

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 first quarter ended 31 December 2011 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 ("Bursa Malaysia"). The Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010.

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 2010.

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 2010, except for the changes arising from the adoption of revised Financial Reporting Standards ("FRSs"), Issues Committee Interpretations ("IC Interpretations") and Amendments that are effective for financial period beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011 as follows :

<u>FRSs and IC Interpretations</u>	<u>Effective date</u>
Amendments to FRS 132, Financial Instruments : Presentation - Classification of Right Issues	1 March 2010
FRS 1, First-time Adoption of Financial Reporting Standards (revised)	1 July 2010
FRS 3, Business Combinations (revised)	1 July 2010
FRS 127, Consolidated and Separate Financial Statements (revised)	1 July 2010
Amendments to FRS 2, Share-based Payment	1 July 2010
Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138, Intangible Assets	1 July 2010
Amendment to IC Interpretation 9, Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12, Service Concession Arrangements	1 July 2010
IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17, Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards	1 January 2011
- Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	
- Additional Exemptions for First-time Adopters	
Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions	1 January 2011
Amendments to FRS 7, Financial Instruments : Disclosures – Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4, Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18, Transfers of Assets from Customers	1 January 2011
Improvements to FRSs (2010)	1 January 2011

The adoption of the above revised FRSs, IC Interpretations and Amendments do not have any significant financial impact on the Group.

A3. AUDITORS' REPORT ON PRECEDING AUDITED FINANCIAL STATEMENTS

The auditors' report on the Audited Financial Statements for the year ended 31 December 2010 was not subject to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The business operations of the Group for the current financial quarter and year-to-date 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 and year-to-date.

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 2010.

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 except for the events relating to the corporate proposals as disclosed under Item B8 (Corporate Proposals) below.

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 current financial quarter and year-to-date ended 31 March 2011.

Turnover for the current financial quarter and year-to-date was RM 6.19 million, a significant decrease of RM 8.64 million as compared to the preceding year's corresponding quarter of RM 14.83 million primarily due to the relatively lower construction activities as compared to the preceding year's corresponding period.

Profit after tax for the current financial quarter and year-to-date was RM 0.18 million as compared to profit after tax of RM 1.32 million as reported in the preceding year's corresponding period primarily due to the above significant decrease in turnover.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S REPORT

Turnover for the current financial quarter ended 31 March 2011 decreased by RM 1.90 million to RM 6.19 million as compared to RM 8.09 million reported in the preceding quarter.

Profit before tax for the current financial quarter was RM 0.31 million as compared to loss before tax of RM 0.24 million reported in the preceding quarter. A profit was enjoyed for the current financial quarter despite of the above decrease in turnover primarily due to the impairment loss of investment properties of RM 0.74 million made in the preceding financial quarter.

B3. CURRENT YEAR PROSPECTS

In view that market for the property development and construction is sustaining and the expected completion of the Corporate Proposals (as referred to under Item B8 below) by the 3rd Quarter of 2011, the Directors expect an improvement in the revenue of the Group for the financial year ended 31 December 2011.

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	(135)	(135)
Overprovision of prior year's tax	-	-
	<u>(135)</u>	<u>(135)</u>

The Group's effective tax rate for the current financial quarter and year-to-date is higher than the Malaysian statutory tax rate of 25% due to the non-existence of group tax relief 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

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 Hala Kota Development Sdn Bhd ("**Hala Kota**"), Teras Zaman Sdn Bhd ("**Teras Zaman**") and Beta Fame Sdn Bhd ("**Beta Fame**") (collectively referred 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**");
- (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**”.

On 18 November 2010, MIMB had announced, on behalf of Y&G, that an application in relation to the Proposed Consolidation, which forms part of the Proposed Capital Reconstruction, has been submitted to Bursa Malaysia Securities Berhad (“BMSB”) on 18 November 2010.

On 28 January 2011, MIMB had announced, on behalf of Y&G, that the total purchase consideration for the Proposed Acquisitions had been revised from RM164,141,000, to be wholly satisfied via the issuance of up to 164,141,000 new Y&G Shares at an issue price of RM1.00 per share, to RM141,119,000, to be wholly satisfied via the issuance of up to 141,119,000 new Y&G Shares at an issue price of RM1.00 per share, after taking into consideration the adjustments made to the NTA of the Acquirees as at 31 August 2010 following the completion of a special audit pursuant to the SPA (“Adjustment”).

On 2 February 2011, MIMB had announced, on behalf of Y&G, that an application in relation to the listing of and quotation for the new Y&G Shares to be issued pursuant to the Proposed Acquisitions and Proposed Private Placement, has been submitted to BMSB on 2 February 2011.

On 24 March 2011, MIMB had announced, on behalf of Y&G, that the application in relation to the listing of and quotation for the new Y&G Shares to be issued pursuant to the Proposed Acquisitions and Proposed Private Placement, has been approved by BMSB. The Circular To Shareholders and Notice of EGM dated 1 April 2011 convening the EGM on 29 April 2011 to seek the shareholders’ approval, has been circulated out to the shareholders.

On 29 April 2011, MIMB had announced, on behalf of Y&G, that the resolutions set out in the above Notice of EGM were duly passed by the shareholders of the Company at the EGM held on 29 April 2011.

For further information of the Proposals, please refer to the respective detailed announcements 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 31 March 2011 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Short Term Borrowings :			
Finance lease obligation	35	-	35
Term loan	865	-	865
	<u>900</u>	<u>-</u>	<u>900</u>
(b) Long Term Borrowings :			
Finance lease obligation	102	-	102
Term loan	99	-	99
	<u>201</u>	<u>-</u>	<u>201</u>
 Total Borrowings	 1,101	 -	 1,101

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. DISCLOSURE OF REALISED AND UNREALISED PROFITS / LOSSES

Bursa Malaysia has on 25 March 2010 issued a directive which requires all listed companies to disclose a breakdown of the accumulated profits or losses as at the end of the reporting period, into realized and unrealized profits or losses, for the purpose of greater transparency. The breakdown of the Group's accumulated losses as at 31 March 2011, pursuant to the format prescribed by Bursa, is as follows :

	As at 31 March 2011	As at 31 December 2010
	RM'000	RM'000
Realised	(34,789)	(34,968)
Unrealised	-	-
Total Group's Accumulated Losses	<u>(34,789)</u>	<u>(34,968)</u>

B12. 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.

B13. DIVIDEND

The Board of Directors does not recommend any interim dividend for the current financial quarter.

B14. 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.

	Individual Quarter	Cumulative Quarter
Total Comprehensive Income (RM'000)	179	179
Weighted average number of ordinary share in issue ('000)	51,000	51,000
Earnings per share (sen)	0.35	0.35
Diluted EPS (sen)	0.35	0.35

By Order of the Board

Wong Keo Rou (MAICSA 7021435)
Secretary
Kuala Lumpur
Date : 24 May 2011