

Y&G CORPORATION BHD
(Formerly known as “Merces Holdings Berhad”)
(Company No. 6403-X)
(Incorporated in Malaysia)

PART A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS

A1. Basis of Preparation

The Interim Financial Statements for the second quarter ended 30th June 2008 are unaudited and have been prepared in accordance with the requirements of FRS 134 – "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board (“MASB”) and Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

These explanatory notes attached to the Interim Financial Statements provide an explanation of event 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 31st December 2007.

The accounting policies and methods of computation adopted by Company and the Group in preparing its financial statements are consistent with the audited financial statements for the year ended 31st December 2007.

A2. Audit Report Qualification

The audited financial statements for the year ended 31 December 2007 were not subject to any qualification.

A3. Seasonal or Cyclical Factors

The business operations of the Group for the quarter under review were not subject to any seasonal or cyclical factors.

A4. Nature and Amount of Unusual Items

There were no unusual items which affect the assets, liabilities, equity, net income or cash flow of the Group for the current quarter and financial year-to-date.

A5. Nature and Amount of Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years which may have a material effect in the current financial quarter.

A6. Issuance and Repayment of Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current financial quarter.

A7. Dividends Paid

The Company did not make any payment of dividends during the current financial quarter and financial year-to-date.

A8. Segmental Reporting

No segmental analysis is prepared as the Group is primarily engaged in a single business segment of property development and building construction and the principal activities are predominantly in Malaysia.

A9. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment has been brought forward without any amendments from the audited financial statements for the year ended 31 December 2007.

A10. Material Events Subsequent to the end of the Period Under Review

There were no material events subsequent to the end of the current financial quarter that have not been reflected in the financial statement for the current quarter as at the date of this report.

A11. Change in Composition of Group

The were no changes in the composition of the Group during the financial quarter under review and year-to-date.

A12. Change in Contingent Liabilities

There were no material changes in contingent liabilities or contingent assets since the last annual financial statements.

PART B: ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Performance

The Group's revenue was mainly derived from construction works for the financial quarter ended 30th June 2008 under review and financial year-to-date.

Turnover for the current financial quarter was RM 1.228 million, 26% lower than the preceding year's corresponding quarter of RM 1.655 million. Turnover for the current financial year-to-date was RM 1.870 million, 52% lower than the preceding year's corresponding year-to-date of RM 3.914 million. The significant changes in turnover was due to the commencement of new project which was still at its initial billing stage and the completion of previous construction projects.

Loss before tax for the current financial quarter was RM 0.091 million as compared to the loss before tax of RM 0.267 million reported in the preceding year's corresponding quarter despite of a lower turnover for the current financial quarter due to the lower operating and interest expenses arising from the deconsolidation of Mercedes Builders (S) Sdn Bhd. and its two (2) wholly-owned subsidiaries in the fourth financial quarter ended 31st December 2007. Loss before tax for the current financial year-to-date was RM 0.240 million as compared to the loss before tax of RM 0.009 million reported in the preceding year's corresponding year-to-date due to the lower in turnover for the current financial year-to-date.

B2. Comparison with immediate preceding quarter

Turnover for the current financial quarter ended 30th June 2008 increased to RM 1.228 million as compared to RM 0.642 million reported in the preceding quarter. The increase in turnover was due to the commencement of construction project being carried out during the current financial quarter.

Loss before tax for the current financial quarter was RM 0.091 million as compared to loss before tax of RM 0.149 million reported in the preceding quarter.

B3. Next Year Prospect

In view that market for the property development and construction is sustaining, the Directors expect an improvement in the results of the Group for the remaining period of financial year ending 31 December 2008.

B4. Variance of Actual Profit from Profit Forecast

Not applicable as the Company did not issue any profit forecast.

B5. Taxation

The taxation shown in the Quarterly Report on Unaudited Consolidated Income Statement comprised :-

	Current Quarter RM'000	Current Year Todate RM'000
Taxation for current quarter / year	-	-
Over/(Under)prov of prior years' tax	169	169
	<u>169</u>	<u>169</u>

This represents overprovision for taxation in respect of previous financial year ended 31 December 2007 primarily due to the non-taxability of Non-Trade Payables written off amounting to RM0.661 million.

B6. Sale of Unquoted Investments and Properties

There was no sale of unquoted investments and/or properties for the current quarter under review and financial year-to-date.

B7. Quoted Securities

There was no purchase or disposal of quoted securities for the current quarter under review and financial year-to-date.

B8. Corporate Proposals

There was no corporate proposals announced and uncompleted for the current quarter under review and financial year-to-date.

B9. Group Borrowings and Debt Securities

Group Borrowings as at 30th June 2008 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Short Term Borrowings :			
Bank overdraft	5,180	795	5,975
Revolving credits	-	-	-
Bankers acceptance	187	-	187
Hire Purchase	501	-	501
Term loans/Bridging loans	1,200	-	1,200
	<u>7,068</u>	<u>795</u>	<u>7,863</u>
(b) Long Term Borrowing :			
Term loans/Bridging loans	<u>3,100</u>	<u>-</u>	<u>3,100</u>

There was no borrowings or debt securities denominated in foreign currencies.

B10. Off Balance Sheet Financial Instruments

There was no financial instruments with off balance sheet risk at the date of this report.

B11. Material Litigations

The changes in material litigations (including status of any pending material litigations) since the previous quarterly report are listed in the Appendix 1 attached hereto.

B12. Dividend

The Board of Directors does not recommend any interim dividend for the current quarter under review and financial year-to-date.

B13. Earning Per Share

Basic earning / (loss) per share is calculated by dividing the net profit / (loss) after taxation for the quarter by weighted average of ordinary shares in issue during the quarter.

	Individual Quarter	Cumulative Quarter
Net Earning / (Loss) (RM'000)	78	(71)
Weighted average number of ordinary share in issue ('000)	51,000	51,000
Earning / (Loss) per share (sen)	0.15	(0.14)
Diluted EPS	N/A	N/A

By Order of the Board

Wong Keo Rou (MAICSA 7021435)
Secretary
Kuala Lumpur
Date : 18 August 2008