

**YONG TAI BERHAD (311186-T)**  
**SELECTED EXPLANATORY NOTES**  
**FOR THE THIRD QUARTER ENDED 31 MARCH 2015**  
**PART A –EXPLANATION NOTES TO MFRS 134**

**A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134, "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

The unaudited interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 30 June 2014.

**A2. Accounting Policies**

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those adopted in the audited financial statements for the year ended 30 June 2014.

The Group has not early adopted new and revised standards and amendments to standards that have been issued but not yet effective for the Group's accounting period beginning 1 July 2014 except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

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

**A3. Audit Report**

The auditors' report for the annual financial statements of the Group for the financial year ended 30th June 2014 was not subject to any qualification.

**A4. Seasonal or Cyclical Factors**

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

**A5. Unusual Items**

During the current quarter under review, there were no items or events that arose, which affected the assets, liabilities, equity, net income or cash flows during the financial period.

**A6. 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.

**A7. 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.

**A8. Dividends Paid**

There were no dividends paid for the current financial period to date.

**A9. Valuation of Property, Plant and Equipment**

There has been no valuation taken for the Group's property, plant and equipment for the current quarter under review.

**A10. Changes in Composition of the Group**

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

**A11. Changes of Contingent Liabilities or Contingent Assets**

There were no changes in contingent liability and contingent asset of the Group since the end of the previous financial year 30th June 2014.

**A12. 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.

**A13. Significant Related Party Transaction**

There were no significant related party transactions in the current quarter.

## A14. Segment Information

	Trading, retailing & manufacturing of garment related product RM'000	Property development RM'000	Investment holding and Others RM'000	Elimination RM'000	Total group RM'000
<b><u>9 months ended 31.03.2015</u></b>					
External sales	45,009	40,726	-	-	85,735
Inter-segment sales	338	-	90	(428)	-
<b>Total</b>	<b>45,347</b>	<b>40,726</b>	<b>90</b>	<b>(428)</b>	<b>85,735</b>
<b>Results:-</b>					
Segmental result	1,061	1,371	(336)	-	2,096
Unallocated corporate income					1,930
Operating profit					4,026
Finance costs					(1,965)
Profit before taxation					2,061
Taxation					(991)
Profit after taxation					1,070
Non-controlling interest					-
Profit for the period					1,070
<b>Other information</b>					
Segment assets	65,739	24,778	2,039	-	92,556
Unallocated corporate assets					-
<b>Total consolidated corporate assets</b>					<b>92,556</b>
Segment liabilities	52,074	23,625	40	-	75,739
Unallocated corporate liabilities					-
<b>Total consolidated corporate liabilities</b>					<b>75,739</b>
<b><u>9 months ended 31.03.2014</u></b>					
<b>Revenue</b>					
External sales	47,506	-	-	-	47,506
Inter-segment sales	738	-	90	(828)	-
<b>Total</b>	<b>48,244</b>	<b>-</b>	<b>90</b>	<b>(828)</b>	<b>47,506</b>
<b>Results:-</b>					
Segmental result	399	(560)	9	-	(152)
Unallocated corporate income					-
Operating loss					(152)
Finance costs					(1,470)
Loss before taxation					(1,622)
Taxation					(291)
Loss after taxation					(1,913)
Non-controlling interest					2
Loss for the period					(1,911)
<b>Other information</b>					
Segment assets	69,779	282	2,032	-	72,093
Unallocated corporate assets					-
<b>Total consolidated corporate assets</b>					<b>72,093</b>
Segment liabilities	50,086	846	52	-	50,984
Unallocated corporate liabilities					-
<b>Total consolidated corporate liabilities</b>					<b>50,984</b>

## **A15. Material Contract**

The material contract not provided for the financial statements as at 31 March 2015 are as follow:-

On 4 December 2014, YTB Apple Sdn Bhd, a wholly-owned subsidiary of YONGTAI, and Apple 99 Development Sdn Bhd (“A99DSB”) had entered into the joint operation agreement to regulate their rights in relation to their joint participation and operations in the construction and development of The Apple project development project (“Joint Operation Agreement”). Pursuant to the terms of the Joint Operation Agreement, the Company is required to pay to A99DSB the amount of RM35.0 million, in consideration of A99DSB agreeing to share it’s net profit before income tax to be derived from The Apple property development project (on a quarterly basis) (“YTB Apple’s Participating Contribution”).

The YTB Apple’s Participating Contribution shall be paid in full to A99DSB within three (3) months from three (3) business days after YONGTAI obtaining its shareholders’ approval on 19 March 2015 (“Payment Date”). As such, YONGTAI is required to pay to A99DSB for YTB Apple Participating Contribution by 22 June 2015.

## **PART B -ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD**

### **B1. Review of Performance**

The Group's recorded revenue of RM85.735 million during financial period ended 31 March 2015 as compared to RM47.506 million in the preceding year's corresponding period. The increase in turnover was mainly attributable to revenue recognition from on-going project in the Property Development business segment.

The Group's profit before taxation was RM2.061 million for the nine months compared to loss before taxation RM1.622 million in the preceding year's corresponding period. The increase in profit before tax is mainly arising from the contribution through a joint operation in the property development business.

The Group's performance was contributed by the following segment:-

#### **a) Trading, retailing & manufacturing of garment segment**

Retail business segment registered revenue of RM45.009 million for the financial period ended 31 March 2015 compared to RM47.506 million in the previous year corresponding period. The decrease in turnover was mainly due to decrease in consumer demand in trading, retailing and manufacturing of garments segment.

#### **b) Property development segment**

The Company's wholly-owned subsidiary, YTB Land Sdn Bhd had on 29 April 2014 entered into a Project Collaboration Agreement with PTS Properties Sdn Bhd. The Collaboration resulted in the diversification of the business of YONGTAI into property development business segment ("Diversification"). The Company had diversified into property development business segment after obtaining shareholders' approval on 24 July 2014.

For the third quarter of 2015, the Company's property development division operated by YTB Land Sdn Bhd, has recorded a revenue level of RM40.726 million, representing 47.50% of the Group's total revenue of RM85.735 million. The Group has recognised the revenue of RM40.726 million based on the construction progress for its property development project in Melaka, namely 99 Residences.

### **B2. Material Changes in the Quarterly Results as Compared with the Preceding Quartered**

For the current quarter, the Group's revenue was RM34.817 million compared to RM25.155 million in the immediate preceding quarter. Profit before taxation in the current quarter was RM0.682 million compared to loss before taxation RM1.394 million in the immediate preceding quarter.

**B2. Material Changes in the Quarterly Results as Compared with the Preceding Quartered (cont'd)**

The increase in the Group's revenue for the current quarter was mainly due to profit recognition from the property segment division from its maiden property development project in Melaka, namely 99 Residence and recorded higher revenue registered for third quarter as a result of festive period for trading, retailing and manufacturing of garment segment.

The increased in Group's revenue and Group's profit before tax for the current quarter of RM0.682 million was mainly due to cyclical result of the retail business and the realization of amortization of joint operation interest/participation contribution from the Project Collaboration Agreement with PTS Properties Sdn Bhd amounting to RM1.467 million.

**B3. Current Financial Year Prospect**

The Board of Directors is of the opinion that the Group's venture into property development segment will continue its growth and contribute positively to the Group's performance for the remaining quarters.

As at end-April 2015, the structural work of the building has completed and architectural work has reached 85%. In addition, PTS Properties Sdn Bhd has sold 100% of the condominium hotel rooms as at end-March 2015. The construction of 99 Residences is expected to be completed by June 2015 and is expected to be officially opened by July 2015.

Furthermore, the Company has entered into the joint operation agreement with Apple 99 Development Sdn Bhd, a wholly-owned subsidiary of PTS Properties Sdn Bhd, to undertake the development of The Apple ("Joint Venture"). The Apple is a development project comprising of inter-alia a sixteen (16)-storey four (4)-star hotel known as "Courtyard by Marriott", a thirty-two (32)-storey block of service apartments and the Podium. With The Apple's strategic and prime location, our Board believes that the Joint Venture provides the Company with an opportunity to participate in the development of a prime development land into a lucrative property development project. Once completed, The Apple is poised to become one of the iconic high-rise buildings as Malacca city's premier tourism and luxury destination, and will cater to the growing demand for four (4)-star quality hotels in Malacca from visiting tourists. In addition, The Apple shall have direct access to the Sungai Melaka Riverfront and shall have a spectacular view of the iconic "Kampung Morten", in addition to its location next to Malacca's latest prestigious development projects such as "The Shore @ Sungai Malacca", "99 Residences" and "Jaya 99".

**B3. Current Financial Year Prospect (cont'd)**

Moving forward, the Company expects to further turnaround its financial performances in the immediate term by further growing our property development business segment by continuously seeking for opportunities to acquire more lands with good prospects for its future property development activities. In addition, the Group also will continuously seek joint venture opportunities with other established property developers in Malaysia to develop the Group's credential as a property developer.

**B4. Profit Forecast and Profit Guarantee**

The Group has not provided any profit forecast or profit guarantee in a public document.

**B5. Quoted Securities**

(a) There was no purchase or disposal of quoted securities for the current quarter and financial period to date.

(b) There is no investment in quoted securities as at the end of the quarter under review.

**B6. Corporate Proposals**

Save as disclosed below, there are no other corporate proposals which has been announced by the Company but completed as at the date of this quarterly report.

The announcements dated 4 December 2014, 6 February 2015, 19 March 2015 and 20 April 2015 in relation to the following:-

(a) joint venture via the joint operations agreement dated 4 December 2014 between YTB Apple Sdn Bhd, a wholly-owned subsidiary of Yongtai ("YTB Apple" or "Project Manager") and Apple 99 Development Sdn Bhd ("A99DSB" or "Project Developer") for the construction and development of a mixed development project comprising inter-alia a sixteen (16)-storey luxury hotel known as "Courtyard by Marriott" and a thirty-two (32) storey block of service apartments (collectively known as "The Apple" or "Development Project") on a piece of land held under Lot No. 2005 held under master title number GRN 45957, Kawasan Bandar XXI, District of Melaka Tengah, State of Melaka located at Jalan Tun Sri Lanang, Malacca ("Development Land") ("Joint Operations Agreement") ("Joint Venture");

## **B6. Corporate Proposals (cont'd)**

(b) par value reduction of the existing issued and paid-up share capital of YONGTAI of RM40,115,000 comprising 40,115,000 ordinary shares of RM1.00 each in YONGTAI to RM20,057,500 comprising 40,115,000 ordinary shares of RM0.50 each in YONGTAI (“YONGTAI Shares” or “Shares”) via the cancellation of RM0.50 from the par value of each existing ordinary shares of RM1.00 each in YONGTAI pursuant to Section 64 the Companies Act, 1965 (“Act”) (“Par Value Reduction”);

(c) renounceable rights issue of 80,230,000 new YONGTAI Shares (“Rights Shares”) together with 40,115,000 free detachable warrants (“Warrants”) at an indicative issue price of RM0.50 per Rights Share after the Proposed Par Value Reduction on the basis of two (2) Rights Shares for every one (1) Share held together with one (1) Warrant for every two (2) Rights Shares subscribed at an entitlement date to be determined later (“Rights Issue with Warrants”);

(d) special issue of up to 40,000,000 new YONGTAI Shares (“Special Issue Shares”) to independent third party investor(s) to be identified (“Special Issue”);

(e) increase in the authorised share capital of the Company from RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each in YONGTAI to RM1,000,000,000 comprising 2,000,000,000 YONGTAI Shares (“IASC”); and

(f) amendments to the Memorandum and/or Articles of Association of the Company to facilitate the Proposed IASC (“Amendments”).

(Collectively, the “Corporate Exercises”)

Details of the Corporate Exercises can be obtained from website of Bursa Malaysia Berhad. The Corporate Exercises are expected to be completed by the third quarter of 2015.

## **B7. Sales of Unquoted Investments and/or Investment Properties**

There were no sales of unquoted investments and properties during the financial quarter under review.

## **B8. Derivative Financial Instruments**

The group did not have any derivative financial instruments as at the end of the reporting period.

## **B9. 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.



## B10. Taxation

	Quarter Ended		Year To date Ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Tax comprises:-				
-Malaysia Income Tax	357	202	991	291
- Deferred Tax	-	-	-	-
Tax expenses for the period	<u>357</u>	<u>202</u>	<u>991</u>	<u>291</u>

The effective tax rate for the current quarter and financial year-to-date was higher than the effective statutory tax rate as there is no group's tax relief and certain expenses are not deductible for tax purposes.

## B11. Group Borrowings

	As at 31.03.2015 ( RM'000)
<u>Current (Secured)</u>	
Bank overdraft	5,948
Trust Receipt	943
Term loans	5,697
Hire purchase payable	58
Total	<u>12,646</u>
<u>Non-current (Secured)</u>	
Term loans	3,358
Hire purchase payable	120
Total	<u>3,478</u>

All borrowings were secured and denominated in Ringgit Malaysia.

## B12. Dividends

The Directors has not recommended any payment of dividends in respect of the financial period ended March 2015.

## B13. Notes to Statements of Comprehensive Income

	Current quarter		Cumulative quarter	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Profit before taxation for the period is arrived at after charging /(crediting) the following:				
interest expenses	703	542	1,965	1,470
Depreciation of property, plant and equipment	449	338	1,319	1,507
Allowance for doubtful debts	1,002	-	1,002	-
Property, plant and equipment written off	197	-	197	-
Gain on disposal of property, plant and equipment	(16)	-	(16)	-
(Gain)/loss on foreign currency exchange-realised	27	39	(29)	12
Gain from a bargain purchase	-	-	(1,930)	-

Other than the above, the items listed under Appendix 9B Note 16 of the listing Requirement of Bursa Malaysia Securities Berhad are not applicable.

#### **B14. Realised and Unrealised Earnings or Losses Disclosure**

The (accumulated losses)/unappropriated profits as at 31 March 2015 and 30th June 2014 is analysed as follows:

	31.03.2015 RM'000	30.06.2014 RM'000
Total (accumulated losses)/unappropriated profits of the company and its subsidiaries:		
- Realised loss	(24,924)	(26,006)
- Unrealised profit	-	12
Total group accumulated losses as per consolidated financial statements	<u>(24,924)</u>	<u>(25,994)</u>

#### **B15. Earnings / (Loss) Per Share**

##### a. Basic

Basic earnings/(loss) per share is calculated by dividing net profit/(loss) for the financial period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the financial period.

	Quarter Ended		Year To Date Ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Net earnings/(loss) attributable to equity holders of the Company (RM'000)	325	(665)	1,070	(1,911)
Weighted average number of ordinary shares in issue ('000)	<u>40,115</u>	<u>40,115</u>	<u>40,115</u>	<u>40,115</u>
Basic earnings/(loss) per share attributable to equity holders of the Company (Sen)	<u>0.81</u>	<u>(1.66)</u>	<u>2.67</u>	<u>(4.76)</u>

##### b. Diluted

Not applicable.

#### **B16. Authorised For Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 May 2015.