

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 third quarter ended 30 September 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 September 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 current financial year-to-date ended 30 September 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	119	83	317	272
Goodwill on consolidation written-off	-	-	15	3
Loss on disposal of asset held for sale	-	-	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 current financial year-to-date ended 30 September 2015 are as follows :-

	Investment Holding & Others	Property Development & Investment	<u>GROUP</u>
	RM'000	RM'000	RM'000
Segment Revenue - External	330	156,893	<u>157,223</u>
Segment Results	585	35,790	<u>36,375</u>
Interest Income			1,444
Interest Expenses			(17)
Profit Before Tax			<u>37,802</u>
Taxation			(10,177)
Profit For The Period			<u>27,625</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 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 conditional Share Sale Agreement ("ISB SSA") entered into by the Company's wholly-owned indirect subsidiary, Rukun Warisan Sdn Bhd ("RWSB") on 20 July 2015 in relation to the proposed acquisition of the entire issued share capital of Ikramin Sdn Bhd ("ISB") at a purchase consideration of RM13.428 million, which has become unconditional on 29 October 2015 following the fulfillment of the Condition Precedents stipulated in the ISB SSA and the completion of the SSA is now subject to RWSB's payment of the balance purchase consideration in accordance with the terms and conditions of the ISB SSA.

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") 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 two (2) individuals for a cash consideration of RM2.00 only. The financial statements of TTSB were consolidated into the Group since the second 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 two (2) individuals for a cash consideration of RM2.00 only. The financial statements of NWSB were consolidated into the Group since the second financial quarter.
- (iv) The Company’s wholly-owned subsidiary, Magna Rembang Sdn Bhd (“MRSB”), had on 23 June 2015, acquired two (2) ordinary shares of RM1.00 each representing the entire equity in Rukun Warisan Sdn Bhd (“RWSB”) and Sempena Klasik Sdn Bhd (“SKSB”) respectively from two (2) individuals for a cash consideration of RM2.00 only each respectively. The financial statements of RWSB and SKSB were consolidated into the Group since the second financial quarter.
- (v) The Company’s wholly-owned indirect subsidiary, SKSB, 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 two (2) individuals for a cash consideration of RM2.00 only. The financial statements of BKSB were consolidated into the Group since the second financial quarter.
- (vi) The Company had on 30 June 2015 carried out an internal reorganisation within the existing subsidiary companies of the Company whereby upon the completion of the said reorganisation :-
 - a) Sempurna Rampai Sdn Bhd (“SRSB”), Melati Purnama Sdn Bhd (“MPSB”) and Mentari Jelas Sdn Bhd (“MJSB”) have become wholly-owned subsidiaries of Sentosa Teliti Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company;
 - b) Melia Aktif Sdn Bhd (“MASB”) has become a wholly-owned subsidiary of Hala Kota Development Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company;
 - c) Elemen Cekap Sdn Bhd (“ECSB”) has 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
 - d) Teras Zaman Sdn Bhd (“TZSB”) has become a wholly-owned subsidiary of SKSB, which in turn is a wholly-owned subsidiary of MRSB, a wholly-owned subsidiary of the Company.
- (vii) The Company had on 20 July 2015, entered into a conditional Share Sale Agreement (“ISB SSA”) with two (2) individuals for the proposed acquisition of the entire issued share capital of Ikramin Sdn Bhd (“ISB”) at a purchase consideration of RM13.428 million. The status of the ISB SSA has been stated under Item A12 above.
- (viii) The Company had on 27 July 2015, entered into a conditional Share Sale Agreement (“MHSB SSA”) with four (4) individuals for the proposed acquisition of the entire issued share capital of Maha Harapan Sdn Bhd (“MHSB”) at a purchase consideration of RM4.68 million. The MHSB SSA was completed on 04 September 2015 following the fulfillment of the Conditions Precedents and the payment of the balance purchase consideration in accordance with the terms and conditions of the MHSB SSA.

MHSB was incorporated in Malaysia on 30 June 2014 as a private limited company under the Companies Act, 1965 and is currently inactive. The effective % equity held by the Company in MHSB (after the completion of the MHSB SSA) is 100%. The financial statements of MHSB were consolidated into the Group during the current financial quarter.

MHSB has a leasehold land held under Title No. H.S.(D) 24643, PT 10316, Mukim Rawang, Daerah Gombak, Negeri Selangor, measuring approximately in area of 41.500 acres (16.794 hectares).

The fair values of the identifiable assets acquired and liabilities assumed of MHSB as at the date of acquisition are as follows :-

	<u>Fair Value</u> RM'000	<u>Carrying Value</u> RM'000
Land held for property development	43,386	37,271
Other receivable	2,160	2,160
Cash and cash equivalents	72	72
Other payables & accruals	(37,589)	(37,589)
Amount due to director	(1,818)	(1,818)
Deferred tax liabilities	(1,531)	-
Net Identifiable Assets / (Liabilities)	4,680	96
Cash outflow effect on acquisition :		RM'000
Purchase consideration satisfied by cash		(4,680)
Cash and cash equivalents of MHSB acquired		72
Net cash outflow on acquisition for the Group		(4,608)

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 an outstanding capital commitment of RM7.39 million (2014 : Nil) being the balance purchase consideration for the proposed acquisition of the entire issued share capital of ISB by RWSB (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 September 2015.

Turnover for the current financial quarter was at RM28.68 million, a slight increase of RM4.76 million, as compared to the preceding year's corresponding quarter of RM23.92 million. Turnover for the current financial year-to-date was substantially higher at RM157.22 million, a significant increase of RM88.11 million, as compared to the preceding year's corresponding year-to-date of RM69.11 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 RM6.09 million and RM27.62 million respectively as compared to the preceding year's corresponding profit after tax of RM3.21 million and RM8.51 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 September 2015 was lower at RM28.68 million, a decrease of RM8.75 million, as compared to the preceding financial quarter of RM37.43 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 development phases in the earlier financial quarter.

The profit before tax for the current financial quarter was slightly lower at RM8.70 million as compared to the preceding financial quarter of RM9.94 million, mainly due to the decrease in turnover as mentioned above.

B3. CURRENT YEAR PROSPECTS

In view that the market for the property development is sustaining and the completion of few land acquisitions 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 RM'000	Current Year-To-Date RM'000
Income tax - current year	(2,617)	(11,809)
- (under)/overprovision in prior year	(293)	(293)
RPGT	-	(216)
Deferred tax	301	2,141
	<u>(2,609)</u>	<u>(10,177)</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 past financial year ended 31 December 2012, in which the said disposal was completed and accounted for in the second financial quarter's financial statements following the fulfillment of all the conditions precedents in that financial quarter. However, the said disposal has no material financial effect to the Group's result for the current financial 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 ("PSS") during the current financial year-to-date 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 24 November 2015, the public shareholding spread of the Company was at 19.71 %.
- (e) Y&G will submit in due course (but before the deadline of 30 November 2015) an application to Bursa Malaysia to seek a further 11th Extension of time of nine (9) months from 1 December 2015 to 31 August 2016("11th Extension") to comply with the PSS Requirement.

B9. GROUP BORROWINGS AND DEBT SECURITIES

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

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Short Term Borrowings :			
Finance lease obligation	200	-	200
Term loan	-	-	-
	<u>200</u>	<u>-</u>	<u>200</u>
(b) Long Term Borrowings :			
Finance lease obligation	444	-	444
Term loan	-	-	-
	<u>444</u>	<u>-</u>	<u>444</u>
Total Borrowings	644	-	644

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

	As at 30 September 2015 RM'000	As at 30 June 2015 RM'000
Realised	49,933	42,601
Unrealised	(8,381)	(7,151)
Total Group's Accumulated Profits	<u>41,552</u>	<u>35,450</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)	6,102	27,423
Weighted average number of ordinary share in issue ('000)	199,384	199,384
Earnings per share (sen)	3.06	13.75
Diluted EPS (sen)	2.29	10.30

By Order of the Board

Wong Keo Rou (MAICSA 7021435)
Secretary
Kuala Lumpur
Date : 25 November 2015

STATUS OF MATERIAL LITIGATIONS AS AT 25 NOVEMBER 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, the Court 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.

However, the Plaintiff has filed the Record of Appeal on 28 September 2015 (which is after the due date of 24 September 2015) and has thereafter on 22 October 2015 applied for leave of court to file out of time.

Status : Y&G has subsequently filed an Affidavit in Reply to challenge the Plaintiff’s application. Meanwhile, the Plaintiff’s application has been fixed for hearing on 26 November 2015 at the Court of Appeal.

- (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

There was no material development since the previous Quarterly Report.

Status : Following the failure on the part of the Plaintiff to file an application for leave to appeal (before they could file an appeal proper to the Federal Court) within the one (1) month’s deadline from the Court of Appeal’s dismissal of the Plaintiff’s appeal on 19 August 2015, the case is now considered as closed.

- (iii) **Chemical Company of Malaysia Berhad (“CCMB”) vs. Y&G**
Kuala Lumpur High Court Civil Suit No. 22NCVC-564-10/2015

Y&G has been served with a sealed Writ of Summons and Statement of Claim both dated 20 October 2015 (“the Writ”) by the Solicitors, Messrs. Raja, Darryl & Loh, acting for CCMB claiming for a declaration that the land lease is appropriately terminated, an order to re-enter and repossess the leased land, an order that Y&G shall pay to CCMB a sum of RM2,226,069.36 being 6-years’ lease rental in arrears, 5% interest per annum on the arrears lease rental and other incidental costs.

The Directors are not aware of the above past land lease arrangement entered into previously between CCMB and Y&G via a Lease Agreement dated 29 August 1987 nor the lease rental in arrears and therefore has subsequently sought further clarification from CCMB with the view of settling the matter amicably to the best interest of Y&G.

After discussion with CCMB, Y&G had on 05 November 2015 accepted CCMB’s proposed terms of settlement as follows :

- 1) Both parties agree that the lease has been terminated and Y&G agrees to waive its rights against CCMB under the lease and CCMB has the right to re-enter and to re-occupy the leased land with immediate effect.

- 2) Y&G agrees to surrender the lease and to bear all costs and expenses incidental to the presentation and registration of the surrender of lease and shall execute and return to CCMB all relevant documents within seven (7) days of receipt.
- 3) CCMB will, upon the registration of the surrender of lease at the relevant land office, waive its right to recover all outstanding lease rental in arrears against Y&G.

Status : Y&G has on 11 November 2015 received all the relevant documents from CCMB's Solicitor for execution and has on 17 November 2015 returned the aforesaid duly executed documents to them for their further action.

Legal Action by Y&G Group

- (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**

There was no material development since the previous Quarterly Report.

Status : Both parties are in the midst of discussion for an amicable settlement.