

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 second quarter ended 30 June 2015 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 2014.

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 2014.

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 2014, 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 30 June 2015.

The Malaysian Accounting Standard Board ("MASB") had issued a new approved accounting framework, the MFRS Framework, to be applied by all Entities Other Than Private Entities for annual periods 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 venturer (herein referred as "Transitioning Entity").

A Transitioning Entity is allowed to defer adoption of the new MFRS Framework for another five (5) years. Consequently, adoption of the MFRS Framework by Transitioning Entity will be mandatory for annual periods beginning on or after 1 January 2017.

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2017. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company have yet to determine the financial impact arising from the adoption of the MFRS framework.

A3. AUDITORS' REPORT ON PRECEDING AUDITED FINANCIAL STATEMENTS

The auditors' report on the Audited Financial Statements for the year ended 31 December 2014 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 following dividend payments were made during the six-month ended 30 June 2015:

- a) In respect of the previous financial year ended 31 December 2014, an interim single-tier dividend of 5% amounting to RM10.924 million was paid on 20 March 2015; and
- b) In respect of the current financial year ending 31 December 2015, an interim single-tier dividend of 5% amounting to RM10.924 million was paid on 24 June 2015.

A9. PROFIT BEFORE TAX

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	97	88	198	189
Goodwill on consolidation written-off	15	3	15	3
Loss on disposal of asset held for sale	239	-	239	-
Rental income	-	-	(9)	-

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 year ended 30 June 2015 are as follows :-

	Investment Holding & Others	Property Development & Investment	<u>GROUP</u>
	RM'000	RM'000	RM'000
Segment Revenue - External	135	128,403	128,538
Segment Results	268	27,713	27,981
Interest Income			1,134
Interest Expenses			(10)
Profit Before Tax			29,105
Taxation			(7,568)
Profit For The Period			21,537

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 2014.

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 followings :-

- a) The Company's wholly-owned indirect subsidiary, Rukun Warisan Sdn Bhd, had on 20 July 2015, entered into a Conditional Share Sale Agreement with two (2) individuals, namely, Mr Ang Ah Buay and En Zuraidi Bin Aziz for the proposed acquisition of the entire issued share capital of Ikramin Sdn Bhd for a purchase consideration of RM13,428,000.00 (as announced on 20 July 2015); and
- b) The Company had on 27 July 2015, entered into a Conditional Share Sale Agreement with four (4) individuals, namely, Ms Ng Yoke Lan, Mr Tan Wah Kok, Dato' Yap Jun Jien and Mr Yap Jun Wei for the proposed acquisition of the entire issued share capital of Maha Harapan Sdn Bhd for a purchase consideration of RM4,680,000.00 (as announced on 27 July 2015).

As at the date of this Quarterly Report, both the above Share Sale Agreements have yet to be completed.

A13. CHANGES IN COMPOSITION OF THE GROUP

There was no material change in the composition of the Group for the current financial quarter and year-to-date, except for the followings:-

- (i) Bumida Engineering & Construction Sdn Bhd (“BECSB”) which has become a 98% owned subsidiary of the Company following the Company’s subscription of 9 million Rights Shares in BECSB on 5 February 2015.
- (ii) The Company had on 19 June 2015, acquired two (2) ordinary shares of RM1.00 each representing the entire equity in Tunas Temasek Sdn Bhd (“TTSB”) from Yap Kian Mun and Lim Boon Huay for a cash consideration of RM2.00 (Ringgit Malaysia: Two) only. The financial statements of TTSB were consolidated into the Group during the current financial quarter.

TTSB was incorporated in Malaysia and is currently dormant. The intended principal activity of TTSB is property development and investment holding. The effective % equity held in TTSB is 100%.

The value of TTSB’s assets acquired and liabilities assumed were as follows :-

	<u>Amount</u> RM’000
Cash & bank balances	5
Other payables & accruals	(6)
Amount due to director	(2)
	<hr/>
Value of total Net Liabilities	(3)
Goodwill on consolidation (#)	3
	<hr/>
Total cost of acquisition	-
	<hr/>
Cash outflow arising on acquisition	
Purchase consideration satisfied by cash	-
Cash and cash equivalents of TTSB acquired	5
Net cash inflow to the Group	5
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(#) : The Goodwill on consolidation was written-off as expense during the current financial quarter.

- (iii) The Company had on 23 June 2015, acquired two (2) ordinary shares of RM1.00 each representing the entire equity in Nusa Wibawa Sdn Bhd (“NWSB”) from Yap Kian Mun and Lim Boon Huay for a cash consideration of RM2.00 (Ringgit Malaysia: Two) only. The financial statements of NWSB were consolidated into the Group during the current financial quarter.

NWSB was incorporated in Malaysia and is currently dormant. The intended principal activity of NWSB is property development and investment holding. The effective % equity held in NWSB is 100%.

The value of NWSB's assets acquired and liabilities assumed were as follows :-

	<u>Amount</u> RM'000
Cash & bank balances	-
Other payables & accruals	(3)
	<hr/>
Value of total Net Liabilities	(3)
Goodwill on consolidation (#)	3
	<hr/>
Total cost of acquisition	-
	<hr/>
Cash outflow arising on acquisition	
Purchase consideration satisfied by cash	-
Cash and cash equivalents of NWSB acquired	-
Net cash outflow to the Group	-
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(#) : The Goodwill on consolidation was written-off as expense during the current financial quarter.

- (iv) The Company's wholly-owned subsidiary, Magna Rembang Sdn Bhd, had on 23 June 2015, acquired two (2) ordinary shares of RM1.00 each representing the entire equity in Rukun Warisan Sdn Bhd and Sempena Klasik Sdn Bhd respectively ("the Acquirees") from Yap Kian Mun and Lim Boon Huay for a cash consideration of RM2.00 (Ringgit Malaysia: Two) only respectively. The financial statements of the Acquirees were consolidated into the Group during the current financial quarter.

The intended principal activities and effective % equity held in the Acquirees, all of which are incorporated in Malaysia and are currently dormant, are as follows:-

<u>Acquirees</u>	<u>Intended Principal Activities</u>	<u>Effective % Equity Held</u>
Rukun Warisan Sdn Bhd	Investment Holding	100%
Sempena Klasik Sdn Bhd	Investment Holding	100%

The value of the Acquirees' assets acquired and liabilities assumed were as follows :-

	<u>Amount</u> RM'000
Cash & bank balances	10
Other payables & accruals	(11)
Amount due to directors	(5)
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Value of total Net Liabilities	(6)
Goodwill on consolidation (#)	6
	<hr/>
Total cost of acquisition	-
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Cash outflow arising on acquisition

Purchase consideration satisfied by cash	-
Cash and cash equivalents of Acquirees acquired	10
Net cash inflow to the Group	10

(#) : The Goodwill on consolidation was written-off as expense during the current financial quarter.

- (v) The Company's wholly-owned indirect subsidiary, Sempena Klasik Sdn Bhd, had on 25 June 2015, acquired two (2) ordinary shares of RM1.00 each representing the entire equity in Bayu Kemuning Sdn Bhd ("BKSB") from Yap Kian Mun and Lim Boon Huay for a cash consideration of RM2.00 (Ringgit Malaysia: Two) only. The financial statements of BKSB were consolidated into the Group during the current financial quarter.

BKSB was incorporated in Malaysia and is currently dormant. The intended principal activity of BKSB is property development. The effective % equity held in BKSB is 100%.

The value of BKSB's assets acquired and liabilities assumed were as follows :-

	<u>Amount</u> RM'000
Cash & bank balances	5
Other payables & accruals	(8)
Value of total Net Liabilities	(3)
Goodwill on consolidation (#)	3
Total cost of acquisition	-

Cash outflow arising on acquisition

Purchase consideration satisfied by cash	-
Cash and cash equivalents of BKSB acquired	5
Net cash inflow to the Group	5

(#) : The Goodwill on consolidation was written-off as expense during the current financial quarter.

- (vi) The Company had on 30 June 2015 carried out an internal reorganisation within the existing subsidiary companies of the Company whereby the Company had disposed the followings:-

a) To its wholly-owned subsidiary, Sentosa Teliti Sdn Bhd ("STSB") the followings:-

- i) One hundred thousand (100,000) ordinary shares of RM1.00 each representing the entire share capital of Sempurna Rampai Sdn Bhd ("SRSB") for a cash consideration of RM100,000.00 (Ringgit Malaysia: One Hundred Thousand) only;
- ii) One hundred thousand (100,000) ordinary shares of RM1.00 each representing the entire share capital of Melati Purnama Sdn Bhd ("MPSB") for a cash consideration of RM100,000.00 (Ringgit Malaysia: One Hundred Thousand) only;
- iii) One hundred thousand (100,000) ordinary shares of RM1.00 each representing the entire share capital of Mentari Jelas Sdn Bhd ("MJSB") for a cash consideration of RM100,000.00 (Ringgit Malaysia: One Hundred Thousand) only; and

- b) To its wholly-owned subsidiary, Hala Kota Development Sdn Bhd (“HKDSB”), two (2) ordinary shares of RM1.00 each representing the entire issued share capital of Melia Aktif Sdn Bhd (“MASB”) for a cash consideration of RM2.00 (Ringgit Malaysia: Two) only;
- c) To Rukun Warisan Sdn Bhd (“RWSB”), a wholly-owned subsidiary of Magna Rembang Sdn Bhd (“MRSB”), which in turn a wholly-owned subsidiary of the Company, two (2) ordinary shares of RM1.00 each representing the entire issued share capital of Elemen Cekap Sdn Bhd (“ECSB”) for a cash consideration of RM2.00 (Ringgit Malaysia: Two) only; and
- d) To Sempena Klasik Sdn Bhd (“SKSB”), a wholly-owned subsidiary of MRSB, which in turn a wholly-owned subsidiary of the Company, one hundred thousand (100,000) ordinary shares of RM1.00 each representing the entire issued share capital of Teras Zaman Sdn Bhd (“TZSB”) for a cash consideration of RM3,400,815.00 (Ringgit Malaysia: Three Million Four Hundred Thousand Eight Hundred and Fifteen) only.

Upon completion of the above Internal Reorganisation :-

- 1) SRSB, MPSB and MJSB will become wholly-owned subsidiaries of STSB, which in turn is a wholly-owned subsidiary of the Company;
- 2) MASB will become a wholly-owned subsidiary of HKDSB, which in turn is a wholly-owned subsidiary of the Company;
- 3) ECSB will become a wholly-owned subsidiary of RWSB, which in turn is a wholly-owned subsidiary of MRSB, a wholly-owned subsidiary of the Company; and
- 4) TZSB will become a wholly-owned subsidiary of SKSB, which in turn is a wholly-owned subsidiary of MRSB, a wholly-owned subsidiary of the Company.

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 the Company’s outstanding capital commitments amounting to RM16.3 million (2014 : Nil) which have been contracted but not provided for in the financial statements. These commitments are in respect of the balance of the purchase consideration for the proposed acquisitions of the entire issued share capital of Ikramin Sdn Bhd and Maha Harapan Sdn Bhd respectively (as mentioned under Item A12 above).

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 30 June 2015.

Turnover for the current financial quarter was higher at RM37.43 million, an increase of RM15.25 million, as compared to the preceding year's corresponding quarter of RM22.17 million. Turnover for the current financial year-to-date was substantially higher at RM128.54 million, an increase of RM83.36 million, as compared to the preceding year's corresponding year-to-date of RM45.18 million. The increase in turnover for the current financial quarter was mainly due to the revenue contributed by the recently acquired and consolidated subsidiaries. The increase in turnover for the current financial year-to-date was mainly due to the same reason and also the relatively better take-up rate particularly, of its commercial units as well as higher development activities ahead of the new GST implementation effective on 1 April 2015.

The profit after tax for both the current financial quarter and year-to-date were also substantially higher at RM7.56 million and RM21.54 million respectively as compared to the preceding year's corresponding profit after tax of RM2.57 million and RM5.30 million respectively, mainly due to the substantially higher turnover as mentioned above.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S REPORT

Turnover for the current financial quarter ended 30 June 2015 was substantially lower at RM37.43 million, a decrease of RM53.68 million, as compared to the preceding financial quarter of RM91.11 million, mainly due to the relatively slower take-up rate particularly, of its commercial units since the new GST implementation effective on 1 April 2015 and the completion of certain existing phases in the preceding financial quarter.

The profit before tax for the current financial quarter was also much lower at RM9.94 million as compared to the preceding financial quarter of RM19.17 million, mainly due to the substantial decrease in turnover.

B3. CURRENT YEAR PROSPECTS

In view that the market for the property development is sustaining and the completion of the Corporate Proposals in the fourth quarter of year ended 31 December 2014, the Directors expect an improvement in the revenue of the Group for the financial year ending 31 December 2015.

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	(2,992)	(9,192)
- (under)/overprovision in prior year	-	-
RPGT	-	(216)
Deferred tax	615	1,840
	<u>(2,377)</u>	<u>(7,568)</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 ended 31 December 2012, in which the said disposal was completed and accounted for in the current quarter financial statements after fulfillment of all 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. PUBLIC SHAREHOLDING SPREAD

The followings are the events pertaining to the Company's Public Shareholding Spread during the current financial year till the date of this Quarterly Report:

- (a) On 9 January 2015, Y&G had submitted a more elaborative clarification in support of the justification to the 9th Extension application to comply with the PSS Requirement via its letter dated 9 January 2015 to Bursa Malaysia.
- (b) On 29 May 2015, Y&G had announced that the Company had on 29 May 2015 submitted an application to Bursa Malaysia to seek a further 10th Extension of time of six (6) months from 1 June 2015 to 30 November 2015 ("10th Extension") to comply with the PSS Requirement.
- (c) On 2 July 2015, Y&G had announced that Bursa Malaysia had, vide its letter dated 1 July 2015, granted the 9th Extension and 10th Extension a further extension of eleven (11) months until 30 November 2015 to comply with the PSS Requirement.
- (d) As at 18 August 2015, the public shareholding spread of the Company was at 19.71 %.

B9. GROUP BORROWINGS AND DEBT SECURITIES

Group Borrowings as at 30 June 2015 are as follows :-

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Short Term Borrowings :			
Finance lease obligation	164	-	164
Term loan	-	-	-
	<u>164</u>	<u>-</u>	<u>164</u>
(b) Long Term Borrowings :			
Finance lease obligation	190	-	190
Term loan	-	-	-
	<u>190</u>	<u>-</u>	<u>190</u>
Total Borrowings	354	-	354

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 30 June 2015, pursuant to the format prescribed by Bursa Malaysia, is as follows :

	As at 30 June 2015 RM'000	As at 31 March 2015 RM'000
Realised	42,601	46,566
Unrealised	(7,151)	(7,766)
Total Group's Accumulated Profits	<u>35,450</u>	<u>38,800</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)	7,574	21,321
Weighted average number of ordinary share in issue ('000)	199,384	199,384
Earnings per share (sen)	3.80	10.69
Diluted EPS (sen)	2.85	8.01

By Order of the Board

Wong Keo Rou (MAICSA 7021435)
Secretary
Kuala Lumpur
Date : 19 August 2015

STATUS OF MATERIAL LITIGATIONS AS AT 19 AUGUST 2015**Legal Action against Y&G Corporation Bhd (“Y&G”)**

- (i) **ICP Marketing Sdn Bhd vs MBSB & Lee Hock Soon & Y&G
Shah Alam High Court Suit No. MT5-22-209-2002
Kuala Lumpur High Court Originating Summons No. 24NCVC-923-05/2013**

Since the previous Quarterly Report, both parties had filed in their respective written submissions on the extended deadline for submission on 22 June 2015. The oral submission in rebuttal was fixed on 29 June 2015. Following the oral submission in reply on 29 June 2015, the Court had fixed the matter for decision on 14 July 2015.

Status: The Court, after having heard the witnesses’ testimonies, read the written submissions and heard further submission by the Defendant had on the decision date of 14 July 2015, judged the Case in favour of the Defendant by dismissing the Plaintiff’s claim with costs of RM20,000.00. The Plaintiff has filed a Notice of Appeal dated 29 July 2015 to the Court of Appeal on 30 July 2015.

- (ii) **John & Partners Construction Sdn Bhd (“JPCSB”) vs. Y&G
Kuching High Court Originating Summons No. KCH-24-99/6-2013
Court of Appeal Civil Appeal No. : Q-02-690-04/2014**

Since the previous Quarterly Report, the matter was fixed for hearing before the Court of Appeal on 19 August 2015.

Status: The Court of Appeal has on 19 August 2015, dismissed the Plaintiff’s appeal with cost of RM5,000.00. The Plaintiff has one (1) month to file an application for leave to appeal before they could file an appeal proper to the Federal Court.

Legal Action by Y&G Corporation Bhd (“Y&G”)

- (i) **Hala Kota Development Sdn Bhd (“HKDSB”) vs Institut Penyelidikan Dan Kemajuan Pertanian
Malaysia (“MARDI”) Shah
Alam High Court Suit No. 22NCVC-581-12/2014**

Since the previous Quarterly Report and following the Case Management on 9 June 2015, the Court had fixed the matter for further Case Management on 6 July 2015 and again on 24 July 2015. Following the Case Management on 24 July 2015, the Court has fixed the matter for final Case Management on 10 August 2015 for parties to file their respective witness statement.

Status: Upon the request by the parties, the Court has allowed the adjournment of the trial dates originally scheduled on 19th to 21st of August 2015 to 5th, 6th and 7th of October 2015. The Court has also fixed the matter for final Case Management on 28 September 2015 to update the Court on the outcome of settlement negotiations.