

Subject : **YGL CONVERGENCE BERHAD**
- **JOINT VENTURE AGREEMENT BETWEEN YGL, VISTA INVESTMENT MANAGEMENT LIMITED, ASIAN SKY INVESTMENTS LIMITED, FONG YOW KHEN AND FOO YONG KWANG (“PROPOSED JOINT VENTURE”)**

1. INTRODUCTION

Following the Joint Venture Contract and Supplemental Joint Venture Contract entered between Ygl Convergence Berhad (“Ygl” or the “Company”) with Vista Investment Management Limited (“VIML”) dated 18 March 2008 and 24 March 2008 respectively which had been announced to the Exchange on 18 March 2008 (Reference No CS-080318B2527) and 24 March 2008 (Reference No CS-080324-71CE3), the Board of Directors of Ygl wishes to announce that the Company had on 15 June 2010 entered into a new Joint Venture Agreement (“JVA”) with VIML, Asian Sky Investments Limited, Fong Yow Khen and Foo Yong Kwang (collectively known as “Joint Venture Partners”) to regulate their relationship as shareholders in the Joint Venture Company, namely Ygl iBay International Sdn Bhd (“Ygl iBay”).

The Joint Venture Partners irrevocably agree to adopt the terms and conditions of the Joint Venture Contract dated 18 March 2008 except those terms and conditions which are in conflict with the terms of the JVA.

2. DETAILS OF THE JOINT VENTURE PARTNERS

2.1 VIML (“hereinafter referred to as “Party A”)

VIML is a company incorporated under the laws of British Virgin Islands, whose registered office is located at Ansbacher (BVI) Limited, International Trust Building, Whickhams Cay Road Town, Tortola, British Virgin Island. The principal activity of VIML is investment holding. The principal officer of VIML is Mr. Eng Ging Kiat.

2.2 Ygl (“hereinafter referred to as “Party B”)

Ygl is a public company incorporated under the laws of Malaysia, whose registered office is located at No. 10, China Street, 10200 Penang, Malaysia.

2.3 Asian Sky Investments Limited (“ASI”) (“hereinafter referred to as “Party C”)

ASI is a company incorporated in Hong Kong, whose registered office is located at Room 2204, 22/F, Fu Fai Commercial Centre, 27, Hillier Street, Hong Kong.

2.4 Fong Yow Khen (“hereinafter referred to as “Party D”)

2.5 Foo Yong Kwang (“hereinafter referred to as “Party E”)

3. INFORMATION OF YGL IBAY

Ygl iBay is a private company incorporated under the Companies Act, 1965, whose registered office is located at No. 10, China Street, 10200 Penang.

Since the date of Supplemental Joint Venture Contract, the issued and paid-up capital of Ygl iBay had been increased from RM1,667,000 divided into 1,667,000 ordinary shares of RM1.00 each (“Shares”) to RM3,334,000 divided into 3,334,000 Shares with the same shareholding proportion held by VIML and Ygl as below:-

<u>Shareholders</u>	<u>No. of Shares held</u>	<u>%</u>
VIML	2,334,000	70.01
Ygl	1,000,000	29.99
Total	<u>3,334,000</u>	<u>100.00</u>

Upon entering this JVA, VIML will transfer its shares to the following Parties and the shareholdings structure will be changed to as below:-

<u>Shareholders</u>	<u>No. of Shares held</u>	<u>%</u>
VIML	950,190	28.50
Ygl	1,000,000	29.99
Party C	633,460	19.00
Party D	166,700	5.00
Party E	583,650	17.51
Total	<u>3,334,000</u>	<u>100.00</u>

Both Mr. Yeap Kong Chean and Mr. Eng Ging Kiat are the existing Directors of Ygl iBay.

4. KEY SALIENT TERMS OF THE JVA

4.1 BREAKDOWN OF CAPITAL AND INVESTMENT OUTLAY IN THE JOINT VENTURE

The Joint Venture Partners are desirous of increasing their issued and paid up capital from RM3,334,000 to RM4,334,000, subject to the terms and conditions of the JVA based on the following new shareholdings structure:-

<u>Shareholders</u>	<u>No. of Shares to be held</u>	<u>%</u>
VIML	1,235,190	28.50
Ygl	1,475,000	34.03
Party C	823,460	19.00
Party D	216,700	5.00
Party E	583,650	13.47
Total	<u>4,334,000</u>	<u>100.00</u>

4.2 OPERATION OF YGL IBAY

Pursuant to JVA, it was also set out the roles and responsibilities of the Joint Venture Partners as follows:-

- i) As Party A has provided the Chief Executive Officer for Ygl iBay to oversee the general operation and general management of the company. The Responsibilities of Party A shall remain the same as stated in the Joint Venture Contract dated 18 March 2006 to provide intellectual know-how in procurement advisory, providing business network and customers in Greater China, providing management for the operation of Ygl iBay and securing master agency for the Joint Venture Company.
- ii) The Responsibilities of Party B shall remain the same as stated in the Joint Venture Contract dated 18 March 2006 to provide technological resources for software development and to provide corporate branding and marketing support for Ygl iBay.
- iii) Party C shall responsible to contribute in marketing and strategic business network of Ygl iBay.
- iv) Party D shall responsible to provide the domain knowledge and to carry out the implementation work for Ygl iBay.
- v) Party E shall responsible to the development of technology for Ygl iBay.

4.3 TERMS OF COST AND PROFIT SHARING

The cost and profit derived from the said joint venture in Ygl iBay shall be shared among the joint venture parties based on their shareholdings proportion.

5. RATIONALE FOR THE PROPOSED JOINT VENTURE

The purpose of Ygl iBay is to provide sophisticated procurement platform, outsourcing software development and marketing and renting of sourcing and procurement IT solutions software and combine technological operational and marketing strengths of the parties within the approved scope of business of the Ygl iBay under the applicable laws to achieve favourable economic results and satisfied investment return by the parties.

6. PROSPECTS AND RISK FACTORS INVOLVED IN UNDERTAKING THE PROPOSED JOINT VENTURE

The Board of Ygl believes that the Proposed Joint Venture combined with the know-how and expertise of the joint venture parties will bode well for future earnings of Ygl Group. Any impact of economic downturn in Greater China is deemed to be a risk factor which may dampen the demand for usage of software solutions as business transactions will be affected.

7. SOURCE OF FUNDS AND ASSUMPTION OF LIABILITIES

Ygl will fund its additional investment in Joint Venture Company, Ygl iBay through internally generated funds of RM225,000 for the allotment of new Shares and the balance of RM250,000 will be offset against the debt owed by Ygl iBay to Ygl.

There are no liabilities to be assumed by Ygl arising from the Proposed Joint Venture.

8. EFFECTS OF THE PROPOSED JOINT VENTURE

8.1 ON SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDING

The Proposed Joint Venture will not have any effect on the share capital and substantial shareholders' shareholding of Ygl as the Proposed Joint Venture does not involve any allotment of or issuance of new shares by Ygl.

8.2 ON EARNINGS PER SHARE, NET ASSETS PER SHARE AND GEARING

The Proposed Joint Venture is not expected to have any material effect on the earnings per share, net assets per share and gearing of Ygl for the financial year ending 31 December 2010. However, the Proposed Joint Venture is expected to contribute positively to the future earnings of Ygl Group.

9. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Joint Venture is 10.38% being the aggregate cost of investment in relation to the transaction of RM1,475,000, compared with the net assets of Ygl of RM14,207,219 based on the audited financial statement of the Ygl for the financial year ended 31 December 2009.

10. APPROVALS REQUIRED

The Proposed Joint Venture is not subject to the approval of the shareholders of Ygl or any other authorities.

11. INTEREST OF THE DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save for the above disclosure of which Mr. Yeap Kong Chean is also a Director and major shareholder of Ygl, none of the Directors and/or major shareholders of Ygl and/or person connected to them have any interest, direct or indirect, in the Proposed Joint Venture.

12. DIRECTORS' RECOMMENDATION

The Board of Ygl, having considered all the relevant factors in respect of the Proposed Joint Venture is of the opinion that the Proposed Joint Venture is in the best interest of Ygl.

13. ESTIMATED TIME FRAME FOR THE COMMENCEMENT AND COMPLETION OF THE PROPOSED JOINT VENTURE

The Proposed Joint Venture is expected to be completed by within 3 months from the date of this announcement.

14. DOCUMENTS FOR INSPECTION

The JVA is available for inspection at the registered office of Ygl at No. 10, China Street, 10200 Penang, during normal office hours from Monday to Friday (except public holiday) for a period of three (3) months from the date of this announcement.