

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 2014 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 2013.

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 2013.

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 2013, 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 2014.

To converge with International Financial Reporting Standards ("IFRSs") in 2012, the Malaysian Accounting Standard Board ("MASB") had on 19 November 2011 issued the Malaysian Financial Reporting Standards ("MFRS"), which are mandatory for annual financial period beginning on or after 1 January 2012, with the exception of 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 venture (herein referred as "Transitioning Entity").

Transitioning Entity will be allowed to defer adoption of new MFRSs for an additional of three years. Consequently, adoption of the MFRSs by Transitioning Entity will be mandatory for annual periods beginning on or after 1 January 2015.

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 on or before 1 January 2015.

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 2013 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>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	101	102	101	102

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 2014 are as follows :-

	<u>Investment Holding & Others</u>	<u>Property Development & Investment</u>	<u>GROUP</u>
	RM'000	RM'000	RM'000
Segment Revenue - External	-	23,010	<u>23,010</u>
Segment Results	<u>(342)</u>	<u>4,078</u>	3,736
Interest Income			25
Interest Expenses			(5)
Profit Before Tax			<u>3,756</u>
Taxation			(1,027)
Profit For The Period			<u>2,729</u>

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 2013.

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 acquisition of the entire equity in Solid Spectra Sdn Bhd by Y&G's wholly-owned subsidiary, Hala Kota Development Sdn Bhd (as announced on 6 May 2014) and for the events relating to the Corporate Proposals as disclosed under Item B8 (Corporate Proposals) below.

A13. CHANGES IN COMPOSITION OF THE GROUP

Save as disclosed under Item B8 (Corporate Proposals) below, 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 was no material contingent liabilities and/or contingent assets as at the date of this Quarterly Report.

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 RM5.0 million (2013 : RM5.0 million) which have been contracted but not 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 2014.

Turnover for both the current financial quarter and year-to-date were lower at RM23.01 million, a decrease of RM4.05 million, as compared to the preceding year's corresponding period of RM27.06 million. The decrease in turnover was mainly due to most ongoing phases have reached their ending stages in the recent financial quarters coupled with the relatively slow development progress from its recently launched phases.

Despite the lower turnover (as mentioned above), profit after tax for both the current financial quarter and year-to-date were higher at RM2.73 million as compared to the preceding year's corresponding profit after tax of RM1.63 million, mainly due to the lower operating expenses and finance costs.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S REPORT

Turnover for the current financial quarter ended 31 March 2014 was slightly lower at RM23.01 million as compared to the preceding financial quarter of RM23.60 million.

However, despite the reversal of corporate guarantee amounting to RM3.99 million in the preceding financial quarter, profit before tax for the current financial quarter was higher at RM3.76 million as compared to the preceding financial quarter of RM3.01 million, mainly due to the higher gross development profit contribution from certain development phases and lower operating expenses in the current financial quarter.

B3. CURRENT YEAR PROSPECTS

In view that the market for the property development is sustaining, the Directors expect the revenue of the Group to improve for the financial year ending 31 December 2014 with the new development phases to be launched soon and the recently announced Corporate Proposals under Item B8.

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 - current year	(1,624)	(1,624)
- (under)/overprovision in prior year	-	-
Deferred tax	597	597
	<u>(1,027)</u>	<u>(1,027)</u>

The Group's effective tax rate 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 (which is expected to be completed by the 2nd Quarter of 2014) 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 since their first announcements :

- (a) On 17 September 2013, AmInvestment Bank Berhad ("AIBB") had announced the following corporate proposals (hereinafter collectively referred to as the "Earlier Announced Proposals") on behalf of Y&G:
 - (i) Hala Kota Development Sdn Bhd ("**HKDSB**"), a wholly owned subsidiary of Y&G had on 17 September 2013 entered into a sale and purchase agreement for the proposed acquisition of a leasehold land measuring approximately 107.965 hectares, held under H.S.(D) 129802, Lot 126299, within Mukim and District of Klang, Selangor Darul Ehsan ("KESAS Land") with the Malaysian Agriculture Research and Development Institute for a total cash consideration amounting to RM100.0 million ("**Proposed Land Acquisition**");
 - (ii) Proposed issue of free warrants in Y&G ("**Warrants**") of 15,386,900 Warrants on the basis of one (1) Warrant for every ten (10) existing ordinary share of RM1.00 each in Y&G ("**Y&G Share(s)**" or "**Share(s)**") held by the entitled shareholders of the Company ("**Entitled Shareholders**") on the entitlement date to be determined and announced later ("**Entitlement Date**") ("**Proposed Free Warrants**");

- (iii) Proposed renounceable rights issue of up to 30,773,800 new Y&G Shares (“**Rights Share(s)**”) together with up to 15,386,900 new detachable Warrants on the basis of two (2) Rights Shares together with one (1) Warrant for every ten (10) existing Y&G Shares held by the Entitled Shareholders on the Entitlement Date (“**Proposed Rights Issue with Warrants**”); and
 - (iv) Proposed private placement of up to 15,386,900 new Y&G Shares (“**Placement Shares**”), representing approximately ten percent (10%) of the issued and paid-up share capital of Y&G together with up to 7,693,450 new detachable Warrants on the basis of one (1) Warrant for every two (2) Placement Shares subscribed (“**Proposed Private Placement with Warrants**”).
- (b) On 30 September 2013, AIBB had announced on behalf of Y&G that the valuation report prepared by Messrs Jones Lang Wootton dated 13 September 2013 for the KESAS Land in relation to the Proposed Land Acquisition had been submitted to Bursa Malaysia.
- (c) On 19 November 2013, AIBB had further announced the following additional corporate proposals (hereinafter collectively referred to as the “New Proposals”) on behalf of Y&G:
- (i) Y&G had on 19 November 2013 entered into the following agreements:-
 - 1) conditional sale and purchase agreement (“**SPA**”) with Dato’ Yap Jun Jien, Gan Li Ching and Yap Jun Wei (“**MRSB Vendors**”) for the proposed acquisition of 1,000,000 ordinary shares of RM1.00 each in Magna Rembang Sdn Bhd (“**MRSB**”) (“**MRSB Share(s)**”), representing 100.0% of the issued and paid-up share capital of MRSB for an indicative purchase consideration of RM11,403,000 to be satisfied via the issuance of irredeemable convertible preference shares of RM1.00 each in Y&G (“**ICPS**”) together with free warrants in Y&G on the basis of one (1) Warrant for every two (2) ICPS issued (“**Warrants**”) (“**MRSB SPA**”) (“**Proposed MRSB Acquisition**”);
 - 2) conditional SPA with Dato’ Yap Jun Jien and Yap Jun Wei (“**KKSB Vendors**”) for the proposed acquisition of 2 ordinary shares of RM1.00 each in Kualiti Kinta Sdn Bhd (“**KKSB**”) (“**KKSB Share(s)**”), representing 100.0% of the issued and paid-up share capital of KKSB for an indicative total purchase consideration together with the proposed settlement of the amount owing by KKSB and its subsidiary (“**KKSB Group**”) to Dato’ Yap Jun Jien (“**Amount Owing by KKSB Group**”) for an indicative total purchase consideration of RM7,690,810 to be satisfied via the issuance of ICPS together with Warrants (“**KKSB SPA**”) (“**Proposed KKSB Acquisition**”); and
 - 3) conditional SPA with Dato’ Sri Yap Seng Yew (“**FDSB Vendor**”) for the proposed acquisition of 125,000 ordinary shares of RM1.00 each in Fortuneprop Development Sdn Bhd (“**FDSB**”) (“**FDSB Share(s)**”), representing 50.0% of the issued and paid-up share capital of FDSB for an indicative total purchase consideration of RM6,723,000 to be satisfied via the issuance of ICPS together with Warrants (“**FDSB SPA**”) (“**Proposed FDSB Acquisition**”).

Item (1) – (3) are hereinafter referred to as the “**Proposed Related Party Acquisitions**”.

- (ii) Y&G proposes to make amendments to the Memorandum and Articles of Association of Y&G (“**M&A**”) to facilitate the issuance of the ICPS pursuant to the Proposed Related Party Acquisitions (“**Proposed M&A Amendments**”).

The New Proposals and the Earlier Announced Proposals are collectively referred to as “**Corporate Proposals**”.

- (d) On 27 December 2013, AIBB had announced on behalf of Y&G that an application had been submitted to Bursa Malaysia in respect of :-
- (i) The admission of the Warrants to the official list of Bursa Malaysia and the initial listing application of and quotation for up to 51,375,655 Warrants to be issued pursuant to the Proposed Free Warrants, Proposed Rights Issue with Warrants, Proposed Private Placement with Warrants, Proposed MRSB Acquisition, Proposed KKSBB Acquisition and Proposed FDSB Acquisition on the Main Market of Bursa Malaysia (“**the Main Market**”); and
 - (ii) The additional listing application for the listing of and quotation on the Main Market for the following :-
 - (1) Up to 30,773,800 new Y&G Shares to be issued pursuant to the Proposed Rights Issue with Warrants on the Main Market;
 - (2) Up to 15,386,900 new Y&G Shares to be issued pursuant to the Proposed Private Placement with Warrants on the Main Market;
 - (3) Up to 25,816,810 new Y&G Shares to be issued pursuant to the conversion of the ICPS on the Main Market; and
 - (4) Up to 51,375,655 new Y&G Shares to be issued pursuant to the exercise of the Warrants on the Main Market.
- (e) On 18 February 2014, AIBB had announced on behalf of Y&G the final purchase consideration of MRSB (RM11,403,000), KKSBB (RM7,940,808) and FDSB (RM6,722,000) following the completion of the special audit of the said Acquiree Companies.
- (f) On 28 February 2014, AIBB had announced on behalf of Y&G that Bursa Malaysia had vide its letter dated 28 February 2014, given its approval for the admission of Warrants on the Official List of Bursa Malaysia as well as the listing of and quotation for the Warrants, Rights Shares, Placement Shares and new Y&G Shares to be issued pursuant to the exercise of the Warrants and conversion of ICPS on the Main Market of Bursa Malaysia. The Circular to Shareholders and Notice of EGM dated 14 March 2014 (“EGM Notice”) convening the EGM on 11 April 2014 to seek shareholders’ approval, have been circulated out to the shareholders.
- (g) On 11 April 2014, Y&G had announced that the resolutions set out in the above EGM Notice were duly passed by the shareholders at the EGM held on 11 April 2014.
- (h) On 16 May 2014, AIBB had announced on behalf of Y&G that Y&G and the respective Vendors, had mutually agreed to extend the Stop Date of the MRSB SPA, KKSBB SPA and FDSB SPA to 11 August 2014 to facilitate the fulfilment of the conditions precedent. Based on the terms of the MRSB SPA, KKSBB SPA and FDSB SPA, the conditions precedent contained therein shall be fulfilled by a date falling six (6) months from the date of the respective SPA i.e. 18 May 2014 (“Stop Date”) or such later date as Y&G and the respective vendors may mutually agree in writing.

For further information of the Corporate Proposals, please refer to the detailed announcements in the Bursa Malaysia’s Website.

Public Shareholding Spread

The followings are the events pertaining to the Company's Public Shareholding Spread during the current financial year-to-date:

- (a) On 27 March 2014, Y&G had announced that the Company had on 27 March 2014 submitted an application to Bursa Malaysia to seek a further 7th Extension of time of twelve (12) months from 1 April 2014 to 31 March 2015 ("7th Extension") to comply with the PSS Requirement.
- (b) On 21 April 2014, Y&G had announced, that Bursa Malaysia had, vide its letter dated 21 April 2014, granted the 7th Extension but only for a further three (3) months until 30 June 2014 to comply with the PSS Requirement.
- (c) As at 22 May 2014, the public shareholding spread of the Company was at 13.32%.

B9. GROUP BORROWINGS AND DEBT SECURITIES

Group Borrowings as at 31 March 2014 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Short Term Borrowings :			
Finance lease obligation	101	-	101
Term loan	-	-	-
	<u>101</u>	<u>-</u>	<u>101</u>
(b) Long Term Borrowings :			
Finance lease obligation	220	-	220
Term loan	-	-	-
	<u>220</u>	<u>-</u>	<u>220</u>
Total Borrowings	321	-	321

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 2014, pursuant to the format prescribed by Bursa Malaysia, is as follows :

	As at 31 March 2014	As at 31 December 2013
	RM'000	RM'000
Realised	34,235	32,104
Unrealised	(8,676)	(9,274)
Total Group's Accumulated Profits	<u>25,559</u>	<u>22,830</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)	2,729	2,729
Weighted average number of ordinary share in issue ('000)	153,869	153,869
Earnings per share (sen)	1.77	1.77
Diluted EPS (sen)	1.77	1.77

By Order of the Board

Wong Keo Rou (MAICSA 7021435)
Secretary
Kuala Lumpur
Date : 23 May 2014