

YONG TAI BERHAD (311186-T)
SELECTED EXPLANATORY NOTES
FOR THE SECOND QUARTER ENDED 31st December 2006

Part A – Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30th June 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30th June 2006.

2 Changes in Accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30th June 2006 except for the adoption of the following new/ revised Financial Reporting Standards (“FRS”) effective for the financial period beginning 1 July 2006:

FRS 2	Share -based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheets Date
FRS 116	Property , Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The revised FRS which would be adopted from the financial period beginning 1 July 2007 are:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of the above FRS, except for FRS3 and FRS140, does not have significant financial impact on the Group. The principle effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below;

(a) FRS 2: Share-based Payment

This FRS requires an entity to recognize share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

Prior to 1 January 2006, no compensate expenses was recognised in income statement over the vesting period of the grants with a corresponding increase in equity. The compensation expenses is determined by reference to the fair value of share option at the date granted and the number of share options to be vested by vesting date. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in income statement and a corresponding adjustment to equity over the remaining vesting period.

The Group has adopted the transitional provision in FRS 2 to include only share options that were granted after 31 December 2004 and not yet vested on 1 January 2006. There is no option to be granted and exercised under ESOS after 31 December 2004, carried out by the Company. This change in accounting policy is applied prospectively and the comparatives as at 30th June 2006 are not restated.

(b) FRS 3: Business Combination , FRS 136 : Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138.

The adoption of these new FRSs, goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently, if the events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognized in the income statement and subsequent reversal is not allowed.

Under FRS 3, any excess of the Groups' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as " negative goodwill "), after reassessment, is now recognized immediately in income statement. Prior to 1 July 2006, negative goodwill was first set-off against the consolidated balance sheet. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 July 2006 of RM0.679 million was derecognized with a corresponding increase in retained earnings.

(c) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has effected the presentation of minority interest, share of net after-tax results in associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirement of FRS 101, with the comparatives restated to conform to the current period's presentation.

(d) FRS 121 : The Effect of Changes in Foreign Exchange Rates

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

As of 1st January, goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. In accordance with the transitional provision of FRS 121, this change is applied prospectively. Prior to 1st January 2006, goodwill and fair value adjustment arising on acquisition of a foreign entity are deemed to be assets and liabilities of the parent and company and were translated using the exchange rate at the date of acquisition.

(e) FRS 140: Investment property

FRS 140 defines an investment property as a property held for long term rental yield and/or for capital appreciation and, that is not occupied by the companies in the Group.

The investment properties previously classified under property, plant and equipment, were not disclosed as a separate line item on the face of the consolidated balance sheet within Non-current assets.

The Group adopted the cost model to measure all its investment properties. Under the cost model, investment property is measured at depreciated cost less any accumulated impairment losses.

In line with FRS 101, the comparative is restated to conform to the current presentation. The effect to the Group arising from this change in accounting policy is as below:-

Increase in investment property	8,607
decrease in property, plant and equipment	(8,607)

(f) Comparatives

The following comparative amounts have been restated due to the adoption of new and revised FRS :

	As Previously stated Rm'000	Effect of adoption of FRS Rm'000	As Restated
At at 30.06.2006			
Property, plant and equipment	37,429	(8,607)	28,822
Investment properties	-	8,607	8,607
Negative goodwill on consolidation	(679)	679	-
Retained earnings	2,314	679	2,993

3 Audit Report of the Group's Preceding Annual Financial Statements

The auditors' report for the annual financial statements of Group for the financial year ended 30th June 2006 was not subject to any qualification.

4 Seasonal or Cyclical Factors

The Group's garment & related accessories retail business operations are subject to seasonal festive celebrations in Malaysia.

5 Unusual Items

During the current quarter under review, there were no items or event that arose, which affected the assets, liabilities, equity, net income or cash flows, to the effect that is unusual in nature, size, or incidence except as disclosed in Note 2.

6 Changes in Estimates

There were no changes in estimates of amount reported that have material effect on the results for the current quarter under review.

7. Valuation of Property, Plant and Equipment.

Property, plant and equipment, which are stated at revalued amounts, have been brought forward without amendment from previous annual financial statement.

8. **Debt And Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of either debt or equity securities during the current quarter and financial year to date.

9. **Dividends Paid**

There were no dividends paid for the current quarter ended 31st December 2006.

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

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

11. **Changes of Contingent Liabilities or Contingent Assets**

There were no additional contingent liabilities or contingent assets during the reporting period.

12. **Material Events Subsequent to the End of Reporting Period**

There were no material events subsequent to the end of the financial quarter under review and the date of this announcement.

13. **Sale of Unquoted Investments and/or Properties**

On 3rd November 2006, its wholly owned subsidiary Yong Tai Brothers Trading Sdn Bhd. entered into an Sale And Purchase Agreement to dispose of a unit of double storey shophouse known as No 50 Jalan Dedaru, Taman Nira, Batu Pahat, Johor for cash consideration of RM275,000.00.

Except for the above, there were no sales of unquoted investments or properties during the financial period under review.

14. **Variance In Profit Forecast**

There was no profit forecasted for the financial year.

15. Segment Information

Segment information was presented in respect of the Group's business segments. Inter-segment pricing is determined based on negotiated prices in the normal course of business.

	Trading, retailing & manufacturing of garment & related products (RM'000)	Trading of petrol chemical related products (RM'000)	Others (RM'000)	Elimination (RM'000)	Group (RM'000)
6 Months ended 31.12.2006					
REVENUE					
External sales	28,476	57,232	-	-	85,708
Inter-segment sales	3,136	-	60	(3,196)	-
Total	31,612	57,232	60	(3,196)	85,708
RESULT					
Segment result	(349)	703	56	-	410
Unallocated corporate income					343
Operating profit					753
Finance cost					(1,212)
Loss before taxation					(459)
Taxation					(169)
Loss after taxation					(628)
Minority interest					(313)
Loss for the period					(941)
6 Months ended 31.12.2005					
REVENUE					
External sales	30,316	12,961	-	-	43,277
Inter-segment sales	2,568	-	60	(2,628)	-
Total	32,884	12,961	60	(2,628)	43,277
RESULT					
Segment result	669	23	41	-	733
Unallocated corporate income					186
Operating profit					919
Finance cost					(865)
Profit before taxation					54
Taxation					(293)
Loss after taxation					(239)
Minority interest					(82)
Loss for the period					(321)

20. **Quoted Investments**

- (a) There was no purchase or disposal of quoted securities for the current financial period.
(b) Investment in quoted shares for the financial period ended 31st December 2006

	As At 31.12.2006 RM'000
(i) At cost	4
(ii) At carrying value/book value	4
(iii) At market value	2

The short fall in market value of quoted shares held by the Group is deemed temporary and as such, the Directors do not recommend any allowance for diminution in value of investment.

21. **Group Borrowings**

	As At 31.12.2006 RM'000
Short term borrowings (Amount due within one year)	30,805
Long term borrowings (Amount due more than one year)	1,974
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	32,779

All borrowings were secured and denominated in Ringgit Malaysia.

22. **Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk as at the end of the financial year up to the date of this announcement.

23. **Changes in Material Litigation**

There was no pending material litigation as at the end of the financial year up to the date of this announcement.

24. **Dividends**

The Directors do not recommend any payment of dividends in respect of the period ended 31st December 2006

25. **Corporate Proposals**

There were no corporate proposals announced but not completed as the date of issue of this quarterly report.

26. **Loss Per Share**

In respect of loss per share:-

- a) The amount used as numerator for the calculation of current year basic loss per share was RM0.941 million which is the same as the net loss shown in the condensed consolidated income statement.
- b) The number of ordinary shares used as the denominator in calculating the loss per share was:-

	Current year to date	Preceding year corresponding period
	<-----No. of Shares----->	
	('000)	('000)
Weighted Average No. of shares used to calculate basic loss per share	40,115	40,115
Employees Share Option Scheme's shares approved but not exercise as at 31 st December 2006.	3,775	3,775
Weighted Average No. of shares used to calculate diluted profit per share, if any	43,890	43,890
	43,890	43,890

The Group's fully diluted loss per share is the same as the basic loss per share as the fully diluted loss per share is anti-dilutive.