

**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 first quarter ended 31 March 2009 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 31 December 2008.

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 31 December 2008.

**A2. Audit Report Qualification**

The audited financial statements for the year ended 31 December 2008 were not subject to any qualification.

**A3. Seasonal or Cyclical Factors**

The business operations of the Group for the financial 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 financial quarter and 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 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 financial year ended 31 December 2008.

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 financial quarter as at the date of this report.

A11. **Change in Composition of Group**

There were no changes in the composition of the Group during the financial quarter under review and financial 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 31 March 2009 under review and financial year-to-date.

Turnover for the current financial quarter and year-to-date was RM 8.237 million, a substantial increase of RM 7.595 million as compared to the preceding year's corresponding quarter of RM 0.642 million. The substantial increase in turnover was due to the significant increase in the construction activities which commenced in the preceding year's second financial quarter ended 30 June 2008.

Profit before tax for the current financial quarter and year-to-date was RM 0.224 million as compared to loss before tax of RM 0.149 million as reported in the preceding year's corresponding quarter. A relatively lower profit before tax for the current financial quarter and year-to-date was generated despite of the substantial increase in turnover primarily due to the provision for impairment of investment in a deconsolidated subsidiary and the provision for doubtful receivables amounting to RM 1.141 million in the said quarter and year-to-date. If these provisions were excluded, the Group would have made a higher profit before tax of RM 1.365 million for the current financial quarter and year-to-date.

### **B2. Comparison with immediate preceding quarter**

Turnover for the current financial quarter ended 31 March 2009 decreased slightly to RM 8.237 million as compared to RM 11.362 million reported in the preceding quarter due to the slightly lower construction activities during the current financial quarter.

Profit before tax for the current financial quarter was RM 0.224 million as compared to loss before tax of RM 0.883 million reported in the preceding quarter. A relatively higher profit before tax for the current financial quarter was generated despite of the slight decrease in turnover primarily due to the higher provision for impairment of investment in a deconsolidated subsidiary and the provision for doubtful receivables 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 revenue of the Group for the financial year ending 31 December 2009.

### **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 comprise :-

	Current Quarter RM'000	Current Year-To-Date RM'000
Taxation for current quarter / year	(390)	(390)
Over/(Under)prov of prior years' tax	-	-
	<u>(390)</u>	<u>(390)</u>

The effective tax rate for the current financial quarter and year-to-date is higher than the statutory tax rates of between 20% - 26% primarily due to the non-deductibility of the provisions for impairment of investment in a deconsolidated subsidiary and doubtful receivables amounting to RM 1.141 million as stated in B1 above.

**B6. Sale of Unquoted Investments and Properties**

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

**B7. Quoted Securities**

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

**B8. Corporate Proposals**

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

**B9. Group Borrowings and Debt Securities**

Group Borrowings as at 31 March 2009 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Short Term Borrowings :			
Bank overdraft	3,915	840	4,755
Revolving credits	-	-	-
Bankers acceptance	192	-	192
Hire purchase	501	-	501
Term loans	1,200	-	1,200
	<u>5,808</u>	<u>840</u>	<u>6,648</u>
(b) Long Term Borrowing :			
Term loans	2,200	-	2,200

There was no borrowing or debt security denominated in foreign currencies.

**B10. Off Balance Sheet Financial Instruments**

There was no financial instrument 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 financial 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.

	<b>Individual Quarter</b>	<b>Cumulative Quarter</b>
Net Profit / (Loss) (RM'000)	(166)	(166)
Weighted average number of ordinary share in issue ('000)	51,000	51,000
Earning / (Loss) per share (sen)	(0.33)	(0.33)
Diluted EPS	N/A	N/A

By Order of the Board

Wong Keo Rou (MAICSA 7021435)  
Secretary  
Kuala Lumpur  
Date : 21 April 2009