

Y&G CORPORATION BHD
(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 third quarter ended 30 September 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.

During the preceding financial quarter ended 30 June 2009, the Board of Directors had decided to deconsolidate Merces Builders Sdn Bhd ("MBSB"), a wholly-owned subsidiary of Y&G Corporation Bhd, together with MBSB's four (4) wholly-owned subsidiaries, Jumpvex Engineering Sdn Bhd ("JESB"), Manablitz Engineering Sdn Bhd ("MESB"), Nekamax Resources Sdn Bhd ("NRSB") and Diamond Earnings Sdn Bhd ("DESB") (collectively known as "the MB Group"), as a Winding-Up Order has been served against MBSB on 30 April 2009.

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 except for the change in composition of Group as stated under A11 below.

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 except as follows which has been reported in the previous financial quarter :

On 30 April 2009, a Winding-Up Order has been served against MBSB, a wholly-owned subsidiary of Y&G Corporation Bhd. As MBSB has been under the winding-up process, the financial statements of the MB Group (comprising MBSB together with its four (4) wholly-owned subsidiaries namely, JESB, MESB, NRSB and DESB), were deconsolidated from the Group's account in the previous financial quarter. The effect of the said deconsolidation on the current financial year-to-date is stated under B1 below.

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 30 September 2009 under review and financial year-to-date.

Turnover for the current financial quarter was RM 12.735 million, a slight decrease of RM 0.207 million as compared to the preceding year's corresponding quarter of RM 12.942 million. Turnover for the current financial year-to-date was RM 29.508 million, a substantial increase of RM 14.696 million as compared to the preceding year's corresponding year-to-date of RM 14.812 million. The substantial increase in turnover was due to the significant increase in the construction activities in the current financial quarter and year-to-date.

Profit after tax for the current financial quarter was RM 0.465 million as compared to loss after tax of RM 1.685 million as reported in the preceding year's corresponding quarter. Profit after tax for the current financial year-to-date was RM 0.712 million as compared to loss after tax of RM 1.756 million as reported in the preceding year's corresponding year-to-date. The significant increase in profit after tax in both the current financial quarter and year-to-date as compared to the preceding year despite of the RM 1.238 million impairment loss of land held for development are primarily due to the above significant increase in turnover (in the case of current financial year-to-date only), waiver of bank overdraft interest of RM 0.275 million (as reported under "Other Operating Income" in the Condensed Consolidated Income Statement) and the provision for impairment of investment in a deconsolidated subsidiary and doubtful receivables made in the preceding year and these provisions were no longer required from the previous financial quarter ended 30 June 2009 onwards upon the deconsolidation of the MB Group as stated in A11 above. As reported before in the previous quarterly report, due to the deconsolidation of the MB Group, the Group suffered a net deconsolidation loss of RM 1.495 million for the current financial year-to-date.

B2. Comparison with immediate preceding quarter

Turnover for the current financial quarter ended 30 September 2009 increased by RM 4.198 million to RM 12.735 million as compared to RM 8.537 million reported in the preceding quarter due to the higher construction activities during the current financial quarter.

Profit before tax for the current financial quarter was RM 0.965 million as compared to profit before tax of RM 0.685 million reported in the preceding quarter. A relatively lower profit before tax for the current financial quarter was generated despite of the substantial increase in turnover and waiver of bank overdraft interest of RM 0.275 million during the current financial quarter is primarily due to the RM 1.238 million impairment loss of land held for development .

B3. 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	(500)	(1,160)
Underprovision of prior years' tax	-	(2)
	<u>(500)</u>	<u>(1,162)</u>

The effective tax rate for the current financial quarter and year-to-date is higher than the statutory tax rate of 25% primarily due to the non-deductibility of the RM 1.238 million impairment loss of land held for development and the net deconsolidation loss of RM 1.495 million (in the case of current financial year-to-date only) 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 30 September 2009 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Short Term Borrowings :			
Bank overdraft	-	550	550
Revolving credits	-	-	-
Bankers acceptance	-	-	-
Hire purchase	194	-	194
Term loans	1,200	-	1,200
	<u>1,394</u>	<u>550</u>	<u>1,944</u>
(b) Long Term Borrowing :			
Term loans	1,600	-	1,600

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. Earnings Per Share

Basic earnings per share is calculated by dividing the net profit after taxation for the quarter by weighted average of ordinary shares in issue during the quarter.

	Individual Quarter	Cumulative Quarter
Net Profit (RM'000)	465	712
Weighted average number of ordinary share in issue ('000)	51,000	51,000
Earnings per share (sen)	0.91	1.40
Diluted EPS	N/A	N/A

By Order of the Board

Wong Keo Rou (MAICSA 7021435)
Secretary
Kuala Lumpur
Date : 20 November 2009