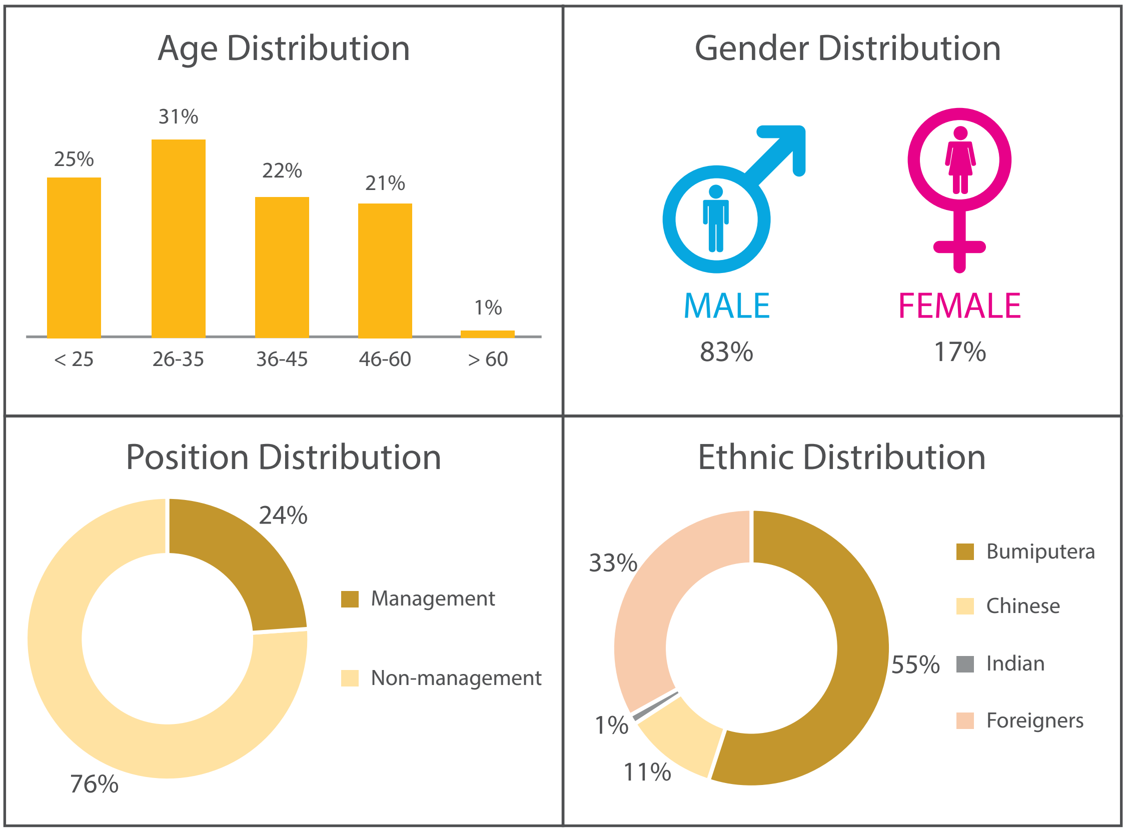


Diagram 5: Yi-Lai's workforce demographics

Sustainability Statement
cont'd

SOCIAL IMPACT *cont'd*

Training and People Development

It is critical to grow the Group and at the same time, upskill our employees in order to remain competitive in this challenging industry. During the year, various programmes were held focusing on strengthening our employees' competencies and improving productivity. In 2019, we invested over RM85,000 in our employees' training and development, clocking in a total of 1,683 training hours. We averaged 2.5 hours of training per employee in 2019, with programmes ranging from technical training to building interpersonal and leadership competencies.

RM85,000
Invested in training in FY19

Our human capital strategy is targeted to attract, develop and retain top talents to drive growth. We believe that an effective measure includes providing a competitive remuneration package with on-the-job benefits. To this end, we offer a comprehensive benefit program displayed in Table 5 below.

Employment Benefits at Yi-Lai	
Annual leaves	Maternity and paternity leaves
Permanent disability and medical coverage	Group Life Insurance
Production incentives	Uniform and Personal Protective Equipment
Long Service Award	Statutory contributions to retirement funds

Table 5: Yi-Lai's employment benefits

At the same time, we ensure our employees are recognised and compensated appropriately. In this regard, we adopted a robust performance assessment system which focuses on meritocracy, ensuring each and every one of our employee has an equal opportunity at Yi-Lai. Our performance reviews are conducted annually, following which our top performing individuals are rewarded with a salary increment and career progression within the Group.

Fostering Closer Ties

Our employees' wellbeing is important to us as we strive to ensure a healthy work-life balance at Yi-Lai. Every year, we organise various engagement activities, which serve as a platform for networking and team building to foster closer relationship among employees. In 2019, we continued our engagement initiatives, such as Annual Dinner and hosting sports tournament for our employees.

Bowling tournament

Annual Dinner 2019

Team building

Sustainability Statement
cont'd

SOCIAL IMPACT *cont'd*

Occupational Health and Safety

At Yi-Lai, our employees' safety is our highest priority as we commit to create a safe working environment for them. Due to the nature of our manufacturing activities, our employees are exposed to various safety and health hazards, including moving parts as well as sharp tools and edges, to name a few.

Occupational Safety and Health Policy

To this end, we have established an Occupational Safety and Health ("OSH") Policy to be adhered to across our operations. This Policy ensures our compliance with the relevant health and safety laws in addition to providing guidance to our employees. Our commitment to minimise health and safety risks in our operations are outlined in our Safety and Health Policy:

- Health and safety of workers are of paramount importance.
- The Group is responsible for the health and safety of workers in the workplace.
- The Group will ensure equipment and machineries at the factory are safe for utilisation with proper manual provided.
- It is a collective responsibility of all parties to comply with the stipulated safety rules.
- The Group is responsible for ensuring compliance with the Occupational Safety and Health Act 1994.

Our OSH Policy is communicated to everyone in the Group through our dedicated OSH Committee, which is made up of 21 members from different departments across our operations. Our OSH Committee is accountable for overseeing all safety-related matters, as well as adherence to local regulations.

Occupational Safety and Health Initiatives

During the year, our safety initiatives were further strengthened as we formed an Emergency Response Team ("ERT"), consisting of 10 members, who are equipped to respond should an emergency arises. They are trained to help evacuate buildings, administer first aid and provide other ERT-related assistances.

At the same time, we also organised safety briefings and encourage knowledge sharing to raise awareness among employees. Training sessions on safety, such as the proper way to handle heavy machineries and vehicles, were also conducted during the year.

As part of our safety measures, we must ensure that our employees are properly equipped with personal protective equipment ("PPE"), such as N95 face masks, safety shoes, and chemical gloves to protect from workplace injuries. In addition to this, we also have a duty to ensure that our employees are trained and supervised when executing work.

Our safety performance is monitored by our OSH Committee to ensure optimum efficiency at work. In 2019, there were 5 Lost Time Injuries ("LTI") cases at Yi-Lai, as compared to 4 cases in 2018. This has translated to a Lost Time Injury Frequency Rate ("LTIFR") of 7.7 for 2019, as compared to 5.0 per 200,000 manhours worked in 2018. The majority of incidents were considered minor and mainly caused by cuts due to workers not following SOP when carrying out duties and handling machineries. The most frequent type of injuries was to the hands. The cases were fully investigated and addressed by providing more safety training and PPE, to minimise the probability of recurring incidents as we strive for an injury-free workplace.

We continuously work towards creating a safe and healthy workplace culture through improvements in internal controls and processes, safety measures and practices that are promoted within the workplace.

Sustainability Statement
cont'd

SOCIAL IMPACT *cont'd*

Safety Measures in response to Covid-19

In 2020, the world saw the rapid outbreak of Coronavirus ("Covid-19") pandemic. In response, we swiftly took several precautionary measures to prevent the spread of virus among employees, business partners and community, as we continue to monitor the situation. Our safety efforts are outlined below:

- ✓ All employees and visitors are required to undergo body temperature checks at the entrance of Yi-Lai's compound. Employees and visitors who have a temperature of 37.5 degrees Celsius and above are not allowed into the compound and are advised to seek medical advice immediately.
- ✓ Visitors are required to sign a health declaration form and acquire approval from Human Resources ("HR") before entering the compound.
- ✓ Hand sanitizers are provided at various areas at the workplace.
- ✓ Personal protective equipment such as 3-ply face masks are provided to employees.

Community Engagement

Community development is an integral part of our commitment to sustainability. We intend to give back to the community by enhancing their livelihoods, through corporate philanthropy, creation of job employment, and employee volunteerism, among others.

We aim to empower the members of local community where we operate in by providing employment opportunities. In 2019, local employees (those from Johor) comprised 63% of the Group's total workforce.

Additionally, we strive to strengthen our Corporate Social Responsibility ("CSR") initiatives by making charitable contributions to schools. During the year, we continued to donate our tiles to selected schools to improve the conditions of the buildings, with the objective of creating a more conducive learning environment for students.

During the year, we had encouraged our employees to join sporting and green-awareness events as we promote healthy and active lifestyles. Approximately 10 of our employees took part in the "5km Plogging Walk" event on 28 September 2019, which attracted over 600 participants. The goal was to raise awareness on environmental issues with participants picking up rubbish from the roadsides as they walked and moved along for a stretch of 5km. Over 2,500kg of rubbish were collected during the event.


Plogging Walk

Corporate Governance Overview Statement

The Board of Directors of Yi-Lai Berhad ("Yi-Lai" or "the Company") presents this statement to provide shareholders and investors with an overview of the corporate governance (CG) practices of the Company under the leadership of the Board during the financial year 2019. This overview takes guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance 2017 (MCCG) issued by Securities Commission Malaysia in April 2017.

This statement is prepared in compliance with paragraph 15.25(1) and Practice Note 9 of Bursa Malaysia's Main Market Listing Requirements ("MMLR") and it is to be read together with the CG Report 2019. The CG Report provides the details on how the Company has applied each Practices set out in the MCCG during the financial year ended 31 December 2019. The CG report is available on the Group's corporate website at www.alpha-tiles.com.my.

TOWARDS THE CORPORATE GOVERNANCE

One of the key accountabilities of the Board to the Group's shareholders and other stakeholders is sustaining a strong and effective corporate governance structure. The Board is fully aware of the significance of sound corporate governance in preserving and enhancing shareholders' value. Therefore, the Board is committed to ensure that high standards of corporate governance are practiced and inculcated into the organisational culture.

The Board will continuously uphold good corporate governance practices and will endeavor to ensure that the principles and practices advocated therein by the MCCG are observed, where applicable and appropriate. The Board is satisfied that to the best of their knowledge, the Company has substantially complied with the principles and practices of the MCCG throughout the financial year ended 31 December 2019 ("FYE 2019").

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Principal Responsibilities of the Board

The Board is always mindful of its responsibilities to the Group's shareholders and various stakeholders for creating and delivering sustainable value and long-term success through its leadership and management of the Group's business, in meeting the objectives and goals of the Group. The Board acknowledges that its key responsibilities includes establishing the Group's objectives, deliberating and directing the strategic plans and policies and allocation of the Group's resources to align with the overall objectives of the Group. The primary focus of the Board mainly comprising formulating of strategies, overseeing the proper conduct of the Group's business, monitoring financial performance, evaluating and managing the principal risks faced by the Group, reviewing and implementing risk management and internal control system, as well as succession planning.

In discharging the Board's duties and responsibilities, the Board has delegated certain duties and responsibilities to four other Board Committees namely the Nomination Committee, Remuneration Committee, Audit Committee and Risk Management Committee to assist the Board in overseeing the Group's affairs and in deliberation of issues within their respective functions and terms of reference which outline clearly their objectives, duties and powers. The terms of reference of the Board Committees are included in the Board Charter of the Company which is available on the Group's corporate website.

The Board keeps itself abreast of the responsibilities delegated to each Board Committee, and matters deliberated at each Board Committee meeting through the minutes of the Board Committee meetings and reports from the respective Board Committee Chairman on resolutions and key issues deliberated at the Committee meetings, which are presented to the Board during the Board meetings at the appropriate regular intervals.

The Board has also established clear functions reserved for the Board and those delegated to the Management. The respective roles and responsibilities of the Board and Management are clearly set out to ensure accountability of both parties.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

Principal Responsibilities of the Board *cont'd*

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Group during the FYE 2019, the Board had and amongst others continues to: -

- promote good governance culture within the Group which reinforces ethical, prudent and professional behavior;
- review and decide on Management's proposals and monitor the implementation by management;
- ensure that strategic plan of the Group supports long term value creation and sustainability;
- supervise and assess Management performance regularly;
- ensure that there is a sound framework of internal controls and risk management;
- understand the principal risks surrounding the Group's business and set the risk appetite ensure the risks are properly managed;
- ensure that the Group has in place procedures to enable effective communication with stakeholders; and
- ensure the integrity of the Group's financial and non-financial reporting.

For the Board to effectively discharge the above responsibilities, the Board has established a governance structure for the Group as follows:

BOARD OF DIRECTORS

GOVERNANCE COMMITTEES

Audit Committee
Nomination Committee
Remuneration Committee
Risk Management Committee

MANAGEMENT

GOVERNANCE AND OPERATIONS

Yi-Lai Industry Berhad
Yi-Lai Marketing Sdn Bhd
Yi-Lai Trading Pte Ltd

Chairman of the Board

The Chairman is elected by the Board members and has considerable experience in the Group's business. The Board is chaired by Dato' Wong Gian Kui, an Independent Non-Executive Chairman, who is able to provide effective leadership, strategic direction and necessary governance to the Group.

Dato' Wong Gian Kui provides leadership to the Board without limiting the principle of collective responsibility for the Board's decisions, leads Board meetings and discussions in a manner to encourage constructive discussions and effective contributions from each Director; reviews the minutes of the Board meetings to ensure that the minutes accurately reflect the Board's deliberations, and matters arising from the minutes have been addressed; encourages active participation and allows dissenting views to be freely expressed; ensures appropriate steps are taken to provide effective communication with the stakeholders and that their views are communicated to the Board as a whole and leads the Board in establishing and monitoring good corporate governance practices in the Group.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

Chairman and Management

The roles of the Chairman of the Board and Management are held by two (2) different individuals and each has a clear accepted division of responsibilities to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making. The Chairman of the Board is primarily responsible for the achievement of the Group's strategic vision and leads the Board in its collective oversight of management, while Mr Tan Jian Hong,Aaron as Executive Director and the Management team are responsible for the day-to-day management of the operations of the Group and the implementation of the Board's policies and decisions.

Company Secretary

The Board is supported by two (2) suitably qualified and competent Company Secretaries. The Company Secretaries are qualified Company Secretaries as per Section 235(2)(a) of the Companies Act 2016. They are external Company Secretaries with vast knowledge and experience from being in public practice and are supported by a dedicated team of company secretarial personnel.

The Company Secretaries play an important advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries are also responsible to ensure that accurate and proper recording of proceedings and resolutions at the Board, Board committee meetings and general meetings.

The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. All Board members have unrestricted access to the advice and services of the Company Secretaries for Board's affairs and the Group's business. The Company Secretaries attend all Board meetings and all proceedings and conclusions from the Board meetings are minuted and signed by the Chairman.

Access to Information and Advice

A formal agenda together with the meeting materials are circulated to the Board members at least seven (7) days in advance of the Board/Board Committee meetings to ensure the Directors have sufficient time to review and to solicit further clarification and/or information, where necessary, so as to enable them to duly discharge their duties and ensure that deliberations at the meeting are constructive and focused. Management team and external advisers are normally invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda.

The Board is given a full and unrestricted access to all information pertaining to the Group's affairs at all times to help in discharge of their fiduciary duties effectively. The Board is allowed, whether as a full Board or in their individual capacity, to solicit independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense. If such advice is considered necessary, it shall first be discussed with the Chairman before proceeding further.

Board Charter

The Board is guided by its Board Charter which clearly sets out the Board's roles, duties and responsibilities in discharging its fiduciary and leadership functions. The objective of the Board Charter is to ensure that the members of the Board practice good corporate governance in their business conducts and dealings in respect of and on behalf of the Group and comply with the various laws and regulations governing them and the Group.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. BOARD RESPONSIBILITIES *cont'd*

Board Charter *cont'd*

The Board Charter includes a formal schedule of matters reserved for the Board. The said schedule details the responsibilities of the Board and Board-Management relationship, including management limitations. With this, the respective functions, roles and responsibilities of the Directors and Management are clearly set out in the Board Charter as a guidance and clarity to enable them to effectively discharge their duties.

The Board Charter as well as the Terms of References of the Board Committees are reviewed from time to time when necessary. Amendments and updates are made from time to time in accordance with the needs of the Group to ensure its effectiveness and consistency with the Board's objectives and corporate vision as well as to be in line with the changes to statutory and regulatory requirements.

The Board Charter is published and available for reference on the Group's corporate website at www.alpha-tiles.com.my.

Code of Conduct

The Board recognises the importance of a Code of Conduct which sets out the principles and standards of business ethics and conduct applicable to all Directors and employees of the Group. The Code of Conduct and Ethics is formulated based on three principles – Integrity, Accountability and Duty to Act in the Public Interest and Best Practice of the Company. All employees play an important role in establishing, maintaining and enhancing the reputation, image and brand of the Group. Since the Group has entities mainly operate in Malaysia and Singapore, the applicable laws and regulations of Malaysia and Singapore apply. The laws and regulations of both countries prohibit similar offences including conflict of interest, corruption, insider trading and money laundering. All Directors and employees are subjected to this statutory related code of conduct. All Directors and employees are required and must observe the confidentiality code of conduct on every action and communication within and external to the Group. All Directors and employees are not allowed to engage directly or indirectly in business activities that compete or are in conflict with the interest of the Group.

The said Code of Conduct is published on the Group's corporate website at www.alpha-tiles.com.my.

Whistle Blowing Policy

The Board has adopted a Whistle Blowing Policy which provides avenues for employees to raise concerns, report any breach of the Code and define a way to handle these concerns and breaches. It also enables the Management to be informed at an early stage about acts of misconduct. More importantly, it reassures employees that they will be protected for disclosing concerns/breaches in good faith in accordance with this procedure. It promotes a culture of openness, accountability and integrity. The report should be made in good faith with a reasonable belief that the information and any allegations made are substantially true and the report is not made for personal gain. Malicious and false allegations will be viewed seriously and treated as a gross misconduct and if proven may lead to dismissal.

The Audit Committee is the contact point for all employees. All members of the Audit Committee are the Group's Non-Executive Directors. All reports should be sent directly to any of the Audit Committee member.

The Whistle Blowing Policy is published and available for reference on the Group's corporate website. Since it was last approved, the Board has concluded that the current policy is still valid and relevant.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION

Independent Directors

During the financial year under review, the Board consisted of four (4) members, comprising one (1) Executive Director, one (1) Independent Non-Executive Chairman, one (1) Independent Non-Executive Director and one (1) Non-Independent Non-Executive Director.

On 2 June 2020, Mr Lee Boon Siong was appointed to the Board as Independent Non-Executive Director.

Hence, currently, the Board consists of five (5) members, comprising one (1) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, as follows: -

Name	Designation
Dato' Wong Gian Kui	Independent Non-Executive Chairman
Mr Tan Jian Hong,Aaron	Executive Director
Ms Wendy Kang Hui Lin	Non-Independent Non-Executive Director
Ms Anita Chew Cheng Im	Independent Non-Executive Director
Mr Lee Boon Siong *(appointed w.e.f 2/6/2020)*	Independent Non-Executive Director

Based on the current Board composition, more than half of the Board comprises Independent Directors thereby it meets the requirement of Paragraph 15.02(1) and (2) of Bursa Malaysia Listing Requirements and MCCG. The Board is satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their ability to act in the best interest of the Group as a whole. The Independent Non-Executive Directors have maintained their ability to act in the best interest of the Group as a whole. The Independent Non-Executive Directors also maintained their independence in discharging their roles, duties and responsibilities during the financial year under review, and that each of them continues to fulfill the definition of independence as set out in the Bursa Malaysia Listing Requirements. The Nomination Committee shall on an annual basis assess the independence of the Independent Directors.

Tenure of Independent Directors

The Board is aware that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years as recommended by MCCG. However, the Company presently does not have a policy which limits the tenure of its Independent Directors to nine (9) years.

Nevertheless, upon completion of nine (9) years, the Independent Director concerned may:-

(i) Continue to serve on the Board if deemed appropriate and suitable by the Board, subject to him/her being re-designated as a Non-Independent Director; or

(ii) Remain as an Independent Director if deemed appropriate and suitable by the Board, subject to the annual shareholders' approval and through a two-tier voting process to retain an independent director who has served for a consecutive 12 years or more. The Board must provide justification for the decision.

As at the date of this Annual Report, none of the Independent Non-Executive Directors have served a consecutive term of nine (9) years.

Appointment of Board and Senior Management

The Nomination Committee is responsible to oversee the selection process and assess the performance of the Directors with the objective of securing the best composition to meet the objectives of the Company. The Board recognizes that diversity at Senior Management level is also essential to enhance the effectiveness of a well functioned and balance organization while promoting good corporate governance culture. The diverse mix of profiles of the Board of members provide the required range of skills, expertise, experience, professionalism, contribution and competencies required for the Board to effectively discharge its duties in achieving an effective management and stewardship.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Appointment of Board and Senior Management *cont'd*

The selection and appointment of candidates for the Board membership involve the following procedures: -

(a) Identification of potential candidate(s) upon the recommendations by the existing Board members, senior management, substantial shareholders and/or independent sources such as corporate advisors, recruitment agencies, amongst others;
(b) Assessment on the suitability of potential candidate(s);
(c) Interview with potential candidate(s);
(d) Final deliberation by the Nomination Committee; and
(e) Recommendation to the Board for approval.

In the selection process, the Board and the Nomination Committee endeavour to appoint member(s) that can improve the Board's overall composition balance and enhance the Board's overall effectiveness in discharging its duties. The appointment of the key senior management is also based on criteria such as age, gender, skills, experience and education background.

The Board members collectively make decisions on appointment of a Director, upon recommendation by the Nomination Committee. The Nomination Committee shall first assess the required mix of skills and experience of the candidates, competency, integrity, time commitment and other qualities, before making a recommendation to the Board. In the case of candidates for the position of Independent Non-Executive Directors, the Nomination Committee will determine whether the test of independence under the Bursa Malaysia Listing Requirements are satisfied.

Pursuant to the Company's Constitution, at least one-third (1/3) of the Directors are subject to retirement by rotation at each Annual General Meeting and be subjected to re-election by shareholders at general meeting. All Directors shall retire at least once every three (3) years. The Directors to retire at each year are the Directors who have been longest in office since their last re-election. The Constitution also provides that Directors who are newly appointed by the Board shall retire and subject themselves for re-election by the shareholders at the next Annual General Meeting held following their appointment. In the event of any vacancy in the Board composition, the Board will fulfill within 3 months to comply with Paragraph 15.02 of MMLR.

The Nomination Committee has in its recent meeting conducted an evaluation on the Director who is standing for re-election and re-appointment at the forthcoming Annual General Meeting and upon the recommendation of the Nomination Committee and the Board, the re-election and re-appointment of the said Director is stated in the Notice of Annual General Meeting.

Policies and Gender Diversity

The Board is aware of the gender diversity promoted under the MCCG. The Board does not have any gender, ethnicity and age diversity policies and targets or set any measures to meet any target. Notwithstanding that, the Board will remain mindful of the gender diversity practice advocated by the MCCG.

The Company currently has two (2) female Directors, representing 40% of the Board's composition. The Board's composition and the Senior Management positions during the financial year under review are also diverse in terms of age and ethnicity.

The Group practices as an equal opportunity employer and all appointments and employments are strictly based on merits and are not driven by any racial, gender, ethnicity or age bias.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Nomination Committee

The Nomination Committee set up by the Board comprises exclusively of three (3) Non-Executive Directors as follows:-

Chairman	:	Dato' Wong Gian Kui	*Independent Non-Executive Director*
Members	:	Ms Wendy Kang Hui Lin	*Non-Independent Non-Executive Director*
		Ms Anita Chew Cheng Im	*Independent Non-Executive Director*

The Nomination Committee is chaired by an Independent Non-Executive Director. There was one (1) Nomination Committee Meeting held during the financial year ended 31 December 2019 and the Directors attendance are as follows: -

Name	Attendance
Dato' Wong Gian Kui (Chairman)	1 of 1 meeting
Ms Wendy Kang Hui Lin	1 of 1 meeting
Ms Anita Chew Cheng Im	1 of 1 meeting

The terms of reference of the Nomination Committee is available on the Company's website at www.alpha-tiles.com.my.

The Nomination Committee is charged with the responsibility to oversee the selection and assessment of Directors. The Nomination Committee reviews the effectiveness of the Board, its Committees and the contributions of each individual Director, including Independent Non-Executive Directors, on an annual basis. The Nomination Committee also keeps under review the Board structure, size, composition, and mix of skills, business acumen and competencies required for the Board to effectively discharge its duties.

The Board through the Nomination Committee ensures that only individuals with proper knowledge, experience, caliber, professionalism and integrity to fulfill the duties of a Director are recruited to the Board.

Annually, an assessment is conducted on the effectiveness of the Board. The assessment covers:-

- Board composition and size
- Segregation of duties, roles and responsibilities
- Board balance. The composition of the Board, including the mix of Independent and Non-Independent Directors
- Board structure and procedures
- Right mix of members with the appropriate skills and experience to cope with complexities, competition and changes
- Oversight of management

Based on the assessment on the Board for the financial year 2019, the Board was satisfied with the composition, performance and effectiveness of the Board in discharging its roles and responsibilities for the benefits of the Group. It also met its target on the gender balance at 50% of women Directors on Board.

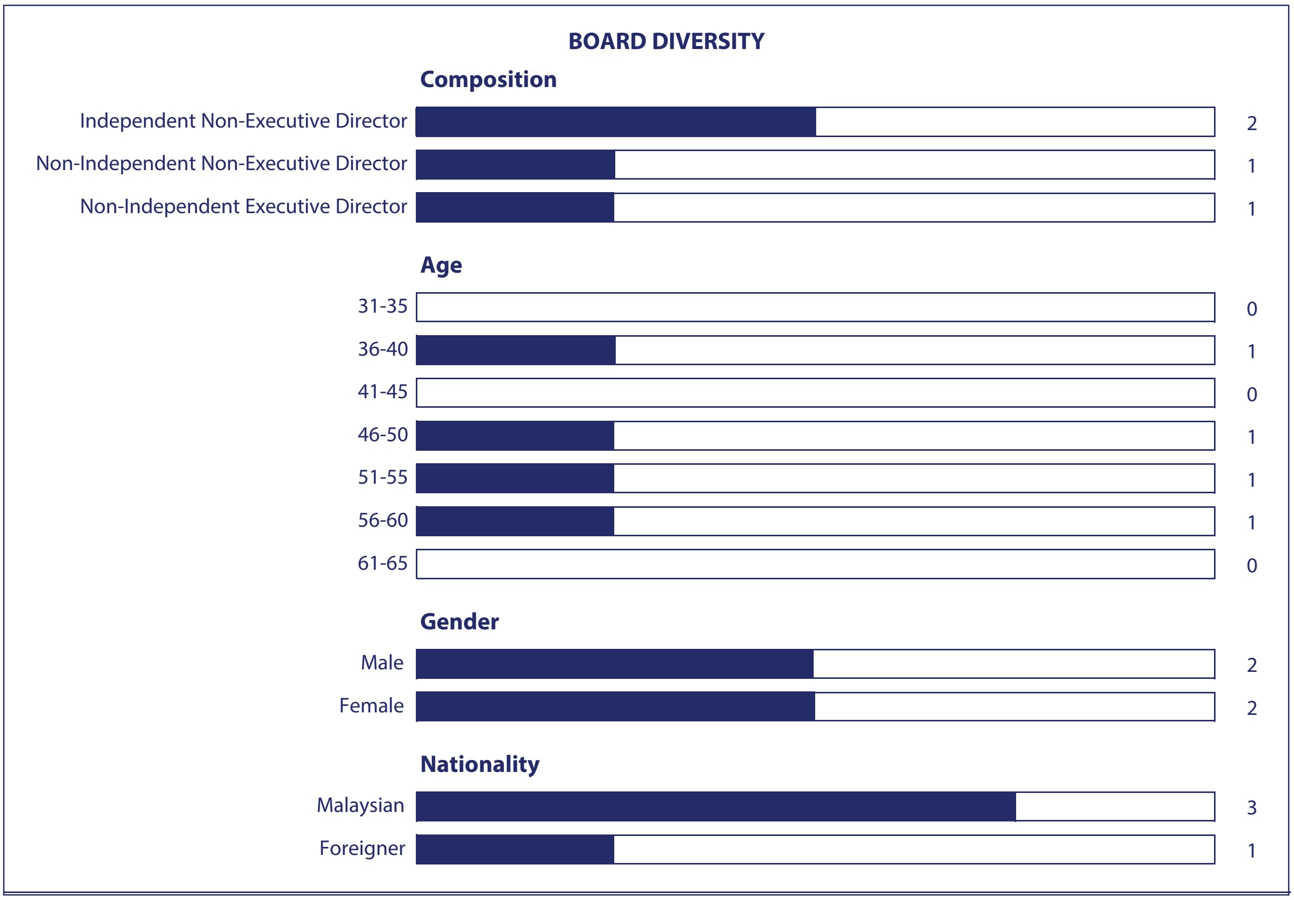
Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Nomination Committee

The Board Diversity for financial year 2019 is displayed as follows: -



Another assessment on individual Director is also conducted for the year 2019 which covers the assessment on:-

- General knowledge and skills
- Understanding the company
- Contributes as a Director
- Independence and objectivity

Based on the assessment on individual Director, the result showed good performance of individual Director during the financial year 2019. Overall, all Directors have been effective in discharging their roles and duties as a Director and there is a right mix of knowledge, skills and expertise.

For the financial year ended 31 December 2019, Ms Wendy Kang Hui Lin is due for retirement and re-election at the Company's forthcoming Annual General Meeting in accordance with Clause 103 of the Company's Constitution. In view of her positive participation and effective contribution to the activities of the Board, the Nomination Committee recommended to the Board for her re-election and re-appointment at the forthcoming Annual General Meeting. Mr Lee Boon Siong, who was appointed to the Board on 2 June 2020 is also due for retirement and re-election at the forthcoming AGM in accordance with Clause 110 of the Company's Constitution.

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Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Remuneration Committee

The Remuneration Committee set by the Board comprises three (3) Non-Executive and one (1) Executive Directors as follows:-

Chairman	:	Dato' Wong Gian Kui	*Independent Non-Executive Director*
Members	:	Mr Tan Jian Hong, Aaron	*Executive Director*
		Ms Wendy Kang Hui Lin	*Non-Independent Non-Executive Director*
		Ms Anita Chew Cheng Im	*Independent Non-Executive Director*

The Remuneration Committee is chaired by an Independent Non-Executive Director. There was one (1) Remuneration Committee Meeting held during the financial year ended 31 December 2019 and the Directors attendance are as follows: -

Name	Attendance
Dato' Wong Gian Kui (Chairman)	1 of 1 meeting
Mr. Tan Jian Hong, Aaron	1 of 1 meeting
Ms Wendy Kang Hui Lin	1 of 1 meeting
Ms Anita Chew Cheng Im	1 of 1 meeting

The terms of reference of the Remuneration Committee is available on the Company's website at www.alpha-tiles.com.my

Time Commitment

The Board convenes regular meetings on a quarterly basis to deliberate on the Group's overall strategies, operations and financial performance of the Group, with additional meetings to be convened from time to time to resolve any major and ad hoc matters that require immediate attention. Directors are allowed to either participate in person or through other communication channels. In the periods between the Board Meetings, Board approvals were sought via written resolutions and conclusions and relevant supporting documents are attached for sufficient information required for Directors to make an informed decision

The Directors' consent is obtained by Company Secretary to ensure availability for the quarterly meeting and to enable the Directors to plan ahead. The Directors have devoted sufficient time to carry out their responsibilities.

During the financial year 31 December 2019, there were five (5) Board meetings held and the attendance of the individual Directors at the Board meetings are as follows:-

Name of Director	Number of board meetings held during the year	Number of meetings attended during the year
Dato' Wong Gian Kui	5	5/5
Mr Tan Jian Hong,Aaron	5	5/5
Ms Wendy Kang Hui Lin	5	5/5
Ms Anita Chew Cheng Im	5	5/5

All Directors have complied with the minimum attendance at Board meetings as stipulated by the Bursa Malaysia Listing Requirements.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. BOARD COMPOSITION *cont'd*

Directors' Training

The Board takes cognizance of the importance of continuous training in keeping the Directors updated and informed on the changes and developments of operating environment and the corporate regulatory framework. In order to keep abreast of the latest development of the various issues in the continuously changing environment in which the Group operates, the Board has prescribed minimum Continuing Education Programs ("CEP") points per annum to be attained by each Director. For the year ended 31 December 2019, all the Directors save for Ms Wendy Kang Hui Lin have achieved the prescribed CEP points and the programs attended by the Directors were EY's 7 Drivers of Growth for YPO, Market Outlook Seminars by Credit Suisse and Deutsche Bank and Workshop on Corporate Liability Provision (Section 17A) of the MACC Act 2009.

Ms Wendy Kang Hui Lin was not able to attend any training programme during the financial year 2019 due to her work and personal commitments.

The Directors will continue to attend relevant training programmes to further enhance their skills and knowledge and to keep abreast with relevant changes and developments in the market place to assist them in discharging their stewardship role.

III. REMUNERATION

Directors' Remuneration

The Board recognizes the need to structure the remuneration packages for Directors so as to be able to attract, retain and motivate Directors of the right caliber required to manage the Group and to align the interests of the Directors with those of the shareholders. The Remuneration Committee is responsible for recommending to the Board the remuneration framework and remuneration packages of the Executive Directors in all its forms. The Board as a whole, determines the remuneration for Non-Executive Directors with individual directors abstain from decision making process pertaining to their own remuneration.

Details of the Directors' remuneration (including benefits-in-kind) for each Director during the financial year 2019 are as follows:-

Company

	RM'000					
	Salaries	Fees	Bonuses	Other Remuneration	Benefits-in-kind	Total
Executive Director						
Mr Tan Jian Hong,Aaron	-	-	-	-	-	-
Non-Executive Director						
Dato' Wong Gian Kui	-	70	-	-	-	70
Ms Wendy Kang Hui Lin	-	-	-	-	-	-
Ms Anita Chew Cheng Im	-	70	-	-	-	70
Total	-	140	-	-	-	140

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

III. REMUNERATION *cont'd*

Directors' Remuneration *cont'd*

Group

	RM'000					
	Salaries	**Fees**	**Bonuses**	**Other Remuneration**	**Benefits-in-kind**	**Total**
Executive Director						
Mr Tan Jian Hong,Aaron	440	59	-	-	-	499
Non-Executive Director						
Dato' Wong Gian Kui	-	70	-	-	-	70
Ms Wendy Kang Hui Lin	-	59	-	-	-	59
Ms Anita Chew Cheng Im	-	70	-	-	-	70
Total	440	258	-	-	-	698

The Remuneration Committee has proposed that there is no change to the 2019 Directors' remuneration structure and fees from year 2018. These fees will be tabled for approval at the Company's forthcoming Annual General Meeting.

The remuneration package for Senior Management is studied and reviewed by the Executive Director and Human Resource Department at the Company level. The final remuneration package for Senior Management is decided and approved by the Executive Director. The Board is satisfied with the current structure and manner in arriving at the proposed remuneration package for all Directors and the Management.

The Board is committed to the required MCCG practice by disclosing the Board's remuneration in detail as above but due to the sensitivity and confidentiality of the information, the remuneration of top five senior management is not disclosed in this Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

Composition of Audit Committee

The Audit Committee is chaired by an Independent Non-Executive Director and is comprised of the following three (3) members: -

Chairman	:	Ms Anita Chew Cheng Im	*Independent Non-Executive Director*
Members	:	Dato' Wong Gian Kui	*Independent Non-Executive Director*
		Ms Wendy Kang Hui Lin	*Non-Independent Non-Executive Director*

None of the Audit Committee members are former key audit partner of the External Auditors. Nevertheless, a cooling-off period of at least two (2) years shall be observed by the Board before such person is being appointed as a member of the Audit Committee.

The members of the Audit Committee are financially literate with a member of the Audit Committee being a member of the Malaysia Institute of Accountants. The Audit Committee members collectively possesses a mix of skills, knowledge and experience to discharge their duties and responsibilities to oversee the financial reporting process, internal controls, risk management and governance effectively and independently.

Corporate Governance Overview Statement
cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

I. AUDIT COMMITTEE *cont'd*

Composition of Audit Committee *cont'd*

The terms of reference of the Audit Committee is available on the Company's website at www.alpha-tiles.com.my.

Compliance with Applicable Financial Reporting Standards

The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting. The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Malaysia.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 December 2019 are prepared in accordance with the Malaysian Financial Reporting Standards, Listing Requirements of Bursa Malaysia and the Companies Act 2016.

External Auditors

The Audit Committee maintains a transparent relationship with the External Auditors. The External Auditors attends the Audit Committee meeting at least twice a year to discuss their audit plan, nature of scope of audit, audit findings and evaluation of the system of internal controls and audit report.

The Board recognizes that the independent opinion of the Group's External Auditors is an essential reassurance to the shareholders that the Group's financial statements present a true and fair view of its financial position, financial performance and cash flows status.

The Board strives to establish a transparent and professional relationship with the External Auditors with the assistance of the Audit Committee. Participation of the Executive Directors and/or Senior Management in the Audit Committee meetings is strictly by invitation only, so that the External Auditors can highlight any issues/concerns on the Group's operations and management practices.

The Audit Committee is responsible to review and monitor the suitability and independence of the External Auditors and make recommendation for the audit fees. The Audit Committee has obtained confirmation from the External Auditors that they are and have been independent throughout the conduct of the audit process in accordance with the terms of all relevant professional and regulatory requirements.

The Audit Committee would review the performance and suitability including independence of the External Auditors by performing an annual assessment based on the caliber of the firm, quality processes, audit team, independence and objectivity, audit scope and planning, audit fees and audit communications. The Audit Committee would obtain the feedback from the Management as part of the assessment process.

Upon the completion of the assessment and if found suitable by the Audit Committee, the External Auditors would then be recommended to the Board for their re-appointment, and thereafter for tabling to the shareholders of the Company for approval at the Annual General Meeting.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management and Internal Control Framework

The Board acknowledges that a sound risk management and internal control system is necessary to be established in order to support the Group's objectives and to safeguard the shareholders' investment and the Group's assets.

Corporate Governance Overview Statement
cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK *cont'd*

Risk Management and Internal Control Framework *cont'd*

The Board affirms its overall responsibility in ensuring the adequacy, effectiveness and integrity of the Group's risk management and internal control systems. The effectiveness of the system of risk management and internal control may vary over time due to the changing circumstances and conditions of the Company and the Group.

The Board has given the authority to Audit Committee in the risk governance and oversight function. The Risk Management Committee has been established to ensure the implementation of appropriate systems to manage the overall risk exposures of the Group and reports directly to Audit Committee.

The Statement of Risk Management and Internal Control is set out in this Annual Report provides an overview of the state of risk management and internal control within the Group.

Risk Management Committee

The Audit Committee established Risk Management Committee to support the Audit Committee in the management and maintenance of the risk management framework and the sustainability framework.

The Risk Management Committee comprises of the Executive Director(s) and the heads of all departments, namely finance, human resource, production, marketing, information technology and research and development.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

Communication with Stakeholders

The Board recognizes the importance of maintaining active communication with its shareholders and other stakeholders, and timely dissemination of information concerning the Group's business performance.

The key mean for communications with shareholders is the Annual General Meeting ("AGM") where sufficient time will be allocated to obtain feedback from the shareholders or for shareholders to raise questions or concerns. Members of the Board, the Management and the auditors of the Company are present at the AGM to respond to any queries from the shareholders.

Besides that, to ensure effective dissemination of information to the shareholders and stakeholders, the Group makes necessary announcements on the Group's affairs and development in accordance with the Listing Requirements of the Bursa Malaysia through the website of the Bursa Malaysia.

Uphold Integrity Financial Reporting

The Board understands that integrated report improves the quality of information available to investors and promotes greater transparency and accountability on the part of the Group. The Board aims to provide an understandable true and fair assessment of the Group's financial performance and a balanced assessment of the Group's prospects principally through the quarterly financial reports to the Bursa Malaysia and the Annual Report to shareholders.

The Audit Committee reviews and monitors the suitability and independence of external auditors. The independence of external auditors can be impaired by the provision of non-audit services to the Group. Therefore, the Audit Committee has established policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors.

The Audit Committee has obtained assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Corporate Governance Overview Statement
cont'd

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

I. COMMUNICATION WITH STAKEHOLDERS *cont'd*

Directors' Responsibility Statement in respect of the Audited Financial Statements

The Companies Act 2016 requires the Directors to prepare the financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of the results of the operations and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that the Group has selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates. Applicable approved accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors also have a general responsibility for taking reasonable steps to safeguard the assets of the Group and for the prevention and detection of fraud and other irregularities.

Ensure Timely and High-Quality Disclosure

The Board has ensured that the Group complied with all relevant disclosure requirements required by Bursa Malaysia Listing Requirements. The Board has also specifically dedicated an "Investor Relations" section on the Group's corporate website to provide information such as announcements, financial results, Board Charter, Code of Conduct and Sustainability Policy.

II. CONDUCT OF GENERAL MEETINGS

Notice of Annual General Meetings

The Board always encourage the shareholders to attend the Company's general meetings particularly the Annual General Meetings, as it forms an important platform where the shareholders can engage directly with the Board and the Management and to raise any questions on the resolutions being proposed and any concerns that they may have on the Group. The Board, Senior Management and the Company's External Auditors would be present at the Annual General Meeting to respond to questions addressed to them.

Notice of Annual General Meeting together with the Annual Report are circulated to the shareholders at least twenty-one (21) days prior to the meeting to ensure sufficient notice period is given to the shareholders for them to schedule their time to attend the Company's Annual General Meeting. Shareholders who are unable to attend personally are allowed to appoint proxy/proxies to attend, participate, speak and vote on their behalf.

A summary of key matter discussed at the Annual General Meeting, if any, will be published on the Group's corporate website for shareholders information.

Poll Voting

The Board is mindful of the poll voting requirements under Paragraph 8.29A of the Listing Requirements of Bursa Malaysia. All resolutions passed by the shareholders at the previous Annual general Meeting held on 28 May 2019 were voted by way of poll. An independent scrutineer was appointed to validate the votes cast at that Annual General Meeting.

The outcome of all resolutions tabled at the general meetings shall be announced to Bursa Malaysia on the same day after the meeting.

This Corporate Governance Overview Statement were approved by the Board of Directors on 1 June 2020.

Other Information

1. MATERIAL CONTRACTS

There were no material contracts involving the Company and its subsidiaries with Directors and substantial shareholders since the end of the previous financial year.

2. SANCTIONS AND/OR PENALTIES

There was no sanction and/or penalty imposed on the Group, Directors or management by the relevant regulatory bodies during the financial year.

3. SHARE BUY-BACK

During the financial year ended 31 December 2019 and up to 29 May 2020, the Company had purchased its own shares as follows:-

Month	No of shares purchased	Purchase price per unit Lowest RM	Purchase price per unit Highest RM	Average cost per share RM	Total cost RM'000
Balance b/f	-				-
Jan to Apr 2019	-	-	-	-	-
May 2019	2,000	0.64	0.64	0.64	1
June 2019	1,600	0.63	0.63	0.63	1
July 2019	-	-	-	-	-
Aug 2019	4,100	0.58	0.58	0.58	3
Sep 2019	56,400	0.53	0.60	0.57	33
Oct 2019	85,700	0.55	0.59	0.57	50
Nov 2019	10,000	0.58	0.59	0.59	6
Dec 2019	13,000	0.55	0.57	0.56	7
Jan 2020	31,600	0.55	0.56	0.56	18
Feb 2020	56,700	0.54	0.55	0.55	31
Mar 2020	223,800	0.45	0.52	0.48	107
Apr to May 2020	-	-	-	-	-
Balance c/f	484,900			0.53	257

As at 31 December 2018, the number of treasury shares held in hand was 14,429,408 ordinary shares at a total cost of RM11,389,805. On 17 April 2019, all these treasury shares were cancelled by the Company.

The shares repurchased during the financial year are retained as treasury shares. There was no resale of treasury shares or cancellation of shares during the financial year ended 31 December 2019 and up to 29 May 2020.

Audit Committee Report

A. ESTABLISHMENT AND COMPOSITION

The membership of the Audit Committee at the date of the report is as follows:-

Chairman	:	Ms. Anita Chew Cheng Im	*Independent Non-Executive Director*
Members	:	Ms Wendy Kang Hui Lin	*Non-Independent Non-Executive Director*
		Dato' Wong Gian Kui	*Independent Non-Executive Director*

B. MEETINGS

During the financial year, the Audit Committee held five (5) meetings. Details of each member's meeting attendances are as follows:-

Name	Attendance
Ms Anita Chew Cheng Im	5 of 5 meetings
Ms Wendy Kang Hui Lin	5 of 5 meetings
Dato' Wong Gian Kui	5 of 5 meetings

The meetings were appropriately structured through the use of agendas, which were distributed to the members with sufficient notification.

The Executive Directors, other senior management and company secretaries together with representatives of the external auditors, Messrs KPMG PLT, were present by invitation at all the meetings.

C. TERMS OF REFERENCE

The terms of reference of the Committee is available on the Company's website at www.alpha-tiles.com.my

D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Committee carried out its duties in accordance with its terms of reference during the year.

The main activities undertaken by the Audit Committee during the financial year included the following:-

1) Reviewed and recommended for Board approval the quarterly unaudited financial statements for announcement to the Bursa Securities;

2) In respect of the quarterly condensed financial statements as well as the semiannual returns, reviewed the Company's compliance with the Listing Requirements of the Bursa Securities, Malaysian Accounting Standards Board ("MASB") and other legal and regulatory requirements;

3) Reviewed the audit report and observations made by the external auditors on the audited financial statements that require appropriate management action and the management's response thereon and reported the same to the Board;

4) Considered and recommended to the Board for approval of the audit fees payable to the external auditors as disclosed in Note 16 to the Financial Statements – (Loss)/Profit for The Year.

5) Reviewed the external auditors' scope of work and audit plan for the financial year 2019;

Audit Committee Report
cont'd

D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR *cont'd*

6) Reviewed the independence and objectivity of the external auditors and the services provided, including non-audit services. During the financial year ended 31 December 2019, the non-audit fees paid to the external auditors of the Group and of the Company amounted to RM48,500 and RM33,500 respectively mainly for the quarterly agreed upon procedures on the condensed financial statements and ;

7) Reviewed the report from the Risk Management Committee and management action plans for improvement opportunities in risk management, internal controls, sustainability and governance processes;

8) Reviewed the quarterly updates on the related party transactions entered into by the Group and ensured all transactions are at arm's length;

9) Reviewed the annual report (which included the Corporate Governance Overview Statement, Corporate Governance Report, Audit Committee Report, Statement on Risk Management and Internal Control and Sustainability Statement) and audited financial statements of the Group and recommended to the Board for approval;

10) Reviewed the internal audit reports, which highlighted audit issues, recommendations and management response and action plans. Discussed with management actions taken to improve the system of internal controls based on the improvement opportunities identified in the internal audit reports.

11) Reviewed the internal audit plan for the year under review; and

12) Held one meeting with the external auditors without the presence of any management or Executive Directors to discuss any significant matters which the external auditors may wish to raise.

E. INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to a professional services firm who reports directly to the Audit Committee. The person responsible for the outsourced internal audit function is Mr. Chang Ming Chew, a director with the professional services firm and is a Certified Internal Auditor holding a Certification in Risk Management Assurance from the Institute of Internal Auditors; professional member of the Institute of Internal Auditors Malaysia; member of the Association of Chartered Certified Accountants (UK); and member with the Malaysian Institute of Accountants.

The principal role of the internal auditors is to undertake independent, regular and systematic reviews of the risk management, internal controls and corporate governance system so as to provide reasonable assurance that such systems are operating and continue to operate satisfactorily and effectively.

The internal audit function provides the Audit Committee with independent and objective reports on the state of risk management control systems and governance of the Group and the extent of compliance with the Group's policies and procedures as well as relevant statutory requirements and regulations.

The internal auditors submit reports on their activities, findings, recommendations for improvement opportunities, management responses and action plans at the Audit Committee meetings.

Summary of internal audit activities conducted during the year include review of internal control related to the followings:

- Corporate Liability Provision of the Malaysian Anti-Corruption Commission (Amendment) Act 2018
- Research & Development of Glaze
- Product Costing Function
- Production Planning Function

The costs incurred for the internal audit function in respect of the financial year ended 31 December 2019 amounted to RM40,000.00. Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board is committed to maintaining a sound system of internal control and risk management in the Group and is pleased to provide the following statement which outlines the main features and scope of the risk management and internal control system of the Group during the year.

BOARD OF DIRECTORS' RESPONSIBILITIES

The Board is responsible for the Group's system of internal control and risk management, including the establishment of an appropriate control environment and framework as well as reviewing its adequacy and effectiveness. Because of the inherent limitations in any system of internal controls, such a system is designed to manage rather than eliminate the risk of failure to achieve business and corporate objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal controls covers, interalia, risk management and financial, organisational, operational and compliance controls.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies. This process has been in place for the year under review and up to the date of approval of this statement for inclusion in the annual report. The review on the adequacy and effectiveness of the risk management and internal control system has been undertaken by the Board.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Board has put in place a Risk Management Policy manual which outlines the risk management framework for the Group, which among others, includes an on-going process of identifying, prioritising and formulating action plans to mitigate significant risks. These identified risk aspects are incorporated into the risk register and individually rated as Significant, High, Moderate or Low risk. The rating process is guided by a matrix of "Control Effectiveness", "Residual Likelihood" and "Residual Consequence", of which both financial and non-financial impacts are duly considered.

The responsibilities for risk management has been cascaded to all heads of department, who report to an operation level Risk Management Committee ("RMC"). The RMC is tasked to ensure the implementation of appropriate systems to manage the overall risk exposures of the Group, including ensuring that the Group's risk policies and procedures are adhered to, maintaining the risk register, and developing relevant strategies and plans to mitigate the negative impact or reduce the likelihood of occurrence of significant risks towards achieving a residual risk that is within the acceptable tolerance limit.

The RMC will subsequently apprise the Audit Committee on the matters and issues identified will be deliberated in the quarterly meetings.

INTERNAL AUDIT

The internal audit function of the Group is outsourced to a professional services firm who reports directly to the Audit Committee. The internal audit firm carries out its function independently with risk-based approach and reports to the Audit Committee and the Board on the adequacy and effectiveness of the system of internal controls in areas reviewed during the financial year.

The Audit Committee approves the annual internal audit plan; reviews the findings and recommendations of the internal auditors; evaluates the management responses and action plans to improve any control weaknesses raised before reporting and making recommendations to the Board. The Audit Committee presents its findings to the Board at the scheduled quarterly meetings or earlier as appropriate.

Statement on Risk Management and Internal Control
cont'd

OTHER KEY COMPONENTS OF INTERNAL CONTROL SYSTEM

Apart from risk management and the internal audit, the other key components of the Group's internal control system are:-

(1) Organisational Structure

The Board has put in place an organisational structure with formally defined lines of responsibility and delegation of authority.

(2) Reporting and Review

Quarterly management accounts and reports are submitted to the Board members which include among others financial and non-financial key performance indicators, the monitoring of results against budget, with major variances being explained and management action taken, where necessary.

(3) Operational Policies and Procedures

Documented operating procedures and policies manuals form an integral part of the internal control system to safeguard the Group's assets and ensure accurate, timely and complete information for decision making.

REVIEW OF STATEMENT BY EXTERNAL AUDITOR

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

The Board has reviewed the adequacy and effectiveness of the risk management and internal control system through the above processes and is not aware of any significant weaknesses or deficiencies in the Group's risk management and internal control system for the year under review and up to the date of this report. The Board has also received assurance from the Executive Director and Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material respects.

The Statement of Risk Management and Internal Control was approved by the Board of Directors on 1 June 2020.

FINANCIAL STATEMENTS

Directors' Report

For the year ended 31 December 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

RESULTS

	Group RM	Company RM
(Loss)/Profit for the year	(5,799,184)	537,398

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Mr. Tan Jian Hong, Aaron
Ms. Wendy Kang Hui Lin
Dato' Wong Gian Kui
Ms. Anita Chew Cheng Im
Mr. Hsieh Yu-Tien (resigned on 22 February 2019)

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' Report

For the year ended 31 December 2019
cont'd

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

		Number of ordinary shares			
Name of Directors	**Interest**	**At 1 January 2019**	**Bought**	**Sold**	**At 31 December 2019**
Company					
Mr. Tan Jian Hong, Aaron	Deemed^	66,757,876	-	-	66,757,876
Ms. Wendy Kang Hui Lin	Deemed^	66,757,876	-	-	66,757,876

^ *By virtue of shares held by Hampton Capital Pte. Ltd., a company in which he/she has interest.*

None of the other Directors holding office at 31 December 2019 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those disclosed in Note 21 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

ISSUE OF SHARES

During the financial year, the Company repurchased 172,800 of its issued share capital from the open market at an average price of RM0.59 per share including transaction costs and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

On 17 April 2019, a resolution was approved by Directors where the Company cancelled 14,429,408 of its ordinary shares bought back that held as treasury shares. In accordance with Section 127(14) of the Companies Act 2016, the issued capital of the Company shall be diminished by the treasury shares cancelled.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors' Report

For the year ended 31 December 2019
cont'd

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of premium paid for insurance effected for Directors and officers of the Company is RM8,000 for a total sum insured of RM5 million.

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

The auditors' reports on the audited financial statements of Company's subsidiaries did not contain any qualification or any adverse comments.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors' Report
For the year ended 31 December 2019
cont'd

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 16 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Jian Hong, Aaron
Director

Wendy Kang Hui Lin
Director

Johor Bahru
Date: 1 June 2020

Statements of Financial Position

as at 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Assets					
Property, plant and equipment	3	49,408,899	59,181,891	-	-
Right-of-use assets	4	6,089,230	-	-	-
Investments in subsidiaries	5	-	-	80,371,207	80,371,207
Deferred tax assets	6	642,179	258,000	-	-
Total non-current assets		56,140,308	59,439,891	80,371,207	80,371,207
Inventories	7	47,011,679	56,318,592	-	-
Trade and other receivables	8	29,291,049	28,939,883	2,000	1,502,000
Contract assets	9	5,783,466	5,449,480	-	-
Current tax assets		975,976	2,023,363	2,953	61,328
Other investments	10	25,051,062	24,571,506	20,835,440	19,023,863
Cash and cash equivalents	11	52,961,695	45,228,088	499,434	407,149
Total current assets		161,074,927	162,530,912	21,339,827	20,994,340
Total assets		217,215,235	221,970,803	101,711,034	101,365,547
Equity					
Share capital	12	93,692,416	100,907,120	93,692,416	100,907,120
Reserves	12	102,518,126	101,163,827	7,812,482	161,724
Total equity attributable to owners of the Company		196,210,542	202,070,947	101,504,898	101,068,844
Liabilities					
Lease liabilities		278,232	-	-	-
Deferred tax liabilities	6	185,848	923,298	-	-
Total non-current liabilities		464,080	923,298	-	-
Lease liabilities		229,513	-	-	-
Trade and other payables	13	20,124,988	18,905,599	206,136	296,703
Current tax liabilities		186,112	70,959	-	-
Total current liabilities		20,540,613	18,976,558	206,136	296,703
Total liabilities		21,004,693	19,899,856	206,136	296,703
Total equity and liabilities		217,215,235	221,970,803	101,711,034	101,365,547

The accompanying notes form an integral part of the financial statements.

Statements of Profit or Loss

for the year ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Revenue	14	117,993,668	118,532,184	1,119,605	2,096,566
Cost of sales		(113,582,545)	(111,820,549)	-	-
Gross profit		4,411,123	6,711,635	1,119,605	2,096,566
Other income		512,646	312,341	-	100,286
Distribution expenses		(6,762,703)	(6,611,452)	-	-
Administrative expenses		(4,744,441)	(4,613,823)	(512,234)	(501,223)
Other expenses		(541,583)	(806,153)	(71,903)	-
Results from operating activities		(7,124,958)	(5,007,452)	535,468	1,695,629
Finance income		861,960	632,722	4,410	11,136
Finance costs		(31,267)	-	-	-
Net finance income		830,693	632,722	4,410	11,136
(Loss)/Profit before tax		(6,294,265)	(4,374,730)	539,878	1,706,765
Tax income/(expense)	15	495,081	1,219,898	(2,480)	-
(Loss)/Profit for the year	16	(5,799,184)	(3,154,832)	537,398	1,706,765
Basic loss per ordinary share (sen)	17	(3.98)	(2.14)		

The accompanying notes form an integral part of the financial statements.

Statements of Profit or loss and Other Comprehensive Income

for the year ended 31 December 2019

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
(Loss)/Profit for the year attributable to owners of the Company	(5,799,184)	(3,154,832)	537,398	1,706,765
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations/ **Other comprehensive income/(expense) for the year, net of tax**	43,707	(8,309)	-	-
Total comprehensive (expense)/income for the year attributable to owners of the Company	(5,755,477)	(3,163,141)	537,398	1,706,765

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

		Attributable to owners of the Company				
		Non-distributable			Distributable	
		Share capital	Translation reserve	Treasury shares	Retained earnings	Total equity
Group	**Note**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 January 2018		100,907,120	3,579,453	(6,465,184)	112,137,320	210,158,709
Foreign currency translation differences for foreign operations/**Other comprehensive expense for the year, net of tax**		-	(8,309)	-	-	(8,309)
Loss for the year		-	-	-	(3,154,832)	(3,154,832)
Total comprehensive expense for the year		-	(8,309)	-	(3,154,832)	(3,163,141)
Contributions by and distributions to owners of the Company						
Own shares acquired/ **Total transactions with owners of the Company**	12	-	-	(4,924,621)	-	(4,924,621)
At 31 December 2018		100,907,120	3,571,144	(11,389,805)	108,982,488	202,070,947
At 1 January 2019, as previously reported		100,907,120	3,571,144	(11,389,805)	108,982,488	202,070,947
Adjustment on initial application of MFRS 16, net of tax		-	-	-	(3,584)	(3,584)
At 1 January 2019, restated		100,907,120	3,571,144	(11,389,805)	108,978,904	202,067,363
Foreign currency translation differences for foreign operations/**Other comprehensive expense for the year, net of tax**		-	43,707	-	-	43,707
Loss for the year		-	-	-	(5,799,184)	(5,799,184)
Total comprehensive income/ (expense) for the year		-	43,707	-	(5,799,184)	(5,755,477)
Contributions by and distributions to owners of the Company						
- Own shares acquired	12	-	-	(101,344)	-	(101,344)
- Cancellation of treasury shares	12	(7,214,704)	-	11,389,805	(4,175,101)	-
Total transactions with owners of the Company		(7,214,704)	-	11,288,461	(4,175,101)	(101,344)
At 31 December 2019		93,692,416	3,614,851	(101,344)	99,004,619	196,210,542

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

for the year ended 31 December 2019

Company	Note	Share capital RM	Treasury shares RM	Retained earnings RM	Total equity RM
		Attributable to owners of the Company			
		Non-distributable		Distributable	
At 1 January 2018		100,907,120	(6,465,184)	9,844,764	104,286,700
Profit and total comprehensive income for the year		-	-	1,706,765	1,706,765
Contributions by and distributions to owners of the Company					
Own shares acquired/**Total transactions with owners of the Company**	12	-	(4,924,621)	-	(4,924,621)
At 31 December 2018/1 January 2019		100,907,120	(11,389,805)	11,551,529	101,068,844
Profit and total comprehensive income for the year		-	-	537,398	537,398
Contributions by and distributions to owners of the Company					
Own shares acquired	12	-	(101,344)	-	(101,344)
Cancellation of treasury shares	12	(7,214,704)	11,389,805	(4,175,101)	-
Total transactions with owners of the Company		(7,214,704)	11,288,461	(4,175,101)	(101,344)
At 31 December 2019		93,692,416	(101,344)	7,913,826	101,504,898

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

for the year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash flows from operating activities				
(Loss)/Profit before tax	(6,294,265)	(4,374,730)	539,878	1,706,765
Adjustments for:				
Depreciation of:				
- Property, plant and equipment	5,434,708	5,696,770	-	-
- Right-of-use assets	247,113	-	-	-
Dividend income from:				
- Other investments	(760,182)	(796,006)	(619,605)	(596,566)
- A subsidiary	-	-	(500,000)	(1,500,000)
Property, plant and equipment:				
- (Gain)/loss on disposal	(36,295)	8,480	-	-
- Written off	54,780	54,338	-	-
Change in fair value of other investments	44,111	(139,151)	71,903	(100,286)
Finance income	(861,960)	(632,722)	(4,410)	(11,136)
Finance costs	31,267	-	-	-
Inventories written down	183,034	3,475,795	-	-
Allowance for/(Reversal of allowance for) slow moving inventories	6,192	(21,830)	-	-
Trade receivables:				
- Impairment loss	195,548	508,016	-	-
- Amount written off	50,421	5,275	-	-
Operating (loss)/profit before changes in working capital	(1,705,528)	3,784,235	(512,234)	(501,223)
Change in inventories	9,117,687	(11,351,711)	-	-
Change in contract assets	(333,986)	(1,311,668)	-	-
Change in trade and other receivables	(563,110)	(2,471,151)	-	125
Change in trade and other payables	1,219,389	3,423,933	(90,567)	1,587
Cash generated from/(used in) operations	7,734,452	(7,926,362)	(602,801)	(499,511)
Tax refunded/(paid)	535,992	(890,045)	55,895	(1,335)
Interest paid	(31,267)	-	-	-
Net cash from/(used in) operating activities	8,239,177	(8,816,407)	(546,906)	(500,846)

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

for the year ended 31 December 2019
cont'd

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from investing activities					
Acquisition of property, plant and equipment		(1,449,270)	(1,240,994)	-	-
Proceeds from disposal of property, plant and equipment		36,300	6,451	-	-
Dividends received from:					
- Other investments		760,182	796,006	619,605	596,566
- Subsidiaries		-	-	2,000,000	-
Interest received		827,935	622,573	4,410	11,136
Net (acquisition)/ redemption of other investments		(523,667)	6,916,799	(1,883,480)	5,105,039
Net cash (used in)/from investing activities		(348,520)	7,100,835	740,535	5,712,741
Cash flows from financing activities					
Repurchase of treasury shares		(101,344)	(4,924,621)	(101,344)	(4,924,621)
Payment of lease liabilities		(100,240)	-	-	-
Net cash used in financing activities		(201,584)	(4,924,621)	(101,344)	(4,924,621)
Exchange differences on translation of the financial statement of foreign operations		44,534	(6,050)	-	-
Net increase/(decrease) in cash and cash equivalents		7,733,607	(6,646,243)	92,285	287,274
Cash and cash equivalents at 1 January		45,228,088	51,874,331	407,149	119,875
Cash and cash equivalents at 31 December	11	52,961,695	45,228,088	499,434	407,149

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

for the year ended 31 December 2019
cont'd

Cash outflows for leases as a lessee

	Note	Group 2019 RM	Group 2018 RM
Included in net cash from operating activities			
Payment relating to short- term leases	16	705,772	-
Interest paid in relation to lease liabilities	16	31,267	-
Included in net cash from financing activities			
Payment of lease liabilities		100,240	-
Total cash outflows for leases		837,279	-

Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	Adjustment on initial application of MFRS 16/At 1 January 2019 RM	Acquisition of new lease RM	Net changes from financing cash flows RM	At 31 December 2019 RM
Lease liabilities/ **Total liabilities from financing activities**	279,524	328,461	(100,240)	507,745

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

Yi-Lai Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Lot 7020, Batu 23
Jalan Air Hitam
81000 Kulai
Johor, Malaysia

Registered office
Suite 9D, Level 9
Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor, Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 5.

These financial statements were authorised for issue by the Board of Directors on 1 June 2020.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 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*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Notes to the Financial Statements
cont'd

1. BASIS OF PREPARATION *cont'd*

(a) Statement of compliance *cont'd*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments in the respective financial year when the above accounting standards, interpretations and amendments become effective, if applicable.

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company upon their first adoption.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 4 - Right-of-use assets and Note 7 - Inventories.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, Leases, there are changes to the accounting policies applied to lease contracts entered into by the Group as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 22.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of consolidation *cont'd*

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. W hen a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

(i) Recognition and initial measurement *cont'd*

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

The categories of financial assets at initial recognition are as follows:

(a) *Amortised cost*

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

(b) *Fair value through other comprehensive income*

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement cont'd

Financial assets *cont'd*

(b) Fair value through other comprehensive income cont'd

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(i)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement *cont'd*

Financial liabilities *cont'd*

(a) Fair value through profit or loss *cont'd*

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

(iii) Regular way purchase or sale of financial assets *cont'd*

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(d) Property, plant and equipment *cont'd*

(i) Recognition and measurement cont'd

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Plant and machinery	3 - 15 years
Motor vehicles, office and other equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(e) Leases *cont'd*

Current financial year

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a lessee

(i) Recognition and initial measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(e) Leases *cont'd*

Current financial year *cont'd*

As a lessee *cont'd*

(i) Recognition and initial measurement *cont'd*

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was classified as property, plant and equipment.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(e) Leases *cont'd*

Previous financial year *cont'd*

As a lessee *cont'd*

(ii) Operating leases

Leases, where the Group or the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and the leased assets were not recognised on the statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they were incurred.

Leasehold land which in substance was an operating lease was classified as prepaid lease payments.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, Financial Instruments (see Note 2(i)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(i) Impairment *cont'd*

(i) Financial assets cont'd

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(i) Impairment *cont'd*

(ii) Other assets

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expense

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(j) Equity instruments *cont'd*

(iii) Repurchase, disposal and reissue of share capital (treasury shares) cont'd

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

Where the treasury shares are subsequently distributed as dividends to shareholders, the cost of the treasury shares is applied as reduction of the distributable retained earnings.

(iv) Cancellation of share capital (treasury shares)

Where the treasury shares are cancelled, the cost of the treasury shares is applied as reduction of the distributable retained earnings, inter alia, the issued share capital is diminished by the treasury shares cancelled.

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities and on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(l) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(l) Revenue and other income *cont'd*

(i) Revenue *cont'd*

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(n) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

Notes to the Financial Statements
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(o) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(p) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the Financial Statements
cont'd

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM	Plant and machinery RM	Motor vehicles,office and other equipment RM	Construction-in-progress RM	Total RM
Group					
At cost					
At 1 January 2018	53,613,478	166,697,624	8,744,023	1,390,259	230,445,384
Additions	106,146	527,669	172,454	434,725	1,240,994
Disposals	-	(84,800)	(8,530)	-	(93,330)
Written off	-	(197,127)	(63,760)	-	(260,887)
Exchange differences	-	-	(974)	-	(974)
At 31 December 2018, as previously reported	53,719,624	166,943,366	8,843,213	1,824,984	231,331,187
Adjustment on initial application of MFRS 16	(7,563,975)	-	-	-	(7,563,975)
At 1 January 2019, as restated	46,155,649	166,943,366	8,843,213	1,824,984	223,767,212
Additions	2,491	332,499	230,234	884,046	1,449,270
Disposals	-	(10,425)	(170,225)	-	(180,650)
Written off	-	(905,898)	(4,692)	-	(910,590)
Transfers	-	198,901	1,390,313	(1,589,214)	-
Exchange differences	-	-	1,314	-	1,314
At 31 December 2019	46,158,140	166,558,443	10,290,157	1,119,816	224,126,556
Accumulated depreciation					
At 1 January 2018	12,830,364	146,097,688	7,808,137	-	166,736,189
Depreciation charge	742,283	4,464,495	489,992	-	5,696,770
Disposals	-	(69,871)	(8,528)	-	(78,399)
Written off	-	(144,213)	(62,336)	-	(206,549)
Exchange differences	-	-	1,285	-	1,285
At 31 December 2018, as previously reported	13,572,647	150,348,099	8,228,550	-	172,149,296
Adjustment on initial application of MFRS 16	(1,832,033)	-	-	-	(1,832,033)
At 1 January 2019, as restated	11,740,614	150,348,099	8,228,550	-	170,317,263
Depreciation charge	584,070	4,254,455	596,183	-	5,434,708
Disposals	-	(10,422)	(170,223)	-	(180,645)
Written off	-	(851,119)	(4,691)	-	(855,810)
Exchange differences	-	-	2,141	-	2,141
At 31 December 2019	12,324,684	153,741,013	8,651,960	-	174,717,657
Carrying amounts					
At 1 January 2018	40,783,114	20,599,936	935,886	1,390,259	63,709,195
At 31 December 2018	40,146,977	16,595,267	614,663	1,824,984	59,181,891
At 31 December 2019	33,833,456	12,817,430	1,638,197	1,119,816	49,408,899

Notes to the Financial Statements
cont'd

3. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	Group 2019 RM	Group 2018 RM
Carrying amounts of land and buildings		
Land	15,651,891	20,259,244
Buildings	18,181,565	19,887,733
	33,833,456	40,146,977

Others

The gross amount of property, plant and equipment of the Group that are fully depreciated but still in use amounted to RM124,470,000 (2018: RM121,806,000).

4. RIGHT-OF-USE ASSETS

	Land and buildings RM	Plant and machinery RM	Total RM
Group			
At 1 January 2019	5,731,942	275,940	6,007,882
Addition	328,461	-	328,461
Depreciation	(185,219)	(61,894)	(247,113)
At 31 December 2019	5,875,184	214,046	6,089,230

The Group leases land, buildings and machineries that run between 5 and 95 years.

4.1 Extension options

Some leases of office buildings contain extension options exercisable by the Group up to 2 years before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Group	Lease liabilities recognised (discounted) RM	Potential future lease payments not included in lease liabilities (discounted) RM
Buildings	287,405	328,461

As at 31 December 2019, it is not reasonably certain that the leases will be extended.

Notes to the Financial Statements
cont'd

4. RIGHT-OF-USE ASSETS *cont'd*

4.2 Significant judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
Cost of investment	80,371,207	80,371,207

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2019 %	Effective ownership interest and voting interest 2018 %
Yi-Lai Industry Berhad	Malaysia	Manufacture and sale of ceramic and homogeneous tiles	100	100
Yi-Lai Marketing Sdn. Bhd.	Malaysia	Trading and distribution of tiles	100	100
Yi-Lai Trading Pte. Ltd.*	Singapore	Trading and distribution of tiles	100	100

* *Not audited by KPMG PLT*

Notes to the Financial Statements
cont'd

6. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Group						
Property, plant and equipment	-	-	(3,890,000)	(4,429,908)	(3,890,000)	(4,429,908)
Inventories	2,959,363	3,211,485		-	2,959,363	3,211,485
Contract assets	-	-	(1,388,032)	(1,307,875)	(1,388,032)	(1,307,875)
Trade receivables	174,000	138,000		-	174,000	138,000
Unutilised reinvestment allowances	370,000	370,000	-	-	370,000	370,000
Unutilised tax losses	700,000	539,000	-	-	700,000	539,000
Unabsorbed capital allowances	1,390,000	674,000	-	-	1,390,000	674,000
Others	141,000	140,000	-	-	141,000	140,000
	5,734,363	5,072,485	(5,278,032)	(5,737,783)	456,331	(665,298)
Set-off of tax	(5,092,184)	(4,814,485)	5,092,184	4,814,485	-	-
Net tax assets/ (liabilities)	642,179	258,000	(185,848)	(923,298)	456,331	(665,298)

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

Movements in temporary differences during the year are as follows:

	At 1 January 2018 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31 December 2018/1 January 2019 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31 December 2019 RM'000
Group					
Property, plant and equipment	(5,004)	575	(4,429)	539	(3,890)
Inventories	1,492	1,719	3,211	(252)	2,959
Contract assets	(993)	(315)	(1,308)	(80)	(1,388)
Trade receivables	8	130	138	36	174
Unutilised reinvestment allowances	335	35	370	-	370
Unutilised tax losses	645	(106)	539	161	700
Unabsorbed capital allowances	982	(308)	674	716	1,390
Others	50	90	140	1	141
	(2,485)	1,820	(665)	1,121	456

Notes to the Financial Statements
cont'd

6. DEFERRED TAX ASSETS/(LIABILITIES) *cont'd*

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	2019 RM'000	2018 RM'000
Unutilised tax losses	3,542	-

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Pursuant to the Finance Act 2018, unutilised tax losses and unutilised reinvestment allowances can only be carried forward up to 7 consecutive year of assessment.

The recognised unutilised reinvestment allowance will expire in year 2025. The recognised and unrecognised unutilised tax losses will expire in the following year of assessment:

	2019 RM'000	2018 RM'000
2025	2,246	2,246
2026	4,213	-
	6,459	2,246

7. INVENTORIES

	Group	
	2019 RM	2018 RM
Raw materials	5,998,844	9,555,425
Work-in-progress	2,391,990	3,314,354
Finished goods	26,998,168	32,009,242
Consumable stores	11,622,677	11,439,571
	47,011,679	56,318,592

Recognised in profit or loss:

	Group	
	2019 RM	2018 RM
Inventories recognised as cost of sales	113,582,545	111,820,549
Inventories written down	183,034	3,475,795
Allowance for/(Reversal of allowance for) slow moving inventories	6,192	(21,830)

The inventories written down and allowance for/(reversal of allowance for) slow moving inventories are included in cost of sales.

Notes to the Financial Statements
cont'd

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade receivables	28,082,486	27,773,401	-	-
Other receivables, deposits and prepayments	1,208,563	1,166,482	2,000	2,000
Amount due from a subsidiary				
- non-trade	-	-	-	1,500,000
	29,291,049	28,939,883	2,000	1,502,000

9. CONTRACT ASSETS

The contract assets primarily relate to the Group's rights to consideration for work completed on made-to-order tiles but not yet billed at the reporting date. Typically, the amount will be billed upon delivery and payment is expected within 60 days.

10. OTHER INVESTMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unit trust funds				
Fair value through profit or loss	25,051,062	24,571,506	20,835,440	19,023,863

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	6,102,207	6,756,259	499,434	407,149
Fixed deposits with licensed banks	46,859,488	38,471,829	-	-
	52,961,695	45,228,088	499,434	407,149

Notes to the Financial Statements
cont'd

12. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of shares	
	2019 RM	**2018 RM**	**2019**	**2018**
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
At 1 January	100,907,120	100,907,120	160,000,000	160,000,000
Cancellation of treasury shares	(7,214,704)	-	(14,429,408)	-
At 31 December	93,692,416	100,907,120	145,570,592	160,000,000

Reserves

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Non-distributable				
Translation reserve	3,614,851	3,571,144	-	-
Treasury shares	(101,344)	(11,389,805)	(101,344)	(11,389,805)
	3,513,507	(7,818,661)	(101,344)	(11,389,805)
Distributable				
Retained earnings	99,004,619	108,982,488	7,913,826	11,551,529
	102,518,126	101,163,827	7,812,482	161,724

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

Treasury shares

At the Annual General Meeting held on 28 May 2019, the shareholders of the Company renewed their approval for the Company to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 172,800 (2018: 6,664,500) of its issued share capital from the open market at an average price of RM0.59 (2018: RM0.74) per share including transaction costs and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

On 17 April 2019, a resolution was approved by Directors where the Company cancelled 14,429,408 (2018: NIL) of its ordinary shares bought back that held as treasury shares. In accordance with Section 127(14) of the Companies Act 2016, the issued capital of the Company shall be diminished by the treasury shares cancelled.

As at 31 December 2019, the Company held 172,800 (2018: 14,429,408) of the Company's shares as treasury shares. The number of outstanding ordinary shares in issue after the cancellation and set off was 145,397,792 (2018: 145,570,592).

Notes to the Financial Statements
cont'd

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables	9,629,974	9,624,368	-	-
Other payables and accrued expenses	10,495,014	9,281,231	206,136	296,703
	20,124,988	18,905,599	206,136	296,703

14. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers	117,233,486	117,736,178	-	-
Dividend income from a subsidiary	-	-	500,000	1,500,000
Dividend income from other investments	760,182	796,006	619,605	596,566
	117,993,668	118,532,184	1,119,605	2,096,566

14.1 Disaggregation of revenue

	Group	
	2019 RM	2018 RM
Primary geographical markets		
Malaysia	106,181,731	105,935,056
Singapore	9,831,690	10,467,932
Other countries	1,220,065	1,333,190
	117,233,486	117,736,178
Timing and recognition		
At a point in time	77,466,184	62,684,626
Over time	39,767,302	55,051,552
	117,233,486	117,736,178

14.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Tiles	Revenue is recognised when the goods are delivered and accepted by the customers	Credit period ranging from 30 to 60 days from invoice date
Made-to-order tiles	Revenue is recognised over time as costs are incurred. These contracts would meet the no alternative use and the Group have rights to payment for work performed	Credit period ranging from 30 to 60 days from invoice date

Notes to the Financial Statements
cont'd

14. REVENUE *cont'd*

14.2 Nature of goods and services *cont'd*

The Group applies the practical expedient for exemption on disclosure of information on remaining performance obligation that have original expected durations of one year or less.

15. TAX (INCOME)/EXPENSE

Recognised in profit or loss

Major components of income tax (income)/expense include:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Current tax expense				
- Current year	617,160	601,414	1,160	-
- Prior years	9,390	(1,828)	1,320	-
	626,550	599,586	2,480	-
Deferred tax income				
- Origination and reversal of temporary differences	(1,201,631)	(1,742,484)	-	-
- Under/(Over) provision in prior years	80,000	(77,000)	-	-
	(1,121,631)	(1,819,484)	-	-
	(495,081)	(1,219,898)	2,480	-

	RM'000	**RM'000**	**RM'000**	**RM'000**
Reconciliation of tax (income)/expense				
(Loss)/Profit before tax	(6,294)	(4,375)	540	1,707
Income tax calculated using Malaysian tax rate of 24%	(1,511)	(1,050)	130	410
Non-deductible expenses	367	236	140	93
Tax exempt income	(190)	(214)	(269)	(503)
Effect of different tax rate in foreign jurisdiction	(46)	(39)	-	-
Unrecognised deferred tax assets	850	-	-	-
Others	(54)	(74)	-	-
	(584)	(1,141)	1	-
Under/(Over) provision in prior years	89	(79)	1	-
Tax (income)/expense	(495)	(1,220)	2	-

Notes to the Financial Statements
cont'd

16. (LOSS)/PROFIT FOR THE YEAR

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
(Loss)/Profit for the year is arrived at after charging/ (crediting)					
Auditors' remuneration:					
- Audit fees					
- Company's auditors					
- Current year		104,000	101,000	29,000	29,000
- Under provision in prior year		8,000	-	-	-
- Other auditors		20,628	20,418	-	-
- Non-audit fees					
- KPMG PLT		30,000	30,000	30,000	30,000
- Local affiliates of KPMG PLT		18,500	18,500	3,500	3,500
Depreciation of:					
- Property, plant and equipment		5,434,708	5,696,770	-	-
- Rights-of-use assets		247,113	-	-	-
Personnel expenses (including key management personnel):					
- Contributions to state plans		1,459,633	1,562,372	-	-
- Wages, salaries and others		21,879,238	23,272,898	-	-
Expenses relating to short-term leases	a	705,772	-	-	-
Interest expense on lease liabilities		31,267	-	-	-
Rental of premises		-	399,756	-	-
Property, plant and equipment:					
- Written off		54,780	54,338	-	-
- (Gain)/Loss on disposal		(36,295)	8,480	-	-
Inventories written down		183,034	3,475,795	-	-
Allowance for/(Reversal of allowance for) slow moving inventories		6,192	(21,830)	-	-
Trade receivables:					
- Impairment loss		195,548	508,016	-	-
- Amount written off		50,421	5,275	-	-
- Bad debts recovered		(30,810)	-	-	
Change in fair value of other investments		44,111	(139,151)	71,903	(100,286)
Net foreign exchange (gain)/loss		(283,461)	52,379	-	-

Note a

The Group leases certain office premises, hostels, warehouse and forklifts with contract terms of 1 year or longer that is cancellable with sufficient notice. These leases are short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Notes to the Financial Statements
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17. LOSS PER ORDINARY SHARE

Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 December 2019 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2019 **RM**	**2018** **RM**
Loss for the year attributable to ordinary shareholders	(5,799,184)	(3,154,832)
Weighted average number of ordinary shares at 31 December	145,544,159	147,767,826
Basic loss per ordinary share (sen)	(3.98)	(2.14)

Diluted loss per ordinary share

There are no dilutive potential ordinary shares. Accordingly, diluted loss per ordinary share is not presented.

18. OPERATING SEGMENTS

Group

The Group's main business activities comprise investment holding and the manufacture and sale of ceramic and homogeneous tiles. These activities are principally located in Malaysia and Singapore. Inter-segment pricing is determined based on negotiated terms.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Executive Director, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other non-reportable segment comprises investment holding.

Segment assets

The total of segment assets is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Executive Director. The total of segment assets is used to measure the return of assets of each segment.

Notes to the Financial Statements
cont'd

18. OPERATING SEGMENTS *cont'd*

Segment liabilities

Segment liabilities information is also included in the internal management reports provided to the Executive Director.

	Malaysia		Singapore		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Segment (loss)/profit	(6,994)	(5,145)	660	563	(6,334)	(4,582)
Included in the measure of segment (loss)/profit are:						
Revenue from external customers	106,182	105,935	11,052	11,801	117,234	117,736
Inter-segment revenue	7,791	8,616	-	-	7,791	8,616
Inventories written down	(183)	(3,476)	-	-	(183)	(3,476)
Depreciation	(5,488)	(5,496)	(194)	(201)	(5,682)	(5,697)
Finance income	613	437	245	185	858	622
Property, plant and equipment written off	(55)	(53)	-	(1)	(55)	(54)
Impairment loss on trade receivables	(184)	(508)	(12)	-	(196)	(508)
Not included in the measure of segment profit but provided to Executive Director						
Tax income/(expense)	594	1,258	(97)	(38)	497	1,220
Segment assets	177,155	184,736	18,720	17,740	195,875	202,476
Included in the measure of segment assets are:						
Additions to non-current assets other than financial instruments and deferred tax assets	1,449	1,234	-	7	1,449	1,241
Segment liabilities	19,896	19,604	938	566	20,834	20,170

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items.

	2019 RM'000	2018 RM'000
Total loss for reportable segments	(6,334)	(4,582)
Other non-reportable segments	40	207
Consolidated loss before tax	(6,294)	(4,375)

Notes to the Financial Statements
cont'd

18. OPERATING SEGMENTS *cont'd*

	External revenue RM'000	Depreciation and amortisation RM'000	Finance income RM'000	Segment assets RM'000	Additions to non-current assets RM'000	Segment liabilities RM'000
2019						
Total reportable segments	125,025	(5,682)	858	195,875	1,449	20,834
Other non-reportable segments	760	-	4	101,711	-	206
Elimination of inter-segment transactions or balances	(7,791)	-	-	(80,371)	-	(35)
Consolidated total	117,994	(5,682)	862	217,215	1,449	21,005
2018						
Total reportable segments	126,352	(5,697)	622	202,476	1,241	20,170
Other non-reportable segments	796	-	11	101,366	-	1,797
Elimination of inter-segment transactions or balances	(8,616)	-	-	(81,871)	-	(2,067)
Consolidated total	118,532	(5,697)	633	221,971	1,241	19,900

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

	Revenue		Non-current assets	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group				
Malaysia	106,182	105,935	55,099	58,917
Singapore	9,832	10,468	399	265
Others	1,220	1,333	-	-
Total	117,234	117,736	55,498	59,182

Notes to the Financial Statements
cont'd

18. OPERATING SEGMENTS *cont'd*

Major customers

The following is the major customer with revenue equal or more than 10% of the Group's total revenue:

	Revenue RM'000	Segment
2019		
Customer - A	17,374	Malaysia
2018		
Customer - A	20,633	Malaysia
Customer - B	15,453	Malaysia
	36,086	

19. FINANCIAL INSTRUMENTS

19.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
2019			
Financial assets			
Group			
Other investments	25,051	-	25,051
Trade and other receivables	29,291	29,291	-
Contract assets	5,783	5,783	-
Cash and cash equivalents	52,962	52,962	-
	113,087	88,036	25,051
Company			
Other investments	20,835	-	20,835
Trade and other receivables	2	2	-
Cash and cash equivalents	500	500	-
	21,337	502	20,835

Notes to the Financial Statements
cont'd

19. FINANCIAL INSTRUMENTS *cont'd*

19.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
2018			
Financial assets			
Group			
Other investments	24,572	-	24,572
Trade and other receivables	28,940	28,940	-
Contract assets	5,449	5,449	-
Cash and cash equivalents	45,228	45,228	-
	104,189	79,617	24,572
Company			
Other investments	19,024	-	19,024
Trade and other receivables	1,502	1,502	-
Cash and cash equivalents	407	407	-
	20,933	1,909	19,024

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
2019			
Financial liabilities			
Group			
Trade and other payables	(20,125)	(20,125)	-
Company			
Trade and other payables	(206)	(206)	-
2018			
Financial liabilities			
Group			
Trade and other payables	(18,906)	(18,906)	-
Company			
Trade and other payables	(297)	(297)	-

Notes to the Financial Statements
cont'd

19. FINANCIAL INSTRUMENTS *cont'd*

19.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net (losses)/gains on:				
- Financial assets at amortised cost	930	68	4	11
- Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	716	935	548	697
	1,646	1,003	552	708

19.3 Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

19.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior period.

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to prior period.

19. FINANCIAL INSTRUMENTS *cont'd*

19.4 Credit risk *cont'd*

Trade receivables and contract assets *cont'd*

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statement of financial position.

The Group receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks.

Trade receivables amounting to RM22,347,000 (2018: RM20,875,000) of the Group are secured by financial guarantees given by banks, shareholders or directors of the customers.

Concentration of credit risk

The Group trades extensively with a few established distributors which the Group has a long standing business relationship. As at the end of the reporting period, the Group's four largest distributors constitute approximately 34% (2018: 42%) of total trade receivables. These distributors do not have any significant outstanding balances exceeding their normal credit terms as at the end of the reporting period.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days.

The Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable.

The following table provides information about the exposure to credit risk for trade receivables and contract assets as at the end of the reporting period which are grouped together as they are expected to have similar risk nature.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2019			
Current (not past due)	30,199	-	30,199
1 - 30 days past due	2,828	-	2,828
31 - 60 days past due	377	-	377
61 - 90 days past due	363	-	363
	33,767	-	33,767
Credit impaired			
More than 90 days past due	839	740	99
	34,606	740	33,866
Trade receivables	28,823	740	28,083
Contract assets	5,783	-	5,783
	34,606	740	33,866

Notes to the Financial Statements
cont'd

19. FINANCIAL INSTRUMENTS *cont'd*

19.4 Credit risk *cont'd*

Trade receivables and contract assets *cont'd*

Recognition and measurement of impairment loss cont'd

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2018			
Current (not past due)	29,215	-	29,215
1 - 30 days past due	2,212	-	2,212
31 - 60 days past due	1,669	-	1,669
61 - 90 days past due	74	-	74
	33,170	-	33,170
Credit impaired			
More than 90 days past due	596	544	52
	33,766	544	33,222
Trade receivables	28,317	544	27,773
Contract assets	5,449	-	5,449
	33,766	544	33,222

The movements in the allowance for impairment in respect of trade receivables and contract assets during the year are shown below.

	2019 RM'000	2018 RM'000
Credit impaired		
Balance as at 1 January	544	36
Net remeasurement of loss allowance	196	508
Balance as at 31 December	740	544

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Notes to the Financial Statements
cont'd

19. FINANCIAL INSTRUMENTS *cont'd*

19.4 Credit risk *cont'd*

Other receivables and amount due from a subsidiary

The Group and the Company monitor the exposure to credit risk on individual basis.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. The Group and the Company do not recognise any allowance for impairment losses.

The Company considers the amount due from a subsidiary of NIL (2018: RM1.5 million) has low credit risk as the subsidiary has strong financial position as at the end of the reporting period.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM13 million (2018: RM13 million) representing the banking facilities limit granted to a subsidiary as at end of the reporting period.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when the subsidiary is continuously loss making and is having a deficit shareholders' fund.

As at the end of the reporting period, the subsidiary did not draw down any amount from the banking facilities. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

19.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Financial Statements
cont'd

19. FINANCIAL INSTRUMENTS *cont'd*

19.5 Liquidity risk *cont'd*

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ coupon/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
Group						
2019						
Non-derivative financial liabilities						
Trade and other payables	20,125	-	20,125	20,125	-	-
Lease liabilities	508	5.00 to 5.25	549	254	193	102
	20,633		20,674	20,379	193	102
2018						
Non-derivative financial liabilities						
Trade and other payables	18,906	-	18,906	18,906	-	-
Company						
2019						
Non-derivative financial liabilities						
Trade and other payables	206	-	206	206	-	-
Financial guarantee*	-	-	13,000	13,000	-	-
	206		13,206	13,206	-	-
2018						
Non-derivative financial liabilities						
Trade and other payables	297	-	297	297	-	-
Financial guarantee*	-	-	13,000	13,000	-	-
	297		13,297	13,297	-	-

* *The amount represents the banking facilities limit granted to a subsidiary as at the end of the reporting period.*

Notes to the Financial Statements
cont'd

19. FINANCIAL INSTRUMENTS *cont'd*

19.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Singapore Dollar ("SGD") and US Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The Group does not generally hedge its exposure to fluctuations in foreign exchange rates.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows:

	Denominated in	
	USD RM'000	SGD RM'000
Group		
2019		
Cash and cash equivalents	173	23,162
Trade and other payables	(1,553)	-
Intra-group balances	-	35
	(1,380)	23,197
2018		
Cash and cash equivalents	202	24,505
Trade and other payables	(2,431)	(19)
Intra-group balances	-	90
	(2,229)	24,576

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have a Ringgit Malaysia functional currency. The exposure to currency risk of Group entities which do not have a Ringgit Malaysia functional currency is not material and hence, sensitivity analysis is not presented.

A 10% (2018: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Notes to the Financial Statements
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19. FINANCIAL INSTRUMENTS *cont'd*

19.6 Market risk *cont'd*

Currency risk *cont'd*

Currency risk sensitivity analysis cont'd

	Profit or loss	
	2019 RM'000	**2018 RM'000**
Group		
USD	105	169
SGD	(1,763)	(1,868)

A 10% (2018: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's exposure to change in interest rates relate primarily to interest-earning deposits and lease liabilities.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Fixed rate instruments		
Financial assets	46,860	38,472
Financial liabilities	(508)	-
	46,352	38,472

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Other price risk

Price risk arises from the Group's investments in unit trust funds.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the investments on a portfolio basis.

The Group invests in unit trust funds which seek to invest in short term deposits with licensed financial institutions for reasonable rate of return on income while maintaining capital stability.

Notes to the Financial Statements
cont'd

19. FINANCIAL INSTRUMENTS *cont'd*

19.6 Market risk *cont'd*

Other price risk *cont'd*

Price risk sensitivity analysis

The unit trust funds invest in short term deposits with licensed financial institutions. The net asset value ("NAV") of the unit trust funds mainly depends on the performance of the financial instruments which is affected by changes in the market interest rate.

At the end of the reporting period, with all the variables held constant, a change of 100 basis points ("bp") in the interest rate would have increased/(decreased) post-tax profit or loss for investment classified as fair value through profit or loss by the amounts shown below:

	Profit or loss			
	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
100 bp increase	251	246	208	190
100 bp decrease	(251)	(246)	(208)	(190)

19.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The tables below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value Level 2 RM'000	Total fair value RM'000	Carrying amount RM'000
Group			
2019			
Financial assets			
Unit trust funds	25,051	25,051	25,051
2018			
Financial assets			
Unit trust funds	24,572	24,572	24,572
Company			
2019			
Financial assets			
Unit trust funds	20,835	20,835	20,835
2018			
Financial assets			
Unit trust funds	19,024	19,024	19,024

Notes to the Financial Statements
cont'd

19. FINANCIAL INSTRUMENTS *cont'd*

19.7 Fair value information *cont'd*

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2018: no transfer in either directions).

20. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Directors monitor and maintain an optimal capital and liquidity ratio that enables the Group to operate effectively without external borrowings.

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

21. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries and key management personnel.

Notes to the Financial Statements
cont'd

21. RELATED PARTIES *cont'd*

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances outstanding of the Group and the Company are shown below. The balances related to the below transactions are shown in the Note 8.

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
A. A company in which a Director's close family member has substantial financial interest				
Sales of goods	107,197	799,328	-	-
Balance outstanding	14,244	297,991	-	-
B. A company in which a Director has substantial financial interest				
Sales of goods	388,905	17,180	-	-
Balance outstanding	247,987	7,503	-	-
C. Key management personnel				
Directors				
- Fees	258,000	312,083	140,000	140,000
- Remuneration	440,405	736,476	-	-
Total short-term benefits	698,405	1,048,559	140,000	140,000
Other key management personnel:				
- Short term employee benefits	436,857	674,519	-	-
	1,135,262	1,723,078	140,000	140,000

Other key management personnel comprise persons other than the Directors of the Group entities, having authority and responsibility for planning, directing and controlling the activities of the entities either directly or indirectly.

The estimated monetary value of Directors' benefits-in-kind is RM4,600 (2018: RM13,153).

22. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group adopted MFRS 16.

As a lessee

Where the Group is a lessee, the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

Notes to the Financial Statements
cont'd

22. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES *cont'd*

As a lessee *cont'd*

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 5.14%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

Impacts on financial statements

Since the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	RM
Operating lease commitments at 31 December 2018	1,047,152
Discounted using the incremental borrowing rate at 1 January 2019/ Lease liabilities recognised at 1 January 2019	1,014,236
Recognition exemption for short-term lease	(734,712)
Lease liabilities recognised at 1 January 2019	279,524

Notes to the Financial Statements
cont'd

23. SUBSEQUENT EVENT

The coronavirus (Covid-19) pandemic was announced by the World Health Organisation in March 2020 given the outbreak of the virus in countries across the world including Malaysia. The Covid-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts.

The Group and the Company consider that the effects related to this outbreak to be a non-adjusting event as it was not a condition that existed as at 31 December 2019, the end of the reporting period. Accordingly, the current conditions arising from this outbreak do not have an impact on the carrying amounts reported for the financial year ended 31 December 2019.

As at the date of the financial statements authorised for issuance, there were no material impact to the Group and the Company. However, long term impact of the Covid-19 on world economy and the Group and the Company in particular is difficult to determine and not known at this time. The Group and the Company are actively monitoring and managing the Group's and the Company's operations to minimise any impacts that may arise from Covid-19.

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 52 to 103 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

TAN JIAN HONG, AARON
Director

WENDY KANG HUI LIN
Director

Johor Bahru
Date: 1 June 2020

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Hoo Ai Wei, the officer primarily responsible for the financial management of YI-LAI BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 52 to 103 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above named Hoo Ai Wei, NRIC: 710606-01-5968, MIA CA 42868, at Johor Bahru in the State of Johor on 1 June 2020

HOO AI WEI

Before me:
LAU LAY SUNG
Commissioner For Oaths
No: J-246

Independent Auditors' Report

to the members of Yi-Lai Berhad Registration Number: 200001013437 (516043-K)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Yi-Lai Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 103.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Potential impairment arising from property, plant and equipment and right-of-use assets

Refer to Note 2(i)(ii) - Significant accounting policy: Impairment of other assets, Note 3 - Property, plant and equipment, Note 4 – Right-of-use assets

The key audit matter

The Group has property, plant and equipment of RM49.4 million and right-of-use assets of RM6.1 million as at 31 December 2019. The Group incurred consecutive losses during financial year 2017 to 2019 and the carrying amount of the net assets of the Group of RM196.2 million is more than its market capitalisation based on the quoted share price as at 31 December 2019. These indicated that the Group's property, plant and equipment and right-of-use assets may not generate sufficient future economic benefits to recover its carrying amount, hence, increased the risk that the carrying amount of property, plant and equipment and right-of-use assets may be impaired.

The amount of property, plant and equipment and right-of-use assets (being approximately 26% of the group's total assets) is material to the financial statements.

Also, it required significant judgement to be exercised when evaluating the Group's impairment assessment. The estimation of recoverable amount involved forecasting and discounting the future cash flows of the Group. The conclusion is dependent on significant judgement and estimate in respect of the estimated sales growth, sale price, energy cost and the discount rate used.

The matter above is designated as a key audit matter due to the degree of judgement involved and assumptions of future events that are inherently uncertain. Changes in judgements and related estimates throughout the projection years could result in material adjustments to the estimated recoverable amount, hence, affected the carrying amount of property, plant and equipment and right-of-use assets.

Independent Auditors' Report

to the members of Yi-Lai Berhad Registration Number: 200001013437 (516043-K)
(Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We obtained the 5 years period discounted cash flow projection of the Group and evaluated the key assumptions, which comprised estimated sales growth, sale price, energy cost and discount rate, used by the Group by comparing the actual results for the financial year ended 2019 to the forecasted results prepared by the Group in prior year.

- We evaluated the key assumptions used in the discounted cash flow projection against historical trends to test for reasonableness and compared the discount rate to external market data.

- We tested the sensitivity of the impairment calculation to changes in key assumptions used by the Group.

Valuation of inventories

Refer to Note 2(f) – Significant accounting policy : Inventories and Note 7 - Inventories.

The key audit matter

The finished goods of the Group, mainly ceramic and homogenous tiles, comprise a wide range of designs and certain of these finished goods are either with quality issues, slow moving, or outdated in designs. The ability of the Group to sell these tiles is affected by factors such as slowdown in the property development segment in Malaysia and Singapore.

The valuation of finished goods is a key audit matter because it involved more senior personnel to apply judgement in determining the amount of write down required in order to ensure that these tiles are stated at the appropriate net realisable value performed by the Group. Changes in judgements could result in material adjustments to the estimated net realisable amount, hence, affected the carrying amount of inventories.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We obtained an understanding of the Group's policy and management's process in estimating the net realisable value of these finished goods, in writing down the finished goods, and evaluated the reasonableness. We recalculated the amount of write down for finished goods and determined that it was in accordance with the Group's policy.

- We tested the accuracy of the ageing of finished goods by testing the age profile of finished goods balances to the respective birth certificates ('production certificates') / lot number in order to place reliance on the Group's finished goods ageing report as a basis for write down.

- We have selected sample items of finished goods and tested these against actual sales made subsequent to year end and determined that these samples have been stated at the lower of cost and net realisable value.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to be communicated in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

to the members of Yi-Lai Berhad Registration Number: 200001013437 (516043-K)
(Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditors' Report

to the members of Yi-Lai Berhad Registration Number: 200001013437 (516043-K)
(Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors is disclosed in Note 5 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

TAN TECK ENG
Approval Number: 02986/05/2022 J
Chartered Accountant

Johor Bahru
Date: 1 June 2020

List of Landed Properties

Location	Description/ Existing Use	Approximate age of building (years)	Approximate land/built-up area	Tenure	Year of Acquisition	Net book value at 31 Dec 2019 RM'000
Lot 7020, Mukim of Senai-Kulai, District of Johor Bahru, Johor	Factory building	29 years	4.0519 hectares	Freehold	1989	6,378
Lot 7022, Mukim of Senai-Kulai, District of Johor Bahru, Johor	Factory building and warehouse	20 years	4.04686 hectares	Freehold	1997	12,857
PTD 19564, Mukim Senai-Kulai, District of Johor Bahru, Johor	Double storey intermediate terrace house for hostel purposes	31 years	143 square meter	Freehold	1992	64
PN 4478, Lot 409, Section 32, Bandar Petaling Jaya, Selangor	Marketing office, showroom cum warehouse	15 years	5,772.3 square meter	Leasehold 99 years expiring on 3 June 2058	2004	5,206
H.S.(D) 438320 PTD 95217 & H.S.(D) 438321 PTD 95218, Mukim of Senai-Kulai, District of Johor Bahru, Johor	Warehouse	13 years	19,461.3 square meter	Freehold	2005	7,521
Geran 225856 (Geran 26456) Lot 7019, Mukim of Senai-Kulai, District of Kulai, Johor	Storage	N/A	4.0468 hectares	Freehold	2010	5,366
HSM No 2580, Lot PT 6599, Mukim Bachang, Daerah Melaka Tengah, Melaka	Marketing office	13 years	146 square meter	Leasehold 99 years expiring on 5 Nov 2105	2010	382
15 & 16, Jalan Tropika 1, Taman Tropika, 81000 Kulai, Johor	Marketing office cum showroom	9 years	328 square meter	Freehold	2011	890
1545, Jalan Lagenda 53, Taman Lagenda Putra, 81000 Kulai, Johor	Double storey intermediate terrace house for hostel purposes	9 years	153 square meter	Freehold	2011	173
1327, Jalan Lagenda 47, Taman Lagenda Putra, 81000 Kulai, Johor	Three storey shop office	11 years	156.1 square meter	Freehold	2013	584

Analysis of Shareholdings

as at 29 May 2020

Total number of issued share	:	145,570,592
Class of Shares	:	Ordinary Shares
Voting Right	:	One (1) vote per Ordinary Share
Number of Shareholders	:	2,561

A. DISTRIBUTION OF SHAREHOLDERS AS AT 29 MAY 2020

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Shares
1 - 99	346	13.51	14,662	0.01
100 - 1,000	116	4.53	47,765	0.03
1,001 - 10,000	1,371	53.53	4,872,695	3.35
10,001 - 100,000	629	24.56	15,745,632	10.82
100,001 to less than 5% of issued shares	95	3.71	41,876,822	28.77
5% and above of issued shares	4	0.16	83,013,016	57.02
TOTAL	**2,561**	**100.00**	**145,570,592**	**100.00**

B. THIRTY LARGEST SECURITITES ACCOUNT HOLDERS AS AT 29 MAY 2020 (as shown in the Record of Depositors)

No.	Name	No. of Shares Held	% of Issued Shares#
1	HSBC Nominees (Asing) Sdn Bhd *Exempt An For Credit Suisse (SG BR-TST-Asing)*	41,666,750	28.72
2	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Boundless Vigour Sdn Bhd*	16,728,126	11.53
3	Citigroup Nominees (Tempatan) Sdn Bhd *Urusharta Jamaah Sdn. Bhd. (1)*	15,000,000	10.34
4	Zabidi Bin Md Zain	9,618,140	6.63
5	Lim Lee Wheng	5,238,000	3.61
6	Addeen Transport Sdn Bhd	5,100,400	3.52
7	CIMB Group Nominees (Asing) Sdn. Bhd. *Exempt An For DBS Bank Ltd (SFS)*	4,970,140	3.43
8	Glass & Plastic Packaging Sdn Bhd	2,500,000	1.72
9	Kenanga Nominees (Tempatan) Sdn Bhd *Rakuten Trade Sdn Bhd For Khor Chong Yak*	2,354,900	1.62
10	Edufocus Computer Aided Learning Sdn Bhd	1,569,720	1.08
11	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Yap Kok Weng*	829,000	0.57
12	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Low Kah Wah (E-TCS)*	721,900	0.50
13	Goh Thong Beng	717,800	0.49

Analysis of Shareholdings

as at 29 May 2020
cont'd

B. THIRTY LARGEST SECURITITES ACCOUNT HOLDERS AS AT 29 MAY 2020 (as shown in the Record of Depositors) *cont'd*

No.	Name	No. of Shares Held	% of Issued Shares#
14	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Teh Chee Tong*	577,900	0.40
15	AllianceGroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Ker Min Choo (8109400)*	500,100	0.35
16	Chan Heng Koon	447,020	0.31
17	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lee Boon Siong*	419,800	0.29
18	AMSEC Nominees (Tempatan) Sdn Bhd *KGI Securities (Singapore) Pte Ltd for Kek Kok Swee (27032)*	391,100	0.27
19	Lee Chee Hoe	380,000	0.26
20	Cheah Chin Heng	365,000	0.25
21	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Witpro Sdn Bhd (STA 2)*	365,000	0.25
22	Oh Siew Heong	359,600	0.25
23	Tay Kak Chok	350,236	0.24
24	See Leong Chye @ Sze Leong Chye	350,097	0.24
25	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lim Kim Wah*	350,000	0.24
26	Choo Kok Heng	341,000	0.24
27	Lim Huck Boon	340,200	0.23
28	Michael Law Sie Haur	320,000	0.22
29	Lim Pek Har	314,150	0.22
30	Leong Siew Mun	310,840	0.21
	TOTAL	**113,496,919**	**78.23**

Note:

\# *The percentage of issued shares is computed based on the total number of issued shares (145,570,592 ordinary shares) net of total accumulated 484,900 treasury shares held by the Company as at 29 May 2020*

Analysis of Shareholdings

as at 29 May 2020
cont'd

C. SUBSTANTIAL SHAREHOLDERS AS AT 29 MAY 2020

No	Name	No. of Shares Held Direct	Deemed	% of Issued Shares#
1	Hampton Capital Pte Ltd	41,666,750	16,728,126 (a)	40.25
2	Boundless Vigour Sdn. Bhd.	16,728,126	-	11.53
3	Tan Jian Hong, Aaron	-	58,394,876 (b)	40.25
4	Wendy Kang Hui Lin	-	58,394,876 (c)	40.25
5	Zabidi Bin Md Zain	9,618,429	1,569,720 (d)	7.71
6	Anyta Hanim Binti Anuar	-	11,188,149 (e)	7.71
7	Urusharta Jamaah Sdn. Bhd.	15,000,000	-	10.34

D. DIRECTORS' INTEREST IN SHARES AS AT 29 MAY 2020

No	Name	No. of Shares Held Direct	Deemed	% of Issued Shares#
1	Tan Jian Hong, Aaron	-	58,394,876 (b)	40.25
2	Wendy Kang Hui Lin	-	58,394,876 (c)	40.25
3	Dato' Wong Gian Kui	-	-	-
4	Anita Chew Cheng Im	-	-	-

The percentage of issued shares is computed based on the total number of issued shares (145,570,592 ordinary shares) net of total accumulated 484,900 treasury shares held by the Company.

Notes:

(a) *Deemed interest by virtue of the shareholding of Boundless Vigour Sdn. Bhd., a wholly-owned subsidiary of Hampton Capital Pte Ltd.*
(b) *Deemed interest by virtue of the shareholding of Hampton Capital Pte Ltd, a company in which he has interest.*
(c) *Deemed interest by virtue of the shareholding of Hampton Capital Pte Ltd, a company in which she has interest.*
(d) *Deemed interest by virtue of the shareholding of Edufocus Computer Aided Learning Sdn. Bhd., a company in which he and his spouse have interest.*
(e) *Deemed interest by virtue of the shareholding of her spouse, Encik Zabidi Bin Md Zain and Edufocus Computer Aided Learning Sdn. Bhd., a company in which she and her spouse have interest.*

Share Buy-Back Statement

in relation to the Proposed Renewal of Shareholders' Approval for Share Buy-Back by the Company ("Proposed Share Buy-Back")

THIS SHARE BUY-BACK STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL INDEPENDENT ADVISER IMMEDIATELY.

1. DISCLAIMER STATEMENT

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Share Buy-Back Statement prior to its issuance as it is an exempt statement. Bursa Securities takes no responsibility for the contents of this statement, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Share Buy-Back Statement.

2. INTRODUCTION

At the Annual General Meeting of Yi-Lai Berhad ("YLB" or "the Company") held on 28 May 2019, YLB obtained the renewal of shareholders' approval for the Company to purchase and/or hold up to ten percent (10%) of the total issued and paid-up share capital of the Company through Bursa Securities. Pursuant to the Listing Requirements of the Bursa Securities, this approval will expire at the conclusion of the forthcoming Twentieth Annual General Meeting ("20th AGM").

On 9 June 2020, YLB announced its intention to seek renewal of shareholders' approval for the Proposed Share Buy-Back at the forthcoming 20th AGM.

The purpose of this Statement is to provide you with the relevant information on the Proposed Share Buy-Back and to seek the renewal of your approval for the Proposed Share Buy-Back by your approval of the ordinary resolution to be tabled at the forthcoming 20th AGM.

3. PURCHASES AND CANCELLATION OF SHARES AND RESALE OF TREASURY SHARES MADE PURSUANT TO THE EXISTING APPROVAL

The total number of YLB Shares purchased by the Company and held as Treasury Shares for the previous twelve (12) months preceding the date of this Statement, i.e. up to and including 29 May 2020 was 482,900. All the YLB Shares purchased have been retained as treasury shares, and the total number of YLB Shares retained as Treasury Shares as at 29 May 2020 was 484,900. There was no re-sale of Treasury Shares or cancellation of shares during the financial year ended 31 December 2019 and up to 29 May 2020.

During the financial year ended 31 December 2019 and up to 29 May 2020, the Company has purchased a total of 484,900 YLB shares and further information on the YLB Shares purchased is set out in Other Information – Share Buy-Back on page 42 of this Annual Report.

4. PROPOSED RENEWAL OF APPROVAL FOR SHARE BUY-BACK

As at 29 May 2020, the total issued and paid-up share capital of YLB is RM93,692,416 comprising 145,570,592 ordinary shares. The maximum number of YLB Shares which may be purchased by the Company will be ten percent (10%) of the existing issued and paid-up share capital of the Company or 14,557,059 YLB Shares.

The Board of Directors of YLB proposes to seek the renewal of approval from the shareholders of YLB to purchase, hold, cancel, distribute or resell up to a maximum of ten percent (10%) of the issued and paid-up share capital of YLB or the equivalent of 14,557,059 ordinary shares as at 29 May 2020 through the Bursa Securities subject to the compliance with the Listing Requirements and any other relevant authorities and upon such terms and conditions that in the opinion of the Directors will be in the interest of the Company.

The renewed authority for the Proposed Share Buy-Back will be effective immediately upon the passing of the ordinary resolution and will continue to be in force until:

i. the conclusion of the next Annual General Meeting of the Company at which time it shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

Share Buy-Back Statement

in relation to the Proposed Renewal of Shareholders' Approval for Share Buy-Back by the Company)"Proposed Share Buy-Back") cont'd

4. PROPOSED RENEWAL OF APPROVAL FOR SHARE BUY-BACK *cont'd*

ii. the expiration of the period within which the next Annual General Meeting after that is required by law to be held; or

iii. revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting;

whichever is the earliest.

5. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back will enable YLB to utilise any of its surplus financial resources to purchase its own shares from the market. It may stabilise the supply and demand of its shares traded on the Main Market of Bursa Securities and thereby support its fundamental value. Further, this is expected to enhance shareholder value in the event that such purchased shares are cancelled as the resultant reduction in the issued and paid-up share capital of YLB is expected to increase the earnings per share ("EPS"), thereby making the shares more attractive to investors.

In addition, the purchased shares may be held as Treasury Shares and distributed to shareholders as dividend and/or resold in the open market with the intention of realising a potential capital appreciation on the shares without affecting the total issued and paid-up share capital of the Company.

6. QUANTUM AND FUNDING

The actual number of YLB Shares which may be purchased and the timing of the purchase(s) will depend on, inter-alia, market conditions, the availability of retained profits and financial resources of the Company as well as Bursa Securities requirement to maintain the necessary shareholding spread and minimum issued and paid-up share capital.

Pursuant to the Listing Requirements, we will purchase YLB Shares entirely out of our retained profits. Therefore, the Board proposes that the maximum amount of funds to be used for any purchase of our own shares will not exceed the aggregate of our reserves.

The audited retained profits of the Company as at 31 December 2019 are RM7,913,826. Based on the latest unaudited management accounts as at 31 May 2020, the retained profits of the Company amounted to approximately RM8,038,085.

The Proposed Share Buy-Back will be financed through internally generated funds and/or borrowings and shall be made out of the retained profits account of the Company. In the event the purchase is funded by borrowings, the Company expects that it will be capable of repaying such borrowings and that such funding is not expected to have any material effect on the cash flow of the Company.

The Proposed Share Buy-Back will reduce the cash of the Company by an amount dependent on the purchase price of the YLB Shares and the actual number of YLB Shares bought back.

Pricing

YLB may only purchase its own shares at a price which is not more than fifteen percent (15%) above the weighted average market price ("WAMP") of YLB Shares for the past five (5) market days immediately preceding the date of the purchase(s).

The treasury shares arising from the share buy-back shall be resold or transferred pursuant to Section 127(7) of the Companies Act 2016, if so determined by the Board, at a price that is:-

(a) not less than the WAMP of YLB Shares for the past five (5) market days immediately preceding the date of the resale or transfer; or

(b) at a discount of not more than five percent (5%) to the five (5) market days WAMP of YLB Shares immediately prior to the resale or transfer, provided that:-

  (i) the resale or transfer take place no earlier than thirty (30) days from the date of purchase; and

  (ii) the resale or transfer price is not less than the cost of purchase of the shares being resold or transferred.

Share Buy-Back Statement

in relation to the Proposed Renewal of Shareholders' Approval for Share Buy-Back by the Company)"Proposed Share Buy-Back")
cont'd

6. QUANTUM AND FUNDING *cont'd*

Pricing *cont'd*

The monthly highest and lowest prices of YLB Shares as traded on Bursa Securities for the preceding twelve (12) months from June 2019 to May 2020 are as follows:-

Month	Share price	
	High (RM)	Low (RM)
2019		
June	0.635	0.625
July	0.650	0.620
August	0.630	0.570
September	0.630	0.530
October	0.600	0.550
November	0.590	0.520
December	0.570	0.530
2020		
January	0.565	0.540
February	0.580	0.540
March	0.520	0.405
April	0.500	0.400
May	0.845	0.455

The last transacted price of the shares on 29 May 2020, being the latest practicable date prior to the printing of this statement is RM0.805.

7. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

The financial resources of YLB may increase pursuant to the resale of the purchased shares held as Treasury Shares at prices higher than the purchase price. The other advantages of the Proposed Share Buy-Back are outlined in item 5 of this Statement.

However, the Proposed Share Buy-Back, if implemented, would reduce the financial resources of the Company. This may result in the Company foregoing future investment opportunities and/or any income that may be derived from alternative uses of such funds.

Nevertheless, the Directors will be mindful of the interests of YLB and its shareholders in implementing the Proposed Share Buy-Back.

8. EFFECT OF THE PROPOSED SHARE BUY-BACK

8.1 Share Capital

Assuming the Proposed Share Buy-Back is carried out up to 10% of the existing issued and paid-up share capital of YLB of 145,570,592 ordinary shares as at 29 May 2020, the number of YLB Shares allowed to be purchased by the Company is 14,557,059 shares.

Share Buy-Back Statement

in relation to the Proposed Renewal of Shareholders' Approval for Share Buy-Back by the Company)"Proposed Share Buy-Back") cont'd

8. EFFECT OF THE PROPOSED SHARE BUY-BACK *cont'd*

8.1 Share Capital *cont'd*

In the event that all the shares purchased are to be cancelled, the effect of the Proposed Share Buy-Back on the issued and paid-up share capital of the Company would be as follows:

	No. of Ordinary Shares
Issued and paid-up share capital as at 29 May 2020#	145,570,592
Upon completion of the Proposed Share Buy-Back* (assuming all cancelled)	(14,557,059)
Reduced share capital after the Proposed Share Buy-Back	131,013,533

\# *The issued and paid-up ordinary share capital stated above is inclusive of the 484,900 treasury shares held by the Company as at 29 May 2020.*

* *Assuming the Company purchased up to the maximum number of YLB Shares that may be purchased pursuant to the Proposed Share Buy-Back i.e. 10% of the existing issued and paid-up share capital of the Company.*

However, the Proposed Share Buy-Back is not expected to have any effect on the issued and paid-up share capital if all the shares purchased are to be retained as Treasury Shares, resold or distributed to our shareholders.

8.2 Net Assets ("NA")

If the purchased shares are kept as Treasury Shares, the NA per share would decrease, unless the cost per share of the Treasury Shares purchased is below the NA per share at the relevant point in time. This is because the Treasury Shares, which are required to be carried at cost, must be offset against equity and therefore would result in a decrease in NA of the Company.

Similarly, if the purchased shares are cancelled, the NA per share of the YLB Group will decrease, unless the cost per share of the purchased shares is below the NA per share at the relevant point in time.

In the case where the purchased shares are treated as Treasury Shares and subsequently resold on Bursa Securities, the NA per share of the YLB Group will increase if the Company realises a gain from the resale, and vice-versa. If the Treasury Shares are distributed as share dividends, the NA of the YLB Group will decrease by the cost of the Treasury Shares.

8.3 Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital of the Group, the quantum of which will depend on the actual purchase price and number of shares to be bought back.

8.4 Cashflow

The Proposed Share Buy-Back is not expected to be implemented to the extent that it will adversely affect the cashflow of the Company. The exact effect on the cashflow of the Company will depend on the quantum and price at which the shares are bought back.

8.5 Earnings

The effects of the Proposed Share Buy-Back on the earnings of our Group are dependent on the purchase prices of YLB Shares and the effective funding cost or loss in interest income to our Group.

Assuming that the YLB Shares so purchased are retained as treasury shares and subsequently resold, the effects on the earnings of our Group are dependent on the actual selling price, the number of treasury shares resold, the effective gain or interest savings arising from the exercise, and the manner in which the proceeds arising therefrom are utilised.

Share Buy-Back Statement

in relation to the Proposed Renewal of Shareholders' Approval for Share Buy-Back by the Company)"Proposed Share Buy-Back") cont'd

8. EFFECT OF THE PROPOSED SHARE BUY-BACK *cont'd*

8.5 Earnings *cont'd*

If the YLB Shares so purchased are cancelled, the Proposed Share Buy-Back will increase the EPS of our Group provided the income foregone and if any, interest expense incurred on the shares purchased are less than the consolidated EPS before the Proposed Share Buy-Back.

8.6 Directors' and Substantial Shareholders' Shareholdings

(i) Directors

Assuming that the Proposed Share Buy-Back is implemented in full and that the YLB Shares are purchased from shareholders other than our Directors and existing substantial shareholders of the Company, the proforma effects of the Proposed Share Buy-Back on the shareholdings of the Directors and Persons Connected to the Directors of YLB as at 29 May 2020, being the most practicable date prior to the printing of this Statement, are set out as follows:

	As at 29 May 2020				After full exercise of Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of Shares	%	No. of shares	%#	No. of Shares	%#
Directors								
Tan Jian Hong, Aaron	-	-	58,394,876[a]	40.25	-	-	58,394,876[a]	44.57
Wendy Kang Hui Lin	-	-	58,394,876[a]	40.25	-	-	58,394,876[a]	44.57
Dato' Wong Gian Kui	-	-	-	-	-	-	-	-
Anita Chew Cheng Im	-	-	-	-	-	-	-	-
Person connected								
Hampton Capital Pte Ltd*	41,666,750	28.72	16,728,126	11.53	41,666,750	31.80	16,728,126	12.77
Boundless Vigour Sdn Bhd*	16,728,126	11.53	-	-	16,728,126	12.77	-	-

Notes :

\# *Percentage computed based on the total number of shares in issue of 145,570,592 and after assuming the deduction of a total of 14,557,059 (being the maximum shares that may be bought back i.e. 10% of the total number of shares issued) shares bought back and retained as treasury shares as at 29 May 2020.*

* *Hampton Capital Pte Ltd is a company in which Mr Tan Jian Hong, Aaron and Ms Wendy Kang Hui Lin have substantial interest. Boundless Vigour Sdn Bhd is a wholly owned subsidiary of Hampton Capital Pte Ltd.*

a By virtue of his/her interest in Hampton Capital Pte Ltd.

Share Buy-Back Statement

in relation to the Proposed Renewal of Shareholders' Approval for Share Buy-Back by the Company)"Proposed Share Buy-Back")

cont'd

8. EFFECT OF THE PROPOSED SHARE BUY-BACK *cont'd*

8.6 Directors' and Substantial Shareholders' Shareholdings *cont'd*

(ii) Substantial Shareholders

Assuming that the Proposed Share Buy-Back is implemented in full and that the YLB Shares are purchased from shareholders other than our existing substantial shareholders, the proforma effects of the Proposed Share Buy-Back on the shareholdings of the substantial shareholders and Persons Connected to the substantial shareholders of YLB as at 29 May 2020, being the most practicable date prior to the printing of this Statement, are set out as follows :

	As at 29 May 2020				After full exercise of Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of Shares	%	No. of shares	%#	No. of Shares	%#
Substantial Shareholders								
Hampton Capital Pte Ltd*	41,666,750	28.72	16,728,126[d]	11.53	41,666,750	31.80	16,728,126[d]	12.77
Boundless Vigour Sdn Bhd*	16,728,126	11.53	-	-	16,728,126	12.77	-	-
Tan Jian Hong,Aaron	-	-	58,394,876[b]	40.25	-	-	58,394,876[b]	44.57
Wendy Kang Hui Lin	-	-	58,394,876[b]	40.25	-	-	58,394,876[b]	44.57
Zabidi Bin Md Zain	9,618,429	6.63	1,569,720[a]	1.08	9,618,429	7.34	1,569,720[a]	1.20
Anyta Hanim Binti Anuar	-	-	11,188,149[c]	7.71	-	-	11,188,149[c]	8.54
Urusharta Jamaah Sdn Bhd	15,000,000	10.34	-	-	15,000,000	11.45	-	-
Person connected								
Edufocus Computer Aided Learning Sdn Bhd[@]	1,569,720	1.08	-	-	1,569,720	1.20	-	-

Notes :

- \# *Percentage computed based on the total number of shares in issue of 145,570,592 and after assuming the deduction of a total of 14,557,059 (being the maximum shares that may be bought back i.e. 10% of the total number of shares issued) shares bought back and retained as treasury shares as at 29 May 2020.*
- @ *Edufocus Computer Aided Learning Sdn. Bhd. is a company in which Encik Zabidi Bin Md Zain and Dr. Anyta Hanim Binti Anuar have substantial interest.*
- * *Hampton Capital Pte Ltd is a company in which Mr Tan Jian Hong, Aaron and Ms Wendy Kang Hui Lin have substantial interest. Boundless Vigour Sdn Bhd is a wholly owned subsidiary of Hampton Capital Pte Ltd.*
- a *By virtue of his interest in Edufocus Computer Aided Learning Sdn. Bhd.*
- b *By virtue of his/her interest in Hampton Capital Pte Ltd and Boundless Vigour Sdn Bhd.*
- c *By virtue of her interest in Edufocus Computer Aided Learning Sdn. Bhd. and the shareholdings of her spouse, Encik Zabidi Bin Md Zain.*
- d *By virtue of its interest in Boundless Vigour Sdn Bhd.*

9. PUBLIC SHAREHOLDING SPREAD

As at 29 May 2020, the public shareholding spread of the Company is 53.12%. The public shareholding spread would be reduced to approximately 48.09% assuming, the Proposed Share Buy-Back is implemented in full and all the shares purchased are from public shareholders and are either cancelled or held as Treasury Shares.

The Board is mindful of the public shareholding spread requirement and will continue to be mindful of the requirement when making any purchase of YLB Shares pursuant to the Proposed Share Buy-Back.

Share Buy-Back Statement

in relation to the Proposed Renewal of Shareholders' Approval for Share Buy-Back by the Company)"Proposed Share Buy-Back") cont'd

10. IMPLICATIONS RELATING TO THE CODE

The Board is mindful of any potential implications relating to Malaysian Code on Take-Over and Merger, 2016, as amended from time to time including any re-enactment thereof ("Code") and in the event that obligations relating to the Code is expected to be triggered as a result of the Proposed Renewal of Share Buy-Back, which is an action outside any group of persons acting in concert's direct participation, they will apply to the Securities Commission for an exemption from undertaking a take-over offer for all the remaining shares in YLB not already held by them under the Code.

11. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the inadvertent increase in the percentage shareholding and/or voting rights of the shareholders as a consequence of the Proposed Share Buy-Back, none of the Directors and substantial shareholders of the Company or persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back.

12. DIRECTORS' RECOMMENDATION

The Directors, having considered all aspects of the Proposed Share Buy-Back, are of the opinion that the Proposed Share Buy-Back is in the best interest of the Company. Accordingly, they recommend that you vote in favour of the ordinary resolution for the Proposed Share Buy-Back to be tabled at the forthcoming 20th AGM.

13. DIRECTORS' RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein false or misleading.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Company's Registered Office situated at Suite 9D, Level 9, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor during normal business hours from Monday to Friday (except for public holidays) from the date of this Statement up to and including the date of the AGM:

(i) The Constitution of the Company; and

(ii) The audited consolidated financial statements of the Company for the past two financial year ended 31 December 2018 and 31 December 2019.

This Share Buy-Back Statement is dated 30 June 2020.

YI-LAI GROUP

YI-LAI BERHAD [200001013437 (516043-K)]

YI-LAI INDUSTRY BERHAD [198701006696 (165410-W)]

YI-LAI MARKETING SDN. BHD. [199801003216 (459342-W)]

YI-LAI TRADING PTE. LTD. (198204735E)

HEAD OFFICE & FACTORY:
LOT 7020, BATU 23, JALAN AIR HITAM, 81000 KULAI,
JOHOR DARUL TAKZIM, MALAYSIA.
TEL: 607-652 2652 FAX: 607-652 3388, 652 4633
www.alpha-tiles.com.my

MARKETING OFFICES & SHOWROOMS:

CENTRAL REGION
LOT. 8, JALAN 51A/241, SEKSYEN 51A,
46100 PETALING JAYA, SELANGOR DARUL EHSAN, MALAYSIA.
TEL: 603-7875 4388 FAX: 603-7874 4388, 603-7877 6561
EMAIL: marketing@alpha-tiles.com.my

SOUTHERN REGION
15 & 16, JALAN TROPIKA 1, TAMAN TROPIKA,
81000 KULAI, JOHOR DARUL TAKZIM, MALAYSIA.
TEL: 607-663 7523, 663 7623 FAX: 607-663 6823
EMAIL: jbmarketing@alpha-tiles.org

MARKETING OFFICES:

MELAKA OFFICE:
65, JALAN SURIA 1, TAMAN MALIM JAYA,
75250 MELAKA DARUL AZIM, MALAYSIA.
TEL: 606-336 7128 FAX: 606-336 9128
EMAIL: mlkmarketing@alpha-tiles.org

IPOH OFFICE:
NO. 46A (FIRST FLOOR), JALAN BENDAHARA,
31650 IPOH, PERAK, MALAYSIA.
TEL: 605-241 3729 FAX: 605-241 3727
EMAIL: perakmarketing@alpha-tiles.com.my

BUTTERWORTH OFFICE & WAREHOUSE:
NO. 5, LORONG INDUSTRI RINGAN 4,
KAWASAN INDUSTRI RINGAN JURU,
14100 SIMPANG AMPAT, PENANG, MALAYSIA.
TEL: 604-504 1286 FAX: 604-504 1287
EMAIL: yilaibw@alpha-tiles.com.my

SINGAPORE OFFICE:
82, LORONG 23, GEYLANG, #01-06 ATRIX, SINGAPORE 388409
TEL: 65-6842 0163 FAX: 65-6846 7937
EMAIL: marketingsg@alpha-tiles.org