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 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 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.

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
	========

In addition, FRS 139 has the net effect of increasing the loss for the current financial quarter by about RM 6,000 and increasing the profit for the current financial year-to-date by about RM 82,000.

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 except for the auction-off by Hong Leong Bank Bhd ("HLBB") of a charged property belonging to a wholly-owned subsidiary, Nikmat Bidara Sdn Bhd ("NBSB"), at an auction price of RM520,000.00 on 28 June 2010 pursuant to the HLBB's compromised settlement offer dated 3 December 2008. The disposal of the said property (having a carrying value of RM1.238 million), which was only made known by HLBB to Y&G on 8 October 2010, has resulted in a disposal loss of RM0.719 million in 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 September 2010 under review and financial year-to-date.

Turnover for the current financial quarter was RM 7.15 million, a significant decrease of RM 5.59 million as compared to the preceding year's corresponding quarter of RM 12.74 million. Turnover for the current financial year-to-date was RM 28.72 million, a slight decrease of RM 0.79 million as compared to the preceding year's corresponding year-to-date of RM 29.51 million. The significant decrease in turnover for the current financial quarter was due to the relatively lower construction activities as compared to the preceding year's corresponding quarter.

Loss after tax for the current financial quarter was RM 0.82 million as compared to profit after tax of RM 0.47 million as reported in the preceding year's corresponding quarter are primarily due to the decrease in turnover and the loss on disposal of property of RM 0.719 million (as disclosed under Item A5 (Unusual Items) above) in the current financial quarter. Despite of the aforesaid loss on disposal of property, the profit after tax for the current financial year-to-date dropped slightly to RM 0.59 million as compared to profit after tax of RM 0.71 million as reported in the preceding year's corresponding year-to-date primarily due to the net deconsolidation loss of RM 1.495 million (arising from the deconsolidation of Merces Builder's Group) as made in the preceding year's corresponding year-to-date.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S REPORT

Turnover for the current financial quarter ended 30 September 2010 increased slightly by RM 0.41 million to RM 7.15 million as compared to RM 6.74 million reported in the preceding quarter.

Loss before tax for the current financial quarter was RM 0.72 million as compared to profit before tax of RM 0.25 million reported in the preceding quarter. A loss was suffered for the current financial quarter despite of the slight increase in turnover primarily due to the loss on disposal of property of RM 0.719 million (as disclosed under Item A5 (Unusual Items) above) 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	(100)	(850)
Overprovision of prior year's tax	-	1
	(100)	(849)

Taxation has been provided for the Group's current financial quarter despite of its loss suffered and the Group's effective tax rate for the current financial year-to-date is higher than the Malaysian statutory tax rate of 25% due to certain expenses (primarily, the loss on disposal of property of RM 0.719 million as explained under Item B1 & B2 above) 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 except for the auctioning-off of a charged property belonging to NBSB as disclosed under Item A5 (Unusual Items) above.

B7. **QUOTED SECURITIES**

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

B8. **CORPORATE PROPOSALS**

On 28 October 2010, MIMB Investment Bank Berhad ("**MIMB**") had announced the following corporate proposals on behalf of Y&G :-

(a) Proposed reduction of the existing issued and paid-up share capital of Y&G from RM51,000,000 comprising 51,000,000 ordinary shares of RM1.00 each to RM12,750,000 comprising 51,000,000 ordinary shares of RM0.25 each, and thereafter, the proposed consolidation of four (4) resultant ordinary shares of RM0.25 each into one (1) ordinary share of RM1.00 each in Y&G ("**Y&G Share(s)**" or "**Share(s)**") ("**Proposed Capital Reconstruction**");

(b) Proposed acquisitions of:-

(i) Hala Kota Development Sdn Bhd ("**Hala Kota**");
(ii) Teras Zaman Sdn Bhd ("**Teras Zaman**") and
(iii) Beta Fame Sdn Bhd ("**Beta Fame**"),

(collectively refered to as "**Acquirees**"),

from the respective vendors of the Acquirees, namely, Kinta Aroma Sdn Bhd ("**Kinta Aroma**"), Dato' Sri Yap Seng Yew ("**DS'YAP**"), Datin Sri Gan Li Li ("**DS'GAN**"), Dato' Yap Jun Jien ("**D'YAP**"), Yap Jun Wei ("**YJW**") and Datin Teh Mi Mi ("**TMM**") ("**Vendors**"), for an aggregate consideration of up to RM164,141,000 to be wholly satisfied via the issue of up to 164,141,000 new Y&G Shares at an issue price of RM1.00 per Share ("**Proposed Acquisitions**");

Further information of the Proposed Acquisitions is detailed in Section 4 herein.

(c) Proposed exemption under Practice Note 2.9.1 of the Malaysian Code on Take-overs and Mergers, 1998 for DS'YAP, DS'GAN and parties acting in concert with them ("**PACs**") from having to extend a mandatory offer to acquire the remaining Y&G Shares not already owned by them after the completion of the Proposed Acquisitions ("**Proposed Exemption**");

(d) Proposed private placement of up to 3,109,000 new Y&G Shares ("**Placement Shares**") at an issue price of RM1.00 per Placement Share, to placee(s) to be identified later ("**Proposed Private Placement**"); and

(e) Proposed offer for sale of up to 33,401,000 Y&G Shares ("**Offer Shares**") at an offer price of RM1.00 per Offer Share by Kinta Aroma via private placement to placee(s) to be identified later ("**Proposed Offer for Sale**"),

Item (a) – (e) above are hereinafter collectively referred to as the "**Proposals**".

For further information of the Proposals, please refer to the detailed announcement dated 28 October 2010 in the Bursa Malaysia's website.

As at the date of this Quarterly Report, the above Proposals are still uncompleted.

B9. GROUP BORROWINGS AND DEBT SECURITIES

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

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Short Term Borrowings :			
Hire purchase	153	-	153
Term loan	1,119	-	1,119
	1,272	-	1,272
(b) Long Term Borrowing :			
Term loan	394	-	394
Total Borrowings	1,666	-	1,666

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 / (LOSS) PER SHARE**

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

	Individual Quarter	**Cumulative Quarter**
Total Comprehensive Income / (Loss) (RM'000)	(821)	591
Weighted average number of ordinary share in issue ('000)	51,000	51,000
Earnings / (Loss) per share (sen)	(1.61)	1.16
Diluted EPS (sen)	-	1.16

By Order of the Board

Wong Keo Rou (MAICSA 7021435)
Secretary
Kuala Lumpur
Date : 18 November 2010