

**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 second quarter ended 30 June 2010 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 Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009.

These explanatory notes attached to the Interim Financial Statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

In the previous financial year ended 31 December 2009, the Group had deconsolidated Mercedes 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.

**A2. CHANGES IN ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted by the Group in preparing this Interim Financial Statements are consistent with those adopted in the Audited Financial Statements for the year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standards ("FRSs") and Issues Committee Interpretations ("IC Interpretations") effective for financial periods beginning on or after 1 January 2010.

FRS 7 Financial Instruments : Disclosures  
FRS 8 Operating Segments  
FRS 101 Presentation of Financial Statements (revised)  
FRS 139 Financial Instruments : Recognition and Measurement  
Amendment to FRS 8 Operating Segments  
Amendment to FRS 107 Cash Flow Statements  
Amendment to FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors  
Amendment to FRS 110 Events after the Reporting Period  
Amendment to FRS 116 Property, Plant and Equipment  
Amendment to FRS 117 Leases  
Amendment to FRS 118 Revenue  
Amendment to FRS 127 Consolidated and Separate Financial Statements  
Amendment to FRS 132 Financial Instruments : Presentation  
Amendment to FRS 134 Interim Financial Reporting  
Amendment to FRS 136 Impairment of Assets  
Amendment to FRS 138 Intangible Assets  
Amendment to FRS 139 Financial Instruments : Recognition and Measurement  
Amendment to FRS 140 Investment Property  
Amendments to FRSs "Improvements to FRSs (2009)"  
IC Interpretation 10 : Interim Financial Reporting and Impairment

The adoption of the new FRSs and Interpretations does not have significant impact on the financial statements of the Group except for FRS 139 which is summarized as follows :

### **FRS 139 - Financial Instruments : Recognition and Measurement**

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. It also sets out the requirements for the application of hedge accounting.

Financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Group determines the classification at initial recognition and re-evaluates this designation at each year end except for those financial instruments measured at fair value through profit or loss.

#### **Financial Assets**

##### **a) Loans and Receivables**

Prior to 1 January 2010, loans and receivables were stated at gross proceeds receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised, impaired or through the amortisation process.

##### **b) Available-for-Sale**

Prior to 1 January 2010, available-for-sale financial assets such as other investments were accounted for at cost less impairment losses. Under FRS 139, available-for-sale financial assets is measured (a) at fair value initially and subsequently with unrealised gains or losses recognised directly in equity until the investment is derecognised or impaired or (b) at cost if the unquoted equity instrument is not carried at fair value because its fair value cannot be reliably measured.

##### **c) Held-to-Maturity**

Prior to 1 January 2010, held-to-maturity financial assets such as non-derivative financial assets with fixed or determinable payments and fixed maturities were accounted for at cost less impairment losses. Under FRS 139, held-to-maturity financial assets is initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the investments are derecognised, impaired or through the amortisation process.

#### **Financial Liabilities**

##### **Borrowings**

Prior to 1 January 2010, borrowings were stated at the proceeds received less directly attributable transaction costs. Under FRS 139, borrowings are initially measured at fair value plus directly attributable transaction costs and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised or through the amortisation process.

#### **Derivative Financial Instruments**

The adoption of FRS 139 has resulted in changes to the accounting policies relating to recognition and measurement of financial instruments. A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument. A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of item being hedged as follows :

### **Cash Flow Hedge**

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while an ineffective portion is recognised immediately in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

In accordance with the provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2010 :

	As at 1 January 2010 RM'000
Decrease in Trade Debtors	489
Decrease in Trade Creditors	265
Decrease in Term Loan	204
Increase in Accumulated Losses	20
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In addition, FRS 139 has the net effect of increasing the profit for the current financial quarter and year to-date by approximately RM 86,000 and RM 88,000 respectively.

#### **A3. AUDITORS' REPORT ON PRECEDING AUDITED FINANCIAL STATEMENTS**

The auditors' report on the Audited Financial Statements for the year ended 31 December 2009 was not subject to any qualification.

#### **A4. SEASONAL OR CYCLICAL FACTORS**

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

#### **A5. UNUSUAL ITEMS**

There were no unusual items which have a material effect on the assets, liabilities, equity, net income or cash flow of the Group for the current financial quarter.

#### **A6. 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.

#### **A7. DEBT AND EQUITY SECURITIES**

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

**A8. DIVIDENDS PAID**

The Company did not make any payment of dividends during the current financial quarter.

**A9. SEGMENTAL INFORMATION**

No segmental financial information has been 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.

**A10. 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 2009.

**A11. 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 Interim Financial Statement for the current financial quarter as at the date of this Quarterly Report.

**A12. CHANGES IN COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the current financial quarter and year-to-date.

**A13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no material changes in the contingent liabilities and/or contingent assets since the last Audited Financial Statements.

**A14. CAPITAL COMMITMENTS**

There were no material capital commitments, which are not provided for in the Interim Financial Statements, as at the date of this Quarterly Report.

## **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 June 2010 under review and financial year-to-date.

Turnover for the current financial quarter was RM 6.74 million, a slight decrease of RM 1.80 million as compared to the preceding year's corresponding quarter of RM 8.54 million. Turnover for the current financial year-to-date was RM 21.57 million, an increase of RM 4.80 million as compared to the preceding year's corresponding year-to-date of RM 16.77 million. The increase in turnover for the current financial year-to-date was due to the relatively higher construction activities as compared to the preceding year's corresponding year-to-date.

Profit after tax for the current financial quarter was only RM 0.10 million as compared to profit after tax of RM 0.41 million as reported in the preceding year's corresponding quarter and year-to-date is primarily due to the slight decrease in the turnover in the current financial quarter. Profit after tax for the current financial year-to-date was RM 1.41 million as compared to profit after tax of RM 0.25 million as reported in the preceding year's corresponding year-to-date are primarily due to the increase in the turnover for the current financial year-to-date and a net deconsolidation loss of RM 1.495 million arising from the deconsolidation of the MB Group in the preceding year's corresponding quarter.

### **B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S REPORT**

Turnover for the current financial quarter ended 30 June 2010 decreased significantly by RM 8.09 million to RM 6.74 million as compared to RM 14.83 million reported in the preceding quarter due to the completion of the significant portion of the construction activities in the preceding financial quarter and the relatively lower construction activities in the current financial quarter.

Profit before tax for the current financial quarter was only RM 0.25 million as compared to profit before tax of RM 1.92 million reported in the preceding quarter which is primarily due to the significant decrease in the turnover in the current financial quarter.

### **B3. CURRENT YEAR PROSPECTS**

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 2010.

### **B4. PROFIT FORECAST AND PROFIT GUARANTEE**

Not applicable as the Company did not issue any profit forecast and/or profit guarantee.

**B5. TAXATION**

The taxation charge for the Group are as follows :-

	Current Quarter RM'000	Current Year-To-Date RM'000
Taxation for current quarter / year	(150)	(750)
Underprovision of prior year's tax	-	-
	<u>(150)</u>	<u>(750)</u>

The Group's effective tax rate for both the current financial quarter and year-to-date is higher than the Malaysian statutory tax rate of 25% due to certain expenses not being tax deductible for income tax purposes.

**B6. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES**

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

**B7. QUOTED SECURITIES**

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

**B8. CORPORATE PROPOSALS**

There was no corporate proposals announced and uncompleted as at the date of this Quarterly Report.

**B9. GROUP BORROWINGS AND DEBT SECURITIES**

Group Borrowings as at 30 June 2010 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Short Term Borrowings :			
Hire purchase	162	-	162
Term loan	1,097	-	1,097
	<u>1,259</u>	<u>-</u>	<u>1,259</u>
(b) Long Term Borrowing :			
Term loan	682	-	682
	<u>682</u>	<u>-</u>	<u>682</u>
 Total Borrowings	 1,941	 -	 1,941

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 as at the date of this Quarterly 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.

**B13. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the total comprehensive income for the quarter by weighted average of ordinary shares in issue during the quarter.

	<b>Individual Quarter</b>	<b>Cumulative Quarter</b>
Total Comprehensive Income (RM'000)	95	1,412
Weighted average number of ordinary share in issue ('000)	51,000	51,000
Earnings per share (sen)	0.19	2.77
Diluted EPS (sen)	0.19	2.77

By Order of the Board

Wong Keo Rou (MAICSA 7021435)  
Secretary  
Kuala Lumpur  
Date : 25 August 2010