

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 March 2012 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 Main Market Listing Requirements ("MMLR") 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 2011.

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 2011.

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 2011, except for the compliance with the new/ revised Financial Reporting Standards ("FRSs") that came into effect during the financial quarter under review.

The adoption of the new/revised FRSs that came into effect during the financial quarter under review do not have any significant financial impact on the Group's financial result for the financial quarter under review nor the Group's shareholders' funds as at 31 March 2012.

The Malaysian Accounting Standards Board ("MASB") had on 19 November 2011 issued the Malaysian Financial Reporting Standards ("MFRS framework") in conjunction with the MASB's effort to converge with the International Financial Reporting Standards ("IFRS") in year 2012.

The MFRS framework is to be applied by all the Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception for entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein referred as "Transitioning Entity").

Early adoption of the MFRS framework is permitted.

A Transitioning Entity may in the alternative apply the existing FRSs as its financial reporting framework for annual periods beginning on or after 1 January 2012. A Transitioning Entity shall comply with the MFRS framework for the annual period commencing on or after 1 January 2013.

The Group is subject to the application of IC Interpretation 15 and is therefore a Transitioning Entity. As such, the Group elected to continue preparing its financial statements in accordance with the FRSs framework for the annual periods beginning before 1 January 2013. The Group is currently in the process of determining the impact arising from the initial application of MFRS framework.

A3. AUDITORS' REPORT ON PRECEDING AUDITED FINANCIAL STATEMENTS

The auditors' report on the Audited Financial Statements for the year ended 31 December 2011 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. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax :

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	86	27	86	27

Save for the items disclosed in the Statement of Comprehensive Income and the note above, other items pursuant to Appendix 9B Note 16 of the MMLR are not applicable.

A10. SEGMENTAL INFORMATION

The analysis of the Group's operations for the financial quarter ended 31 March 2012 are as follows :-

	<u>Investment Holding & Others</u>	<u>Property Development & Investment</u>	<u>Construction</u>	<u>Group</u>
	RM'000	RM'000	RM'000	RM'000
Segment Revenue - External	-	30,453	2,708	33,161
Segment Results	(251)	2,643	158	2,550
Interest Income				22
Interest Expense				(97)
Profit Before Tax				2,475
Taxation				(698)
Profit For The Quarter				1,777

A11. 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 2011.

A12. 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.

A13. 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.

A14. **CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The contingent liabilities as at end of the current financial quarter and as at the last Audited Financial Statements are as follows :

	<u>31 March 2012</u> RM'000	<u>31 December 2011</u> RM'000
Unsecured		
Guarantee given to financial institution on behalf of deconsolidated subsidiary	3,941	3,941
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A15. **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, except for an outstanding capital commitment amounting to RM7,000,000 (2011: RM7,000,000) for a subsidiary which have been authorised but not contracted and provided for in the financial statements. This is in respect of the balance of development cost for the construction of commercial building on the subsidiary's freehold land.

PART B: ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

The Group's revenue was mainly derived from development activities and construction works for the current financial quarter and year-to-date ended 31 March 2012.

Turnover for the current financial quarter and year-to-date was higher at RM33.16 million, an increase of RM26.97 million, as compared to the preceding year's corresponding quarter of RM6.19 million. The significant increase in turnover was mainly due to the revenue generated from development activities of the recently acquired & consolidated subsidiaries as compared to the preceding year's corresponding period.

Profit after tax for the current financial quarter and year-to-date was higher at RM1.78 million as compared to the preceding year's corresponding profit after tax of RM0.18 million, mainly due to the above significant increase in turnover.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S REPORT

Turnover for the current financial quarter ended 31 March 2012 increased by RM 1.72 million to RM 33.16 million as compared to RM 31.44 million reported in the preceding quarter, mainly due to higher development activities in the current financial quarter.

Profit before tax for the current financial quarter was relatively much lower at RM2.48 million as compared to the preceding quarter of RM6.91 million, mainly due to the Bargain Purchase arising from consolidation of the acquired subsidiaries recognised in the preceding financial quarter.

B3. CURRENT YEAR PROSPECTS

In view that the market for the property development and construction are sustaining, the Directors expect an improvement in the revenue of the Group for the financial year ending 31 December 2012.

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	(1,580)	(1,580)
Deferred taxation for current quarter / year	882	882
Overprovision of prior year's tax	-	-
	<u>(698)</u>	<u>(698)</u>

The Group's effective tax rates 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 and certain expenses being non-deductible for income tax purposes.

B6. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no sale of unquoted investments and/or properties (classified under “Property, Plant and Equipment”) for the current financial quarter and year-to-date, except for a disposal of a freehold land to a third party via a conditional sale and purchase agreement during the current financial quarter but which the said disposal has yet to be accounted for in the financial statements pending fulfillment of the conditions precedents stated therein.

B7. QUOTED SECURITIES

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

B8. CORPORATE PROPOSALS

The following corporate proposals were implemented during the last financial year :-

- (a) Reduction of the existing issued and paid-up share capital of the Company 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 consolidation of four (4) resultant ordinary shares of RM0.25 each into one (1) ordinary share of RM1.00 each (“Proposed Capital Reconstruction”);
- (b) Acquisitions of Hala Kota Development Sdn Bhd, Teras Zaman Sdn Bhd and Beta Fame Sdn Bhd (“Acquirees”) from the respective vendors of the acquirees, namely, Kinta Aroma Sdn Bhd, Dato’ Sri Yap Seng Yew, Datin Sri Gan Li Li, Dato’ Yap Jun Jien and Datin Teh Mi Mi (“Vendors”) (“Proposed Acquisitions”), for an aggregate consideration of up to RM141,119,000 to be wholly satisfied via the issue of up to 141,119,000 new shares at an issue price of RM1.00 per share;
- (c) Private placement of 2,020,000 new ordinary shares (“Placement Shares”) at an issue price of RM1.00 per share to identified placee (s); and
- (d) Offer for sale of 28,980,000 existing ordinary shares (“Offer Shares”) at an offer price of RM1.00 per share to identified placee (s).

On 6 January 2012, MIMB had announced, on behalf of Y&G, that the number of Consideration Shares issued under this corporate proposal were 141,119,000 shares of RM1.00 each and its latest issued and paid up share capital (after the corporate proposal) was 153,869,000 ordinary shares amounting to RM153,869,000 while, the listing date of the said Consideration Shares was on 9 January 2012.

On 9 January 2012, MIMB had announced, on behalf of Y&G, that pursuant to the listing of 141,119,000 Consideration Shares on the Main Market of Bursa Malaysia on 9 January 2012, Dato’ Sri Yap Seng Yew, Datin Sri Gan Li Li, Kinta Aroma Sdn Bhd, Dato’ Yap Jun Jien, Yap Jun Wei and Datin Teh Mi Mi (“Interested Parties”) will collectively hold approximately 94.5% interest in Y&G and thereby reducing the public shareholding spread of the Company to approximately 5.5% and Y&G would trigger non-compliance in the following :

- (i) Paragraph 16.02(2) of the MMLR, where the public shareholding spread of a listed issuer is 10% or less of its total listed shares (excluding treasury shares), Bursa Securities shall suspend trading of the securities of the listed issuer upon expiry of 30 market days from the date of immediate announcement by the listed issuer; and
- (ii) Paragraph 8.02(1) of the MMLR, where a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders (“Shareholding Spread Requirement”)

On 18 January 2012, MIMB had announced, on behalf of Y&G, that the 1st Tranche placement of 7,000,000 Offer Shares (forming part of the Proposed Offer for Sale) had been completed on 17 January 2012 and Y&G's public shareholding spread has increased from 5.5% to 10.1% (and thereby, complying with Paragraph 16.02(2) of the MMLR).

On 16 February 2012, MIMB had announced, on behalf of Y&G, that Bursa Malaysia had, vide its letter dated 14 February 2012, approved the extension of time of six (6) months from 30 December 2011 until 30 June 2012 to comply with the required 25% public shareholding spread requirement pursuant to Paragraph 8.02(1) of MMLR. As at 25 May 2012, the public shareholding spread of the Company was at 10.06%.

As at the date of this Quarterly Report, all the above Proposals have been completed except for the placement of the remaining 21,980,000 Offer Shares and 2,020,000 Placement Shares in order to address the Shareholding Spread Requirement under Paragraph 8.02(1) of the MMLR.

For further information of the Proposals, please refer to the respective detailed announcements in the Bursa Malaysia's website.

B9. **GROUP BORROWINGS AND DEBT SECURITIES**

Group Borrowings as at 31 March 2012 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Short Term Borrowings :			
Finance lease obligation	92	-	92
Term loan	2,186	-	2,186
	<u>2,278</u>	<u>-</u>	<u>2,278</u>
(b) Long Term Borrowings :			
Finance lease obligation	280	-	280
Term loan	1,270	-	1,270
	<u>1,550</u>	<u>-</u>	<u>1,550</u>
Total Borrowings	3,828	-	3,828

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 ACCUMULATED PROFITS

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 realised and unrealised profits or losses, for the purpose of greater transparency. The breakdown of the Group's accumulated profits as at 31 March 2012, pursuant to the format prescribed by Bursa Malaysia, is as follows :

	As at 31 March 2012	As at 31 December 2011
	RM'000	RM'000
Realised	26,040	25,144
Unrealised	(14,307)	(15,188)
Total Group's Accumulated Profits	<u>11,733</u>	<u>9,956</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 dividend for the current financial quarter.

B14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the total comprehensive income attributable to equity holders of the parent for the current financial quarter and year-to-date by the weighted average of ordinary shares in issue during the said quarter and year-to-date.

	Individual Quarter	Cumulative Quarter
Total Comprehensive Income attributable to equity holders of the parent (RM'000)	1,777	1,777
Weighted average number of ordinary share in issue ('000)	153,869	153,869
Earnings per share (sen)	1.15	1.15
Diluted EPS (sen)	1.15	1.15

By Order of the Board

Wong Keo Rou (MAICSA 7021435)
Secretary
Kuala Lumpur
Date : 28 May 2012

