

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 2013 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 2012.

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 2012.

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 2012, 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 2013.

The Malaysian Accounting Standard Board ("MASB") had on 19 November 2011 issued the Malaysian Financial Reporting Standards Framework ("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 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 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 periods 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. However, on 30 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 January 2013. Consequently, the MFRS framework will be mandatory for application for annual periods beginning on or after 1 January 2014. 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 2012 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>	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	102	86	102	86

Included in the Interest Expenses of RM0.51 million for both the current financial quarter and year-to-date is an amount of RM0.50 million being an understatement of BBA Term Loan interest due to the difference in basis of calculating interest by the financial institution.

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 March 2013 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	-	27,055	-	27,055
Segment Results	(299)	3,268	(37)	2,932
Interest Income				12
Interest Expense				(508)
Profit Before Tax				2,436
Taxation				(809)
Profit For The Period				1,627

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 2012.

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

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

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 (2012: RM12,000,000) which have been authorised but not contracted and provided for in the financial statements. This commitment 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 March 2013.

Turnover for both the current financial quarter and year-to-date were lower at RM27.06 million, a decrease of RM6.10 million, as compared to the preceding year's corresponding period of RM33.16 million. The decrease in turnover was mainly due to the relatively lower development activities as compared to the preceding year's corresponding period.

Despite the decrease in turnover (as mentioned above), profit after tax for both the current financial quarter and year-to-date were only slightly lower at RM1.63 million as compared to the preceding year's corresponding profit after tax of RM1.78 million, mainly due to the higher gross development profit contribution from certain projects as a result of an increase in their gross development values.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S REPORT

Turnover for the current financial quarter ended 31 March 2013 decreased significantly by RM14.32 million to RM27.06 million as compared to RM41.38 million reported in the preceding financial quarter, mainly due to the relatively lower development activities in the current financial quarter.

Despite the significantly lower turnover, profit before tax for the current financial quarter was higher at RM2.44 million as compared to the preceding financial quarter of RM1.35 million, mainly due to the followings:

- a) The higher gross development profit contribution from certain projects as a result of an increase in their gross development values in the current financial quarter; and
- b) The provision for corporate guarantee of RM0.97 million made in the preceding 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	Current Year-To-Date
	RM'000	RM'000
Income tax	(1,455)	(1,455)
Deferred tax	646	646
(Under)/Overprovision in prior year	-	-
	<u>(809)</u>	<u>(809)</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 "Asset Held For Sale") 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 in the previous financial year, but the said disposal has yet to be accounted for in the financial statements pending fulfillment of the conditions precedents stated therein. However, the said disposal has 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 followings are the events relating to the Group's Corporate Proposals (as defined in the earlier Quarterly Reports) since the previous Quarterly Report dated 28 February 2013 till this Quarterly Report :

- (a) On 7 March 2013, Hong Leong Investment Bank Berhad ("HLIB") [formerly known as MIMB] had announced, on behalf of Y&G, that Bursa Malaysia had, vide its letter dated 5 March 2013, granted the 3rd Extension for a further three (3) months until 31 March 2013 (instead of until 30 June 2013 as applied for) to comply with the required 25% public shareholding spread requirement pursuant to Paragraph 8.02(1) of MMLR.
- (b) On 18 March 2013, Y&G had announced that the Company had on 15 March 2013 submitted an application to Bursa Malaysia to seek a further 4th Extension of time of three (3) months from 31 March 2013 to 30 June 2013 ("4th Extension") to comply with the required 25% public shareholding spread requirement pursuant to Paragraph 8.02(1) of MMLR.
- (c) On 10 April 2013, Y&G had announced, that the 1st 2,000,000 Offer Shares of 2nd Tranche Placement forming part of the Proposed Offer for Sale in order to comply with Paragraph 16.02(2) of the MMLR had been completed and Y&G's public shareholding spread has increased to 11.37%.
- (d) On 18 April 2013, Y&G had announced, that the 2nd 3,000,000 Offer Shares of 2nd Tranche Placement forming part of the Proposed Offer for Sale in order to comply with Paragraph 16.02(2) of the MMLR had been completed and Y&G's public shareholding spread has increased to 13.32%.

- (e) On 21 May 2013, Y&G had announced, that Bursa Malaysia had, vide its letter dated 17 May 2013, granted the 4th Extension for a further three (3) months until 30 June 2013 to comply with the required 25% public shareholding spread requirement pursuant to Paragraph 8.02(1) of MMLR. As at 28 May 2013, the public shareholding spread of the Company was at 13.32%.
- (f) As far as the Corporate Proposals are concerned, all the said Proposals have been completed except for the placement of the remaining 16,980,000 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 March 2013 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Short Term Borrowings :			
Finance lease obligation	118	-	118
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	481	-	481

There was no borrowing or debt security denominated in foreign currencies.

- (*) : There was an overpayment of BBA Term Loan by RM0.37 million as at 31 March 2013 and the said overpayment has been classified as "Other receivables and deposits" in the Condensed Consolidated Statement of Financial Position.

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 March 2013	As at 31 December 2012
	RM'000	RM'000
Realised	27,135	26,155
Unrealised	(10,650)	(11,297)
Total Group's Accumulated Profits	<u>16,485</u>	<u>14,858</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.

	Individual Quarter	Cumulative Quarter
Total Comprehensive Income attributable to equity holders of the parent (RM'000)	1,627	1,627
Weighted average number of ordinary share in issue ('000)	153,869	153,869
Earnings per share (sen)	1.06	1.06
Diluted EPS (sen)	1.06	1.06

By Order of the Board

Wong Keo Rou (MAICSA 7021435)
Secretary
Kuala Lumpur
Date : 29 May 2013