

Y&G CORPORATION BHD

(Co No : 6403-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 June 2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2017 RM'000	CURRENT YEAR TODATE 30 June 2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2017 RM'000
Revenue	20,767	13,941	37,455	37,326
Operating expenses	(16,211)	(12,721)	(30,576)	(34,119)
Other operating income	41	53	124	123
Profit From Operations	4,597	1,273	7,003	3,330
Interest income	242	167	447	299
Interest expenses	(137)	(15)	(246)	(31)
Profit Before Tax	4,702	1,425	7,204	3,598
Taxation	(1,558)	(266)	(2,549)	(1,393)
Profit For The Period	3,144	1,159	4,655	2,205
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,144	1,159	4,655	2,205
Attributable to:				
Equity holders of the parent	3,122	1,155	4,630	2,174
Non-controlling interests	22	4	25	31
	3,144	1,159	4,655	2,205
Total Comprehensive Income / (Loss) attributable to equity holders of the parent :				
a) Basic Earnings per share (Sen)	1.57	0.58	2.32	1.09
b) Diluted	1.17	0.43	1.74	0.82

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2017 and the accompanying notes attached to the Interim Financial Statements)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	As at end of Current Quarter 30 June 2018 RM'000	As at Preceding Year Ended 31 Dec 2017 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,814	2,003
Investment properties	18,471	18,587
Land held for property development	88,764	88,554
Goodwill on consolidation	555	555
	<u>109,604</u>	<u>109,699</u>
CURRENT ASSETS		
Property development costs	102,830	103,119
Inventories	41,630	42,502
Trade receivables	23,389	34,805
Accrued Billings	20,478	19,700
Other receivables, deposits and prepayments	16,517	15,827
Current Tax Assets	1,514	1,526
Fixed deposit with licensed bank	5,500	5,500
Cash and bank balances	8,020	24,846
	<u>219,878</u>	<u>247,825</u>
	<u>329,482</u>	<u>357,524</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of parent -		
Share capital	199,384	199,384
Irredeemable convertible preference shares	19,094	19,094
Warrants reserve	2,584	2,584
Retained earnings	61,960	57,330
	<u>283,022</u>	<u>278,392</u>
NON-CONTROLLING INTEREST	437	412
TOTAL EQUITY	<u>283,459</u>	<u>278,804</u>
NON-CURRENT LIABILITIES		
Obligation under finance leases (Long Term)	558	713
Term Loan (Long Term)	6,920	7,280
Deferred tax liabilities	10,756	11,113
	<u>18,234</u>	<u>19,106</u>
CURRENT LIABILITIES		
Trade payables	17,376	48,498
Other payables and accruals	5,698	5,499
Amount due to directors	255	2,645
Obligation under finance leases (Short Term)	306	299
Term Loan (Short Term)	720	746
Taxation	3,434	1,927
Dividend Payable	-	-
	<u>27,789</u>	<u>59,614</u>
TOTAL LIABILITIES	<u>46,023</u>	<u>78,720</u>
TOTAL EQUITY AND LIABILITIES	<u>329,482</u>	<u>357,524</u>
Net assets / share attributable to ordinary equity holders of the parent (RM)	1.42	1.40

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2017 and the accompanying notes attached to the Interim Financial Statements)

Y&G CORPORATION BHD

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2018**

	Share Capital	Irredeemable Convertible Preference Shares	Warrant Reserve	Retained Earnings	Non - Controlling Interest	TOTAL EQUITY
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current Quarter						
Balance as at 1 January 2018	199,384	19,094	2,584	57,330	412	278,804
Profit after Tax	-	-	-	4,630	25	4,655
Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	4,630	25	4,655
Transaction with owners :						
Issue of ordinary shares from conversion of warrant*	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Balance as at 30 June 2018	199,384	19,094	2,584	61,960	437	283,459
Preceding Year's Corresponding Quarter						
Balance as at 1 January 2017	199,384	19,094	2,584	52,261	370	273,693
Profit after Tax	-	-	-	2,174	31	2,205
Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	2,174	31	2,205
Transaction with owners :						
Issue of ordinary shares from conversion of warrant*	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Balance as at 30 June 2017	199,384	19,094	2,584	54,435	401	275,898

* : Negligible

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2017 and the accompanying notes attached to the Interim Financial Statements)

Y&G CORPORATION BHD

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

	Current Quarter Ended 30 June 2018 RM'000	Preceding Year Quarter 30 June 2017 RM'000
PROFIT BEFORE TAX	7,204	3,598
ADJUSTMENTS :		
Depreciation on property, plant and equipment	196	187
Amortisation of investment property	116	-
Interest expenses	246	31
Interest income	(447)	(299)
Rental income	(60)	-
Operating Profit Before Working Capital Changes	7,255	3,517
CHANGES IN WORKING CAPITAL :		
Decrease/(Increase) in receivables	9,948	14,845
Decrease/(Increase) in property development costs	289	(3,652)
Decrease/(Increase) in inventories	872	4,677
(Decrease)/Increase in payables	(33,313)	(11,737)
Cash Flows (Used In) / Generated From Operations	(14,949)	7,650
Taxes paid	(1,387)	(2,691)
Net Cash Flows (Used In) / Generated From Operating Activities	(16,336)	4,959
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(7)	(1)
Expenditure incurred on investment properties	-	(1)
Expenditure incurred on land held for property development	(210)	(182)
Interest income	447	299
Rental income	60	-
Net Cash Flows Generated From Investing Activities	290	115
FINANCING ACTIVITIES		
Repayment of obligation under finance lease	(148)	(140)
Repayment of term loan	(386)	-
Interest expenses	(246)	(31)
Dividend paid	-	(10,924)
Net Cash Flows Used In Financing Activities	(780)	(11,095)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(16,826)	(6,021)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	30,346	39,758
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13,520	33,737
Represented by :		
Cash and bank balances	8,020	33,737
Fixed deposit with licensed bank	5,500	-
	13,520	33,737

* : Negligible

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2017 and the accompanying notes attached to the Interim Financial Statements)

Y&G CORPORATION BHD
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(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR SECOND QUARTER ENDED 30 JUNE 2018

1. BASIS OF PREPARATION

The Interim Financial Statements for the second quarter ended 30 June 2018 are unaudited and have been prepared in accordance with the requirements of MFRS 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 Securities**"). The Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017.

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 2017.

2. 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 2017, except for the compliance with the new Malaysian Financial Reporting Standards ("**MFRSs**") that came into effect from 1 January 2018.

The adoption of the new MFRSs 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 2018.

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 venture.

The Group and the Company is required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group and the Company is 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.

Effective for the financial periods beginning on or after 1 January 2018

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Effective for the financial periods beginning on or after 1 January 2019

MFRS 16	Leases
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3. AUDITORS' REPORT ON PRECEDING AUDITED FINANCIAL STATEMENTS

The auditors' report on the Audited Financial Statements for the year ended 31 December 2017 was not subject to any qualification.

4. **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.

5. **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.

6. **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.

7. **DEBT AND EQUITY SECURITIES**

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities of the Company for the current financial quarter and year-to-date.

Warrants 2014/2019

The Company has on 17 November 2014 issued a total of 47,690,767 Warrants 2014/2019 (“**Warrants**”) which was listed on the Main Market of Bursa Securities with effect from 21 November 2014. The Stock Short Name, Stock number of ISIN Code of the Warrants is ‘YG-WA’ and each Warrants entitles the holder to subscribe for one (1) new ordinary share of RM1.00 each in the Company at an exercise price of RM1.00 per share on or before 16 November 2019.

There was no exercise of Warrants during the current financial quarter and year-to-date.

As at 30 June 2018, the total number of Warrants which remain unexercised was 47,690,576 (31 December 2017: 47,690,576).

8. **DIVIDEND PAID**

The Company did not make any payment of dividends during the current financial quarter.

9. **PROFIT BEFORE TAX**

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Depreciation on property, plant and equipment	98	100	196	187
Amortisation of investment property	58	-	116	-
Rental income	(30)	-	(60)	-

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.

10. **SEGMENTAL INFORMATION**

The analysis of the Group's operations for the current financial year-to-date ended 30 June 2018 are as follows:

	Property Investment & Others RM'000	Property Development RM'000	GROUP RM'000
Segment Revenue - External	586	36,869	37,455
Segment Results	(916)	7,919	7,003
Interest Income			447
Interest Expenses			(246)
Profit Before Tax			7,204
Taxation			(2,549)
Profit for The Period			4,655

11. **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 2017.

12. **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 Statements as at the date of this Quarterly Report.

13. **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.

14. **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 except for the additional tax liabilities as maybe assessed by Inland Revenue Board ("IRB") under their on-going tax investigation on the Group, as disclosed under **Item 20 (TAXATION)** below.

15. **CAPITAL COMMITMENTS**

There was no material capital commitments which are not provided for in the Interim Financial Statements as at the date of this Quarterly Report.

16. **FINANCIAL REVIEW FOR CURRENT QUARTER AND FINANCIAL YEAR-TO-DATE**

The Group's revenue was mainly derived from the development activities for the current financial quarter and year-to-date ended 30 June 2018.

	Individual Quarter		Changes RM '000
	Current Year Current Quarter 30 Jun 2018 ("Q2FY18") RM '000	Preceding Year Corresponding Quarter 30 Jun 2017 ("Q2FY17") RM '000	
Revenue	20,767	13,941	6,826
Operating Profit	4,972	1,358	3,614
Profit Before Interest and Tax	4,839	1,440	3,399
Profit Before Tax ("PBT")	4,702	1,425	3,277
Profit After Tax ("PAT")	3,144	1,159	1,985
Profit Attributable to Ordinary Equity Holders of the Parent	3,122	1,155	1,967

The Group recorded a higher revenue of RM20.77 million for the current Q2FY18 as compared to the preceding year's Q2FY17 of RM13.94 million. The increase in revenue by RM6.83 million was mainly attributable to better sales and relatively higher development activities of the on-going development projects during the current quarter.

The Group's current Q2FY18's PAT stood at RM3.14 million, which was RM1.98 million higher than the preceding year's corresponding Q2FY17 of RM1.16 million, primarily due to the higher revenue as above-mentioned and the relatively higher development margin from certain development projects.

	Cumulative Quarter (Year-To-Date)		Changes RM '000
	Current Year Current Year-To-Date 30 Jun 2018 ("YTD2018") RM '000	Preceding Year Corresponding Year-To-Date 30 Jun 2017 ("YTD2017") RM '000	
Revenue	37,455	37,326	129
Operating profit	7,534	3,502	4,032
Profit before interest and tax	7,450	3,629	3,821
Profit before tax ("PBT")	7,204	3,598	3,606
Profit after tax ("PAT")	4,655	2,205	2,450
Profit attributable to Ordinary equity holders of the parent	4,630	2,174	2,456

Revenue for the current YTD2018 increased marginally only to RM37.46 million, from RM37.33 million recorded in the preceding year's corresponding YTD2017.

However, the Group's PAT for the current YTD2018 increased significantly by RM2.45 million to RM4.65 million mainly due to the relatively higher development margin from certain development projects.

17. **FINANCIAL REVIEW FOR CURRENT QUARTER COMPARED WITH IMMEDIATE PRECEDING QUARTER**

	Current Quarter 30 Jun 2018 ("Q2FY18") RM '000	Immediate Preceding Quarter 31 Mar 2018 ("Q1FY18") RM '000	Changes RM '000
Revenue	20,767	16,688	4,079
Operating profit	4,972	2,562	2,410
Profit before interest and tax	4,839	2,611	2,228
Profit before tax ("PBT")	4,702	2,502	2,200
Profit after tax ("PAT")	3,144	1,511	1,633
Profit attributable to Ordinary equity holders of the parent	3,122	1,508	1,614

The Group's revenue for the current Q2FY18 was RM20.77 million, which was RM4.08 million higher than the immediate preceding Q1FY18 of RM16.69 million, mainly attributable to better sales and relatively higher development activities of the on-going development projects during the current quarter.

The Group's PBT for the current Q2FY18 was RM4.70 million, which was RM2.20 million higher than the immediate preceding Q1FY18 of RM2.50 million, primarily due to the higher revenue as above-mentioned.

18. **CURRENT YEAR PROSPECTS**

The Group opines the property market will improve under the new government as it is moving swiftly to inject confidence and economic stability into the market. With this positive approach, there may be many new launches soon as most investors and buyers tend to decide further. However, we believe the affordable housing projects will still remain in demand in the coming years and as the market changes, more developers will continue to introduce competitively-priced products and good accessibilities to suit the market needs.

Notwithstanding the challenges ahead, the Group will concentrate on unlocking the value of its land banks via affordable housing projects. The Group is confident to compete effectively by differentiating ourselves through creative and innovative branding events such as content marketing, which involves the creation and sharing of online material (videos, informative blogs and social media) to stimulate interest of young buyers.

It's our practice to adopt a prudent stance in moving carefully with our project developments in order to deliver quality products. With this approach and in view of the above challenges, the Group will also continue to pursue its expansion diligently and meanwhile, the Group has two on-going development projects in Jenjarom and Sungai Jati, Klang.

The Group's unbilled sales stood at RM66.70 million as at 30 June 2018, which is expected to continue to contribute positively to the Group's earnings in the near future.

Barring any unforeseen circumstances, the Board expects the Group's performance will remain stable for the current financial year ending 31 December 2018.

19. **PROFIT FORECAST AND PROFIT GUARANTEE**

Not applicable as the Company did not issue any profit forecast and/or profit guarantee.

20. TAXATION

The taxation charge for the Group are as follows:

	Current Quarter	Current Year-To-Date
	RM'000	RM'000
Income Tax – Estimated current year tax	(1,743)	(2,906)
Deferred Tax – Reversal of deferred tax liability	185	357
	<u>(1,558)</u>	<u>(2,549)</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 24% primarily due to the progressive amortization (through charging out as part of development costs) of the development projects' revaluation surplus, which is not deductible for tax purposes coupled with the non-group tax relief to the Group.

In the third quarter of the previous financial year ended 31 December 2017, IRB initiated a tax investigation on the Group primarily, on the gains arising from certain land disposals by a wholly owned subsidiary ("**the Subsidiary**"). IRB has taken the view that the gains arising from the aforesaid disposals shall be taxable under Income Tax Act instead of RPGT Act (as previously filed and paid by the subsidiary) and has, via its letter dated 10 July 2018, proposed the Subsidiary to pay for an additional back-duty taxes of RM5.21 million plus a 45% tax penalty of RM2.34 million totalling RM7.55 million ("**the Back-Duty**") in respect of years of assessment 2012 to 2016.

The Subsidiary did not agree with the IRB's view and has, through its tax consultant, appealed against the matter and as at the date of this Quarterly Report, IRB has not raised any official assessment. In view of its pending status, no provision has been made for the Back-Duty in this Interim Financial Statements until an official assessment being raised by IRB.

21. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no sale of unquoted investments and/or properties for the current financial quarter and year-to-date.

22. QUOTED SECURITIES

There was no purchase or disposal of quoted securities for the current financial quarter and year-to-date.

23. TRADE RECEIVABLES

	----- GROUP -----	
	As At 30.06.2018	As At 31.12.2017
	RM'000	RM'000
Property Development	21,070	32,738
Management Fee	2,319	2,067
	<u>23,389</u>	<u>34,805</u>

Trade receivables comprise receivables from property development and management fee.

The trade receivables from property development comprises progress billings receivable from on-going development projects and received retention sums of completed development projects held by the solicitors as stakeholder in pursuant to the sale and purchase agreements. The progress billings are due within 21 days while, the retention sums are due upon the expiry of the defect liability period of 12 to 24 months. Other credit terms are assessed and approved on a case-to-case basis.

The trade receivables from the progress billings are creditworthy debtors with mainly good payment records and have obtained and/or in the process of obtaining end financing to fund their purchase of the Group's development properties.

24. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings and debts securities as at 30 June 2018 are analysed as follows:

	Short Term	Long Term	Total Borrowings
<u>Secured</u>	RM'000	RM'000	RM'000
Term Loan	720	6,920	7,640
Hire Purchase	306	558	864
Total	1,026	7,478	8,504

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

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no financial instrument with off balance sheet risk as at the date of this Quarterly Report.

26. MATERIAL LITIGATION

The Group has the following material litigation (including the changes and status since the previous Quarterly Report) as at the date of this Quarterly Report :

**Y&G Corporation Bhd (“Y&G”) and Nusa Wibawa Sdn Bhd (“NWSB”)
(collectively known as “the Plaintiffs”)
Vs AmanahRaya Development SdnBhd (“AmanahRaya”)
Kuala Lumpur High Court Suit No. WA-22NCVC-627-10/2016
Court of Appeal Malaysia Civil Appeal No. W-02(NCVC)(W)-2578-12/2017**

Since the date of the previous Quarterly Report dated 18 May 2018, the Hearing for the Appeal was held on 8 and 9 August 2018.

Status : Following the Hearing on 8 and 9 August 2018, the Court of Appeal has fixed 4 October 2018 for further hearing and has also directed the parties to hand in their further written submissions (in support of their respective arguments) to the Court on the day if the parties are unable to reach any settlement by then.

27. DIVIDEND

The Board of Directors does not recommend any dividend for the current financial quarter and year-to-date.

28. **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)	3,122	4,630
Weighted average number of ordinary share in issue ('000)	199,384	199,384
Earnings per share (sen)	1.57	2.32
Diluted EPS (sen)	1.17	1.74

By Order of the Board

Rebecca Lee Ewe Ai (MAICSA 0766742)
Secretary
Kuala Lumpur

Date: 24 Aug 2018