

YFG BERHAD (“YFG” OR “COMPANY”)

PROPOSED ISSUANCE OF REDEEMABLE CONVERTIBLE NOTES PROGRAMME COMPRISING REDEEMABLE CONVERTIBLE COMMERCIAL PAPERS AND/OR REDEEMABLE CONVERTIBLE MEDIUM TERM NOTES WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO RM100.0 MILLION

1. INTRODUCTION

On behalf of the Board of Directors of YFG (“**Board**”), Kenanga Investment Bank Berhad (“**Kenanga IB**”) wishes to announce that the Company proposes to undertake an issuance of redeemable convertible notes programme comprising redeemable convertible commercial papers and/or redeemable convertible medium term notes (“**Notes**”) with an aggregate principal amount of up to RM100.0 million (“**Proposed Notes Issue**”).

2. DETAILS OF THE PROPOSED NOTES ISSUE

YFG had, on 8 May 2015, entered into a conditional subscription agreement (“**Subscription Agreement**”) with Advance Opportunities Fund (“**Subscriber**”) and Advance Capital Partners Pte Ltd (i.e. the authorised representative of the Subscriber) (“**ACP**”) for the Proposed Notes Issue, to be issued in six (6) tranches, subject to the terms and conditions as set out in the Subscription Agreement.

The Notes are convertible at the option of the holders of the Notes (“**Noteholders**”) into new ordinary shares of RM0.02 each in YFG (“**YFG Shares**”) (“**Conversion Shares**”) after completion of the proposed reduction of the issued and paid-up share capital of YFG involving the cancellation of RM0.08 of the par value of every existing ordinary share of RM0.10 each in YFG as announced by the Company on 13 April 2015 (“**Proposed Par Value Reduction**”), at the conversion terms and are redeemable at the election of YFG and/or on the Maturity Date (as defined below) in cash, subject to the terms and conditions as set out in the Subscription Agreement.

2.1 Salient Terms of the Notes

The salient terms of the Notes are as follows:

Issue instrument	2.0% redeemable convertible notes due in 2020.
Issue size	<p>Up to RM100.0 million comprising six (6) tranches of a principal amount of RM10.0 million each for Tranches 1, 2 and 3, RM20.0 million each for Tranches 4 and 5 and RM30.0 million for Tranche 6 (collectively, the redeemable convertible notes shall be referred to as "Notes" and individually, the six (6) tranches of the Notes shall be referred to as "Tranche 1 Notes", "Tranche 2 Notes", "Tranche 3 Notes", "Tranche 4 Notes", "Tranche 5 Notes" and "Tranche 6 Notes" respectively). Each of the Tranche 1 Notes and Tranche 2 Notes shall comprise forty (40) equal sub-tranches of RM250,000 each; Tranche 3 Notes shall comprise twenty (20) equal sub-tranches of RM500,000 each; Tranche 4 Notes and Tranche 5 Notes shall comprise forty (40) equal sub-tranches of RM500,000 each; and Tranche 6 Notes shall comprise forty (40) equal sub-tranches of RM750,000 each.</p> <p>The issuance of Tranche 2 Notes to Tranche 4 Notes shall be at the option of the Company.</p>

Issue size (Cont'd)	The issuance of Tranche 5 Notes and Tranche 6 Notes shall be at the option of the Company, subject to the condition that total shareholders' equity or net assets of the Company shall not be less than RM30 million based on its latest reported consolidated financial statements for the quarter of the financial year immediately preceding the respective closing date.
Tenure	Five (5) years from the closing date of the first sub-tranche of Tranche 1 Notes (" Maturity Date ").
Interest rate	The Notes shall bear interest from the respective dates on which they are issued and registered at the rate of 2.0% per annum, payable semi-annually in arrears on 30 June and 31 December in each year with the last payment being made on the Maturity Date.
Method of issue	The Notes will be privately placed to and subscribed by the Subscriber. No information memorandum will be issued by the Company for the proposed placement of the Notes.
Issue price	In relation to each sub-tranche of the Notes, the amount equivalent to 100% of the principal amount of the Notes for such sub-tranche.
Issue and subscription date of the first sub-tranche of Tranche 1 Notes	In respect of the first sub-tranche of Tranche 1 Notes, the date falling five (5) market days immediately after the fulfilment of the last conditions precedent or such other date as the Company, the Subscriber and ACP may agree in writing, such date being the closing date for the first sub-tranche of Tranche 1 Notes.
Issue and subscription of Tranche 2 Notes to Tranche 6 Notes	<p>In respect of Tranche 2 Notes to Tranche 6 Notes, the Company has the option to require the Subscriber to subscribe for such Notes from the Company during the relevant period commencing from and including the conversion date of the last of the Notes comprised in the last sub-tranche of the preceding tranche of Notes to and including the tenth (10th) market day thereafter, or such other periods as the Company, the Subscriber and ACP may agree in writing ("Option Period").</p> <p>However, the issuance of Tranche 5 Notes and Tranche 6 Notes is subject to the condition that total shareholders' equity or net assets of the Company shall not be less than RM30 million based on its latest reported consolidated financial statements for the quarter of the financial year immediately preceding the respective closing dates.</p> <p>If the Subscriber does not receive the exercise notice from the Company during the relevant Option Period, the options in respect of all the subsequent tranches shall lapse and cease to have any force or effect whatsoever and the Subscriber will have no obligation to subscribe and pay for all the subsequent tranches.</p>

<p>Conversion terms</p>	<p>The Notes may be converted into new YFG Shares at the Conversion Price (as defined below) at the option of the Noteholders, subject to the terms of the Redemption Option (as set out below).</p> <p>The number of Conversion Shares shall be determined by dividing the aggregate principal amount of the Notes held by the applicable Conversion Price. Fractions of YFG Shares will not be issued on conversion and no adjustment or cash payment will be made.</p> <p>The applicable accrued interest thereon up to and including the conversion date will be payable to the Noteholders in cash on the conversion date.</p>
<p>Conversion period</p>	<p>Any time after the issue date of the Notes and up to the day falling seven (7) days prior to the Maturity Date.</p>
<p>Conversion price</p>	<p>The price at which each YFG Share shall be issued upon conversion of the Notes ("Conversion Price") shall be, at the discretion of the Noteholder, either:</p> <p>(a) a fixed conversion price based on 135% of the average of the daily traded volume weighted average price ("VWAP") per YFG Share for the forty-five (45) market days immediately prior to the date of the Subscription Agreement in respect of Tranche 1 Notes, being RM0.11, and the forty-five (45) market days immediately prior to the closing date of the subscription of the first sub-tranche in respect of Tranche 2 Notes to Tranche 6 Notes, which is yet to be determined as at the date of this announcement ("Fixed Conversion Price"); or</p> <p>(b) a floating conversion price based on 80% of the average closing price per YFG Share on any three (3) consecutive market days during the forty-five (45) market days immediately preceding the relevant conversion date of the Notes ("Floating Conversion Price"),</p> <p>provided always that the Conversion Price is above the revised par value of YFG Shares of RM0.02.</p> <p>In the event of alteration to the share capital of the Company, the Fixed Conversion Price shall be appropriately adjusted so that the Noteholders shall be entitled to receive the number of Conversion Shares which they would have been entitled to receive after the happening of any of the events described in the Subscription Agreement had such Notes been converted immediately prior to the happening of such events.</p>
<p>Conditions precedent to the closing of the first sub-tranche of Tranche 1 Notes</p>	<p>The Subscriber shall not be obliged to subscribe and pay for the first sub-tranche of Tranche 1 Notes unless the following conditions precedent have been satisfied within three (3) months from the date of the Subscription Agreement or such other date as the parties may agree in writing:</p> <p>(a) delivery to the Subscriber of a list of the Company's substantial shareholders dated the date of the Subscription Agreement and certified to be true and accurate by a director or company secretary of the Company on the date of the Subscription Agreement;</p>

Conditions precedent to the closing of the first sub-tranche of Tranche 1 Notes (Cont'd)

- (b) reduction of par value of the ordinary shares in YFG from RM0.10 to RM0.02 shall have been completed by the Company with the approval of shareholders of the Company obtained at a general meeting and, there shall have been delivered to the Subscriber, written evidence of the completion of such par value reduction, in form and substance reasonably satisfactory to the Subscriber, which is certified to be true and accurate by a director or company secretary of the Company;
- (c) approval of the Company's shareholders at a general meeting for invitation for subscription, or issue, of the Notes and the allotment and issue of the Conversion Shares;
- (d) all necessary approvals and/or consents of the Securities Commission Malaysia ("**SC**"), Bursa Malaysia Securities Berhad ("**Bursa Securities**") or any other relevant regulatory authorities for the issue of the Notes, the allotment and issue of the Conversion Shares upon conversion of the Notes, the listing of the Conversion Shares on the Main Market of Bursa Securities and such other relevant approvals in relation to the Proposed Notes Issue (collectively referred to as "**Approvals**");
- (e) (i) all the representations, warranties, undertakings and covenants of the Company (including the warranties) shall be accurate and correct in all respects at, and as if made on, the closing date of the first sub-tranche of Tranche 1 Notes; (ii) the Company shall have performed all of its undertakings or obligations under the Subscription Agreement to be performed on or before the closing date of the first sub-tranche of Tranche 1 Notes; and (iii) there shall have been delivered to the Subscriber a certificate, dated as of that closing date, of two (2) directors or a director with the company secretary of the Company to such effect;
- (f) all other necessary approvals, consents and waivers (including any governmental, regulatory and/or corporate approvals and consents) for the Proposed Notes Issue (in particular but without limitation the issue by the Company and the subscription by the Subscriber of the Notes, including any shareholders or directors' approval and other regulatory and/or corporate approvals and consents required for the Subscriber) having been obtained in form and substance satisfactory to the Subscriber in its sole and absolute discretion and remaining valid and subsisting as at the closing date of the first sub-tranche of Tranche 1 Notes; and
- (g) delivery to the Subscriber of the following documents:
 - (i) annual financial reports for the financial year immediately preceding the relevant closing date;
 - (ii) if the annual financial reports in item (i) above are dated more than three (3) months preceding the relevant closing date, copies of the interim accounts of the Company as publicly released;
 - (iii) announcements issued by the Company on the Main Market of Bursa Securities before the relevant closing date;

<p>Conditions precedent to the closing of the first sub-tranche of Tranche 1 Notes (Cont'd)</p>	<ul style="list-style-type: none"> (iv) a list setting out the outstanding term loans and other loans of the Company as at a date not earlier than three (3) days before the closing date and certified by a director of the Company. This list of outstanding term loans and other loans is to include such particulars of each loan including but not limited to the name of the lender, the principal amount loaned, the maturity, the interest rate, the currency of the loan, the major covenants and the details of any security provided in respect of the loan; (v) a certified list setting out the names of the substantial shareholders of the Company dated as at the relevant closing date of the Notes; (vi) a duly executed facility agreement entered into between the Company and the facility agent in respect of the issuance of the Notes; (vii) a duly executed trust deed entered into between the Company and the trustee; (viii) a duly executed Securities Lodgement Form ⁽¹⁾; (ix) a legal opinion ⁽²⁾ issued by the legal advisers to the Company; (x) certified true copies of (a) Board's resolutions; and (b) shareholders' resolutions, approving the issue of the Notes and the allotment and issue of the Conversion Shares in accordance with the terms of the Subscription Agreement; (xi) certified true copies of the Approvals; and (xii) such other documents, opinions and certificates as the Subscriber or ACP may reasonably require. <p>If any of the above conditions precedent are not satisfied or waived by the Subscriber and/or ACP, the Subscription Agreement shall <i>ipso facto</i> cease, the parties shall be released and discharged from their respective obligations, save for costs and expenses payable in connection with the Notes and/or Conversion Shares, indemnity by the Company and any antecedent breaches.</p> <p>Notes:</p> <ul style="list-style-type: none"> (1) <i>Securities Lodgement Form for the Central Securities Depository and Paying Agency Services as set out in Appendix 1 of the Central Securities Depository and Paying Agency Rules which will be submitted to Malaysian Clearing Corporation Sdn Bhd ("MyClear") for the purposes of, amongst others, the appointment of Bank Negara Malaysia as the central securities depository and paying agent for the Notes, who shall be represented by MyClear as its agent.</i> (2) <i>Legal opinion on amongst others, the status of the Company and the Notes.</i>
--	--

<p>Rights of Noteholders to participate in securities of the Company</p>	<p>The Company or any of its subsidiary may offer and sell any securities convertible into securities of the same class as the Conversion Shares or securities substantially similar to the Notes (together, "Equity-linked Securities") provided that, in respect of any proposed private placement of such Equity-linked Securities, the Company shall, and the Company shall procure that the relevant subsidiary shall, offer and, if subscribed, sell such Equity-linked Securities to Noteholders prior to offering such Equity-linked Securities to any other person (except for rights issues or any issues in respect of which the Company is restricted from so doing by law, the Main Market Listing Requirements or any other applicable regulations) ("Right of First Refusal"). For avoidance of doubt, the term "Equity-linked Securities" shall exclude any YFG Shares, warrants relating to YFG Shares, or convertible preference shares issued to shareholders of the Company without preference among the shareholders (but so that the exclusion of shareholders who are overseas or on other grounds approved by Bursa Securities shall be deemed not to be a preference of the other shareholders).</p> <p>The Right of First Refusal is exercisable only by Noteholders holding in aggregate not less than 50% of the aggregate principal amount of the Notes outstanding as at the date of the First Right of Refusal Notice (as defined below) and may be exercised from and including the date of receipt by Noteholders of a notice ("First Right of Refusal Notice") in writing from the Company setting out the details of such offer to and including the date falling fourteen (14) market days thereafter.</p>
<p>Events of default</p>	<p>If any of the following events occur:</p> <ul style="list-style-type: none"> (a) for so long as there are any Notes outstanding, any of the approvals required to be obtained by the Company under the Subscription Agreement are not obtained or are amended, withdrawn, revoked, rescinded or cancelled; (b) where any of the approvals required to be obtained by the Company under the Subscription Agreement were obtained subject to any conditions which were required to be fulfilled, such conditions were not fulfilled; (c) there is default by the Company in the payment of the principal and/or interest due in respect of the Notes; (d) the closing price per YFG Share is below its par value for more than ten (10) consecutive market days; (e) there is default by the Company in the performance or observance of any covenant, condition, provision or obligation (including the performance of its obligations to allot and issue Conversion Shares) contained in the Notes and on its part to be performed or observed (other than the covenant to pay the principal and interest in respect of any of the Notes) and such default continues for the period of seven (7) market days next following the service by any Noteholder on the Company of notice requiring the same to be remedied;

**Events of default
(Cont'd)**

- (f) any other notes, debentures, bonds or other instruments of indebtedness or any other loan indebtedness having an aggregate outstanding amount of over RM40 million or the equivalent in any other currency or currencies (“**Indebtedness**”) of the Company or any of its subsidiaries become or becomes prematurely repayable following a default in respect of the terms thereof which have not been remedied, or steps are taken to enforce any security therefor, or the Company or any of its subsidiaries defaults in the repayment of any such Indebtedness at the maturity thereof or at the expiration of any applicable grace period therefor or any guarantee of or indemnity in respect of any Indebtedness of others having an aggregate outstanding amount of over RM40 million given by the Company or any of its subsidiaries shall not be honoured when due and called upon;
- (g) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved otherwise than for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation which is approved by the shareholders of the Company, as the case may be, and upon which the continuing corporation effectively assumes the entire obligations of the Company, as the case may be, under the Notes;
- (h) a resolution is passed or an order of a court of competent jurisdiction is made that any of its subsidiary be wound up or dissolved otherwise than (i) for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation (other than as described in (ii) below) the terms of which have previously been approved in writing by Noteholders holding 51% or more of the outstanding principal amount of Notes, (ii) for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction with or into the Company or another subsidiary of the Company, or (iii) by way of a voluntary winding up or dissolution where there are surplus assets in such subsidiary and such surplus assets attributable to the Company and/or any of its subsidiaries are distributed to the Company and/or such subsidiary;
- (i) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of YFG and its subsidiaries (collectively, “**Group**”);
- (j) (i) the Company or any of its subsidiary without any lawful cause stops payment (within the meaning of any applicable bankruptcy law) or is unable to pay its debts as and when they fall due or (ii) the Company or any of its subsidiary (otherwise than for the purposes of such a consolidation, amalgamation, merger, reconstruction or reorganisation as is referred to in paragraph (g) or (h) above) ceases or through an official action of the board of directors of the Company or any of its subsidiary, as the case may be, threatens to cease to carry on its business, and such action has a material adverse effect on the Group;
- (k) proceedings shall have been initiated against the Company or any of its subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings have not been discharged or stayed within a period of seven (7) market days;

<p>Events of default (Cont'd)</p>	<p>(l) the Company or any of its subsidiary shall initiate or consent to proceedings seeking with respect to adjudication of bankruptcy or a decree of commencement of composition or reorganisation or other similar procedures or the appointment of an administrator or other similar official under any applicable bankruptcy, reorganisation or insolvency law or make a general assignment for the benefit of, or enter into any composition with, its creditors, and such action has a material adverse effect on the Group;</p> <p>(m) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a part of the property of the Company or any of its subsidiary, which is material in its effect upon the operations of either the Company or such subsidiary, as the case may be, and is not discharged within seven (7) market days thereof;</p> <p>(n) the delisting of YFG Shares on the Main Market of Bursa Securities or a suspension of trading of such shares on the Main Market of Bursa Securities for a period of three (3) consecutive market days or more save for trading halts made at the request of the Company for pending corporate announcements;</p> <p>(o) ratio of borrowings to net worth ⁽¹⁾ exceeds two (2) times;</p> <p>(p) net worth ⁽¹⁾ is less than RM20 million;</p> <p>(q) for so long as there are any Notes outstanding, if the Company engages in any transaction with any hedge fund operating or originating from any part of the world; or</p> <p>(r) any credit facilities granted to the Company or any of its subsidiary are withdrawn, terminated or suspended for any reason whatsoever, and such action has a material adverse effect on the Group,</p> <p>then any Note may, by notice in writing given to the Company, be declared immediately due and payable by the Company at 125% of its principal amount together with accrued interest.</p> <p><i>Note:</i></p> <p>(1) <i>Net worth means, at any time, as stated in the audited consolidated financial statements of YFG for the year ended 30 September and thereafter the most recent unaudited interim financial statements of YFG as announced to Bursa Securities ("Accounts"), the aggregate of the amounts shown in the Accounts as paid-up or credited as paid-up on the issued share capital of YFG and standing to the credit of retained earnings and other capital and revenue reserves and includes minority interests therein; less any amount which is attributable to any debit balance in its statement of profit and loss as shown in the relevant Accounts to the extent not already charged against retained earnings.</i></p>
--	---

Redemption option	<p>If the Conversion Price (as elected by the Noteholder) is less than or equal to 65% of the average of the daily traded VWAP per YFG Share for the forty-five (45) consecutive market days immediately prior to the relevant closing date in respect of each first sub-tranche of the respective tranches of the Notes, the Company may redeem the Notes presented for conversion in cash at an amount calculated in accordance with the formula set out below (“Conversion Redemption Amount”):</p> $R = N \times \{P + [8\% \times P \times (D/365)] + I\}$ <p>where,</p> <p>“R” : Conversion Redemption Amount</p> <p>“D” : Number of days elapsed since the relevant closing date in respect of each sub-tranche of the Notes</p> <p>“N” : Number of Notes presented for conversion</p> <p>“P” : Face value of the Notes presented for conversion</p> <p>“I” : The remaining unpaid interest accrued on the Notes presented for conversion</p> <p>The Notes which are not redeemed or purchased, converted or cancelled by the Company will be redeemed by the Company at 100% of their principal amount on the Maturity Date.</p>
Form and denomination	The Notes are issued in registered form in multiples of RM50,000.
Transferability	The Notes will be tradable and transferable.
Rating	The Notes will not be rated.
Listing	<p>The Notes will not be listed.</p> <p>An application will be made to Bursa Securities for the listing of and quotation for the Conversion Shares on the Main Market of Bursa Securities.</p>
Governing law	The Notes shall be governed by the laws of Malaysia.

The Proposed Notes Issue is expected to raise up to RM10.0 million through the issuance of Tranche 1 Notes. Further amounts up to RM90.0 million may be raised through the issuance of the remaining five (5) tranches, at the discretion of the Company, subject to the terms and conditions as set out in the Subscription Agreement.

For avoidance of doubt, no funds will be raised upon conversion of the Notes into new YFG Shares.

The Notes will be constituted by a trust deed to be executed by the Company but are neither guaranteed nor secured.

2.2 Basis of Determining the Conversion Price of the Notes

The Fixed Conversion Price and Floating Conversion Price were agreed upon, on a commercial basis, between the Company and the Subscriber.

For illustrative purposes:

(i) Fixed Conversion Price

Assuming the closing date of the first sub-tranche of Tranche 2 Notes to Tranche 6 Notes to be the date of the Subscription Agreement, based on 135% of the VWAP per YFG Share for the forty-five (45) market days immediately prior to 8 May 2015, being the date of the Subscription Agreement, of RM0.11, the Fixed Conversion Price will be RM0.15.

(ii) Floating Conversion Price

Assuming the relevant conversion date to be the date of the Subscription Agreement, based on 80% of the average closing price per YFG Share for the three (3) consecutive market days from 4 to 6 March 2015, being the lowest average closing price during the forty-five (45) market days immediately prior to 8 May 2015 of RM0.07, the Floating Conversion Price will be RM0.06.

The Noteholders have the option to select either the Fixed Conversion Price or the Floating Conversion Price to be the Conversion Price. Given such discretion, it is expected that the Noteholders will choose the lower of either the Fixed Conversion Price or Floating Conversion Price.

Based on the above lower Conversion Price of RM0.06 in respect of the Notes, the maximum number of Conversion Shares to be issued, assuming all six (6) tranches of the Notes are issued and subscribed pursuant to the Proposed Notes Issue, would be 1.67 billion Conversion Shares.

For avoidance of doubt, the Fixed Conversion Price in respect of Tranche 1 Notes has been determined and fixed at RM0.15. The Fixed Conversion Price in respect of Tranche 2 Notes to Tranche 6 Notes will be determined on the closing date of the first sub-tranche of the respective tranches. The Floating Conversion Price for all six (6) tranches is yet to be determined.

2.3 Ranking of the Conversion Shares

The Conversion Shares shall, upon allotment and issuance, rank *pari passu* in all aspects with the existing YFG Shares, save that the Conversion Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement date is prior to the date of allotment and issuance of the Conversion Shares.

2.4 Utilisation of Proceeds

Based on the aggregate principal value of up to RM100.0 million, the Proposed Notes Issue is expected to raise gross proceeds of up to RM100.0 million which shall be utilised as follows:

Purpose	Note	RM'000	Estimated timeframe for utilisation ⁽⁴⁾
Repayment of bank borrowings	(1)	22,000	Within 12 months
Working capital	(2)	70,500	Within 60 months
Defrayment of expenses related to the Proposed Notes Issue	(3)	7,500	Within 1 month
Total		100,000	

Notes:

- (1) Proceeds of up to RM22 million will be utilised to repay the Group's bank borrowings, of which RM22 million is outstanding as at 31 March 2015, based on its latest available quarterly results. The Group expects to realise interest savings of approximately RM2.2 million per annum from the repayment of bank borrowings, based on the weighted average interest rate of the Group's bank borrowings to be repaid of 9.96% per annum.
- (2) The Group intends to utilise up to RM70.5 million of proceeds to finance its working capital requirements for its on-going and future projects, which include payment to contractors and suppliers of materials as well as administrative and marketing expenses and professional fees. Amongst the on-going projects of the Group are the following:

Project	Nature of Project	Expected Completion (Year)
Klang Valley Mass Rapid Transit ("KVMRT") 1	To supply, install, test and commission fire detection and protection systems for Elevated Packages V1 and V2 and Sungai Buloh Depot	2016
KVMRT 2	Underground works package for the mechanical & electrical works for package 3 (Stadium Merdeka Station) which forms part of the main sub-contract for the construction, completion, testing, commissioning and care of the works (including Pudu Launch Shaft but excluding Diaphragm Wall)	2016
Bera Biomass Power Plant	To construct, operate, maintain and repair a 13 megawatt biomass power plant at FT1510 Jalan Gugusan Bera, Bandar Bera, Pahang Darul Makmur	2017
Symphony Hill	To construct two apartment blocks with car parks and other infrastructure such as Surau, multipurpose hall, badminton court, gymnasium, club house and management office at PT 43220, Symphony Hills, Persiaran Bestari, Cyber 9, Cyberjaya	2016
Women and Children's Hospital	To design, construct, complete and test the electrical system (final circuits) for the Women and Children's Hospital, Kuala Lumpur, through a Public-Private Partnership (PPP) with the Ministry of Health, Malaysia	2016

The breakdown of proceeds to be utilised for each component of the working capital requirements of the Group's projects cannot be determined at this juncture as it will depend on the progress of the respective projects. The utilisation of proceeds for the Group's projects will facilitate the Group in carrying out its current projects as well as secure new projects, which in turn is expected to contribute positively to the Group's future earnings.

- (3) In the event that the actual amount varies from the above estimate, the excess or deficit, as the case may be, will be adjusted from the amount earmarked for working capital.
- (4) As the Notes will be issued in tranches and sub-tranches as set out in Section 2.1 above, the proceeds to be raised will be utilised from the date of issuance of the respective sub-tranches and within the timeframe stated above.

For avoidance of doubt, no proceeds will be raised from the conversion of the Notes.

As mentioned in Section 2.1 above, the Proposed Notes Issue is divided into six (6) tranches, of which Tranche 2 Notes to Tranche 6 Notes are callable at the option of the Company during the Option Period, subject to the terms and conditions of the Subscription Agreement. Thus, the Company will only exercise the said options if such funds are required for the repayment of the Group's borrowings and/or undertaking of projects.

2.5 Background Information on the Subscriber and ACP

The Subscriber is an open-ended fund with sub-funds established in the Cayman Islands, of which Mr. Tan Choon Wee is the principal and sole director. The Subscriber's investors are mainly based in Asia.

ACP is the arranger for the Proposed Notes Issue and has been authorised to act for and on behalf of the Subscriber in respect of the Proposed Notes Issue. ACP was incorporated in Singapore on 5 May 2005 and its sole director and shareholder is Mr. Tan Choon Wee.

2.6 Representations and Warranties of the Subscriber and ACP

- (i) The Subscriber and ACP represent and warrant to the Company that they have full power, authority and capacity to enter into and perform the Subscription Agreement in accordance with its terms;
- (ii) The Subscriber represents that it is subscribing for the Notes for investment purposes only and has no intention of influencing the management or exercising control over the Company; and
- (iii) The Subscriber agrees (i) that there will be no conversion of the Notes by the Subscriber to transfer a controlling interest in the Company without the prior approval of the shareholders of the Company at a general meeting and (ii) not to hold more than 10% interest in the issued and paid-up share capital of the Company, at any time and from time to time without the prior approval of the Company⁽¹⁾.

Note:

- (1) *In the event such approval is obtained, the Subscriber shall not convert the Notes such that he will hold a controlling interest in YFG without the prior approval of the Company's shareholders, which will be sought at a separate extraordinary general meeting, if required.*

In the event that shareholders' approval is obtained for the Subscriber to hold a controlling interest in YFG and the Subscriber thereby holds more than 33% interest in the issued and paid-up share capital of the Company (or such other percentage as may be prescribed in the Malaysian Code on Take-Overs and Mergers 2010), the Subscriber would have to undertake a mandatory general offer for the remaining YFG Shares and warrants and other securities, if any, not already held by it.

In addition, in the event such shareholders' approval is obtained, the major shareholders of the Company may collectively hold more than 75% of the outstanding YFG Shares which would result in the Company not being in compliance with the public shareholding spread pursuant to the Main Market Listing Requirements of Bursa Securities.

2.7 Underwriting Arrangement

The Proposed Notes Issue will not be underwritten as the Subscriber has been identified and the Subscription Agreement has been entered into on 8 May 2015.

THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

3. RATIONALE FOR THE PROPOSED NOTES ISSUE

The Board is of the view that the Proposed Notes Issue is the most appropriate avenue of raising funds for the abovementioned utilisation of proceeds as the Proposed Notes Issue:

- (i) enables the Company to raise funds in a cost-effective and expeditious manner as the Notes are being privately placed to and subscribed by a pre-identified investor, which allows the Company to save costs on road shows and marketing to potential investors;
- (ii) enables the Company to raise funds *via* the hybrid market, that is, between the debt market where gearing and security or rating may be an issue, and the equity market, where current market conditions may not be conducive; and
- (iii) is issued in multiple tranches, which allows YFG the flexibility to drawdown when the need for funds arises.

4. EFFECTS OF THE PROPOSED NOTES ISSUE

The Proposed Notes Issue is expected to raise up to RM10.0 million through the issuance of Tranche 1 Notes. Further amounts of up to RM90.0 million may be raised through the issuance of the remaining five (5) tranches at the Company's discretion, subject to the terms and conditions as set out in the Subscription Agreement.

As at the date of this announcement, the Fixed Conversion Price in respect of Tranche 1 Notes has been determined and fixed at RM0.15. The Fixed Conversion Price in respect of Tranche 2 Notes to Tranche 6 Notes will be determined on the closing date of the first sub-tranche of the respective tranches. The Floating Conversion Price for all six (6) tranches is yet to be determined. It is thus not possible, as at the date of this announcement, to ascertain the effects of the Proposed Notes Issue until the Notes have been issued, converted and/or otherwise redeemed.

For illustrative purposes, based on the lower of the Conversion Price as computed in Section 2.2 above and assuming all six (6) tranches of the Notes are issued and subscribed pursuant to the Proposed Notes Issue, the pro forma effects of the Proposed Notes Issue are as set out below:

4.1 Issued and Paid-up Share Capital

The pro forma effects of the Proposed Notes Issue on the issued and paid-up share capital of YFG as at 7 May 2015, being the latest practicable date preceding the date of this announcement ("LPD"), are as follows:

	No. of Shares '000	Par Value RM	RM'000
Issued and paid-up share capital	609,070	0.10	60,907
Less: Discount on shares	-		(6,433)
	609,070	0.10	54,474
To be cancelled pursuant to the Proposed Par Value Reduction		(0.08)	(48,726)
After the Proposed Par Value Reduction	609,070	0.02	5,748
To be issued pursuant to full conversion of the Notes	1,666,667	0.02	33,333
Enlarged issued and paid-up share capital	2,275,737	0.02	39,081

4.2 Substantial Shareholders' Shareholdings

The pro forma effects of the Proposed Notes Issue on the shareholdings of the substantial shareholders of the Company are set out below:

Substantial shareholder	<----- As at the LPD ----->				<----- Upon full conversion of the Notes ⁽¹⁾ ----->			
	<----- Direct ----->		<----- Indirect ----->		<----- Direct ----->		<----- Indirect ----->	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
General Technology Sdn Bhd	71,035	11.66	-	-	71,035	3.12	-	-
Noteholder(s)	-	-	-	-	1,666,667 ⁽²⁾	73.24	-	-

Notes:

- (1) There will be no effect on the substantial shareholders' shareholdings in the Company upon issuance of the Notes.
- (2) Assuming the Noteholders fully convert the Notes based on the Conversion Price as set out in Section 2.2.

It is expected that there will be no change in the Company's controlling shareholder pursuant to the Proposed Notes Issue as there will be no conversion of Notes by the Subscriber to transfer a controlling interest in the Company such that the Subscriber becomes a controlling shareholder of the Company without the prior approval of the Company's shareholders, nor to hold more than 10% interest in the issued and paid-up share capital of the Company, at any time and from time to time, without the Company's prior approval. In addition, the Conversion Shares are expected to be sold down *via* the open market on a progressive basis, in tandem with the progressive subscription and conversion of the Notes.

THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

4.3 Net Assets and Gearing

Based on the audited consolidated statement of financial position as at 30 June 2014 and after adjusting for the Proposed Par Value Reduction, the pro forma effects of the Proposed Notes Issue on the net assets and gearing of the Group assuming the Proposed Notes Issue had been effected as at 30 June 2014 are as follows:

	Audited as at 30 June 2014	(I) After Proposed Par Value Reduction	(II) After (I) and upon issuance of the Notes	(III) After (II) and upon full conversion of the Notes
	RM'000	RM'000	RM'000	RM'000
Share capital	54,474	5,748	5,748	39,081
Share premium	-	-	-	64,167
Warrant reserve	8,070	8,070	8,070	8,070
Translation reserve	202	202	202	202
ESOS reserve	857	857	857	857
Capital reserve (remaining credit arising from the Proposed Par Value Reduction)	-	41,912	41,912	41,912
Estimated equity component of the Notes	-	-	⁽¹⁾ 66,639	-
Accumulated losses	(35,326)	(28,513)	⁽²⁾ (33,513)	(33,513)
Total equity attributable to owners of the Company/Net assets	28,277	28,276	89,915	120,776
Number of shares ('000)	609,070	609,070	609,070	2,275,737
Net assets per share (RM)	0.05	0.05	0.15	0.05
Total borrowings	30,547	30,547	⁽³⁾ 16,361	8,547
Gearing ratio (times)	1.08	1.08	0.18	0.07

Notes:

- (1) Being the estimated equity component of the Notes after deducting the fair value of the liability component of RM8.0 million, estimated expenses relating to the equity and liability components of approximately RM2.5 million and a deferred tax adjustment of RM23 million.
- (2) After deducting an arranger fee of RM5.0 million.
- (3) Including the liability component of the Notes amounting to RM8.0 million, and after deducting estimated expenses relating to the liability component of the Notes of approximately RM0.2 million as well as after repayment of the outstanding bank borrowings of the Group amounting to RM22 million.

4.4 Earnings and Earnings per Share (“EPS”)

The Proposed Notes Issue is not expected to have a material effect on the earnings of YFG for the financial period ending 30 September 2015.

Notwithstanding the above, the Proposed Notes Issue is expected to contribute positively to the earnings of the Group in the ensuing financial years when the benefits of the utilisation of proceeds from the subscription of the Notes, as set out in Section 2.4 of this announcement, are realised.

Subject to the future earnings of the Group, its EPS may be diluted in the future financial years as a result of the increase in its issued and paid-up share capital arising from the conversion of the Notes into new YFG Shares.

4.5 Convertible Securities

The Proposed Notes Issue is not expected to have any effect on the exercise price and number of outstanding warrants 2011/2016 and outstanding options under the Company's employees' share option scheme. Save for the foregoing, the Company does not have any other convertible securities as at the LPD.

5. APPROVALS REQUIRED

The Proposed Notes Issue is subject to the following approvals being obtained:

- (i) Bursa Securities for the listing of and quotation for the Conversion Shares on the Main Market of Bursa Securities;
- (ii) SC for the issuance of the Notes under the Guidelines on Private Debt Securities;
- (iii) shareholders of YFG at an extraordinary general meeting to be convened; and
- (iv) any other relevant authorities, if required.

The Proposed Notes Issue is conditional upon the Proposed Par Value Reduction and proposed amendment to the Memorandum and Articles of Association of YFG to facilitate the Proposed Par Value Reduction, but not *vice versa*.

The Proposed Notes Issue is not conditional upon any other corporate exercises undertaken or to be undertaken by the Company.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of YFG and/or persons connected with them have any interest, directly or indirectly, in the Proposed Notes Issue.

7. ADVISER

Kenanga IB has been appointed as the Adviser, lead arranger/lead manager and facility agent for the Proposed Notes Issue.

8. APPLICATIONS TO THE RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the applications to the relevant authorities in respect of the Proposed Notes Issue are expected to be made within two (2) months from the date of this announcement.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the first sub-tranche of Tranche 1 Notes is expected to be issued in the second (2nd) half of 2015.

10. DOCUMENTS AVAILABLE FOR INSPECTION

The Subscription Agreement is available for inspection by the Company's shareholders at its registered office at No. 6, Jalan Tiang U8/92, Perindustrian Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor during normal office hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 8 May 2015.