

**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 fourth quarter ended 31 December 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 December 2012.

On 19<sup>th</sup> November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS" Framework) in conjunction with its planned convergence of FRSs with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on 1<sup>st</sup> January 2012.

The MFRS Framework is a fully IFRS-compliant framework, equivalent to IFRSs which is mandatory for adoption by all Entities Other than Private Entities for annual periods beginning on or after 1<sup>st</sup> January 2012, with the exception for Transitioning Entities. Transitioning Entities, being entities which are subject to the application of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate are given an option to defer adoption of the MFRS Framework for an additional one year. Transitioning Entities also include those entities that consolidate, equity account or proportionately consolidate an entity that has chosen to continue to apply the FRS Framework for annual periods beginning on or after 1<sup>st</sup> January 2012. However, on 30<sup>th</sup> June 2012, the MASB decided to extend the aforementioned transitional period for another one year. Thus, Transitioning Entities are given an additional option to continue to apply the FRS Framework for annual periods beginning on or after 1<sup>st</sup> January 2013. Consequently, the MFRS Framework will be mandatory for application for annual periods beginning on or after 1<sup>st</sup> January 2014.

**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 except for the provision for corporate guarantees as disclosed under Items A9 & A14 below.

**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	90	172	395	256
Provision for corporate guarantees	970	1,800	5,370	1,800

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 period ended 31 December 2012 are as follows :-

	<u>Investment Holding &amp; Others</u>	<u>Property Development &amp; Investment</u>	<u>Construction</u>	<u>Group</u>
	RM'000	RM'000	RM'000	RM'000
Segment Revenue - External	-	156,218	2,708	158,926
Segment Results	(6,612)	15,234	(18)	8,604
Interest Income				63
Interest Expense				(240)
Profit Before Tax				8,427
Taxation				(3,513)
Profit For The Year				4,914

#### 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 December 2012</u> RM'000	<u>31 December 2011</u> RM'000
<b>Unsecured</b>		
Guarantee given to financial institution on behalf of deconsolidated subsidiary	- (*)	3,941
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(\*) : RM4.00 million in respect of this guarantee has been provided for as an expense in the previous second quarter ended 30 June 2012.

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 a subsidiary's outstanding capital commitment amounting to RM12,000,000 (2011: RM7,000,000) 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 a commercial building on the said 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 the development activities for the current financial quarter and year-to-date ended 31 December 2012.

Turnover for the current financial quarter was higher at RM41.38 million, an increase of RM9.94 million, as compared to the preceding year's corresponding quarter of RM31.44 million. Whereas turnover for the current financial year-to-date was significantly higher at RM158.93 million, an increase of RM106.51 million, as compared to the preceding year's corresponding year-to-date of only RM52.42 million. The increase in turnover for the current financial quarter was mainly due to relatively higher development activities as compared to the preceding year's corresponding quarter. Whereas the significant increase in turnover for the current financial year-to-date as compared to the preceding year's corresponding year-to-date was mainly due to the revenue generated from development activities of the new subsidiaries which were only consolidated since the fourth quarter ended 31 December 2011.

Despite the increase in turnover (as mentioned above) profit after tax for both the current financial quarter and year-to-date were lower at RM0.89 million and RM4.91 million respectively as compared to the preceding year's corresponding profit after tax of RM5.95 million and RM6.66 million respectively, mainly due to the followings :

- a) The recognition of RM7.20 million Bargain Purchase (derived from the consolidation of newly acquired subsidiaries) as other income in the preceding year's fourth quarter ended 31 December 2011; and
- b) The provisions for corporate guarantee of RM0.97 million and RM5.37 million made in the current financial quarter and year-to-date respectively.

If the aforesaid provisions were excluded, the Group would have made a profit after tax of RM1.86 million and RM10.28 million for the current financial quarter and year-to-date respectively.

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

Turnover for the current financial quarter ended 31 December 2012 increased slightly by RM 2.77 million to RM41.38 million as compared to RM 38.61 million reported in the preceding quarter.

Despite the higher turnover, profit before tax for the current financial quarter was lower at RM1.35 million as compared to the preceding financial quarter of RM1.61 million, mainly due to the provision for corporate guarantee of RM0.97 million made in the current financial quarter.

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

In view that the market for the property development is sustaining, the Directors expect an improvement in the revenue of the Group for the financial year ending 31 December 2013.

### **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	(1,112)	(7,406)
Deferred taxation for current quarter / year	654	3,893
Overprovision of prior year's tax	-	-
	<u>(458)</u>	<u>(3,513)</u>

The Group's effective tax rates for both the current financial quarter and year-to-date are 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 "Land Held For Sale (LHFS)" and "Investment Properties (IP)") for the current financial quarter and year-to-date except for

- (i) Disposal of a freehold land (classified under "LHFS") to a third party via a conditional sale and purchase agreement in the first financial quarter ended 31 March 2012, but the said disposal has yet to be accounted for in the financial statements pending fulfillment of the conditions precedents stated therein.
- (ii) Disposal of nine (9) units of freehold shoplots (classified under "IP") to a third party during the current financial quarter.

Both the abovesaid disposals have no material financial effect to the Group's result for both 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

The following corporate proposals were implemented during the last financial year ended 31 December 2011 :-

- (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 1<sup>st</sup> 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 (“1<sup>st</sup> Extension”) to comply with the required 25% public shareholding spread requirement pursuant to Paragraph 8.02(1) of MMLR.

On 13 June 2012, MIMB had announced, on behalf of Y&G, that the Company had on 13 June 2012 submitted an application to Bursa Malaysia to seek a 2<sup>nd</sup> extension of time of six (6) months from 30 June 2012 to 31 December 2012 (“2<sup>nd</sup> Extension”) to comply with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of MMLR.

On 24 July 2012, MIMB had announced, on behalf of Y&G, that Bursa Malaysia had, vide its letter dated 17 July 2012, approved the 2<sup>nd</sup> Extension to comply with the required 25% public shareholding spread requirement pursuant to Paragraph 8.02(1) of MMLR.

On 14 December 2012, Hong Leong Investment Bank Berhad (“HLIB”) [formerly known as MIMB] had announced, on behalf of Y&G, that the Company had on 14 December 2012 submitted an application to Bursa Malaysia to seek a further 3<sup>rd</sup> extension of time of six (6) months from 31 December 2012 to 30 June 2013 (“3<sup>rd</sup> Extension”) to comply with the required 25% public shareholding spread requirement pursuant to Paragraph 8.02(1) of MMLR. As at 25 February 2013, the public shareholding spread of the Company was at 10.06%.

As at the date of this Quarterly Report, the Company has still yet to receive an official reply from Bursa Malaysia with regards to the above 3<sup>rd</sup> Extension application, and as far as the above Corporate Proposals are concerned all the said 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 above Public Shareholding Spread Requirement.

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 December 2012 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Short Term Borrowings :			
Finance lease obligation	156	-	156
Term loan	-	-	-
	<u>156</u>	<u>-</u>	<u>156</u>
(b) Long Term Borrowings :			
Finance lease obligation	363	-	363
Term loan	-	-	-
	<u>363</u>	<u>-</u>	<u>363</u>
Total Borrowings	519	-	519

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 December 2012, pursuant to the format prescribed by Bursa Malaysia, is as follows :

	As at 31 December 2012 RM'000	As at 30 September 2012 RM'000
Realised	26,180	25,927
Unrealised	(11,297)	(11,950)
Total Group's Accumulated Profits	<u>14,883</u>	<u>13,977</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 and year-to-date.



#### 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.

	<b>Individual Quarter</b>	<b>Cumulative Quarter</b>
Total Comprehensive Income attributable to equity holders of the parent (RM'000)	906	4,927
Weighted average number of ordinary share in issue ('000)	153,869	153,869
Earnings per share (sen)	0.59	3.20
Diluted EPS (sen)	0.59	3.20

By Order of the Board

Wong Keo Rou (MAICSA 7021435)  
Secretary  
Kuala Lumpur  
Date : 28 February 2013

