

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE FIRST QUARTER ENDED 31 MARCH 2010

	Note	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
		2010 RM	2009 RM	2010 RM	2009 RM
Continuing Operations					
Revenue		2,428,518	1,945,335	2,428,518	1,945,335
Cost of Sales		<u>(1,716,898)</u>	<u>(1,523,798)</u>	<u>(1,716,898)</u>	<u>(1,523,798)</u>
Gross Profit / (Loss)		711,620	421,537	711,620	421,537
Other Operating Income		164,944	63,720	164,944	63,720
Selling and Distribution Costs		-	(750)	-	(750)
Administrative Expenses		(227,056)	(272,427)	(227,056)	(272,427)
Other Operating Expenses		(436,885)	(579,439)	(436,885)	(579,439)
Profit / (Loss) for the period from continuing operations		<u>212,623</u>	<u>(367,359)</u>	<u>212,623</u>	<u>(367,359)</u>
Finance Costs		(1,846)	(2,261)	(1,846)	(2,261)
Share of Results of Associated Company		(46,085)	(208,098)	(46,085)	(208,098)
Profit Before Tax		<u>164,692</u>	<u>(577,718)</u>	<u>164,692</u>	<u>(577,718)</u>
Income Tax Expense	17	(5,873)	(7,307)	(5,873)	(7,307)
		<u>158,819</u>	<u>(585,025)</u>	<u>158,819</u>	<u>(585,025)</u>
Loss from discontinued operations		-	-	-	-
Profit / (Loss) for the period		<u>158,819</u>	<u>(585,025)</u>	<u>158,819</u>	<u>(585,025)</u>
Other comprehensive income		-	-	-	-
Total Comprehensive Income for the period		<u>158,819</u>	<u>(585,025)</u>	<u>158,819</u>	<u>(585,025)</u>
Total comprehensive income attributable to:					
Owners of the Parent		190,666	(549,061)	190,666	(549,061)
Non-Controlling Interest		(31,847)	(35,964)	(31,847)	(35,964)
		<u>158,819</u>	<u>(585,025)</u>	<u>158,819</u>	<u>(585,025)</u>
Earnings per share attributable to owners of the parent (in sen)					
Basic EPS	29	0.12	-0.38	0.12	-0.38

This condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to this interim financial report.

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010

	Note	31 March 2010 (Unaudited) RM	31 December 2009 (Audited) RM
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		4,859,975	4,900,261
Goodwill and Other Intangible Assets		4,798,597	4,417,439
Investment Property		288,450	288,569
Investment in Associate Company		631,445	677,529
Loans and Receivables		-	92,955
Deferred Tax Assets		29,343	-
		<u>10,607,810</u>	<u>10,376,753</u>
Current Assets			
Trade and Other Receivables		5,337,715	3,508,744
Current Tax Assets		202,845	202,954
Cash and Cash Equivalents		3,955,841	3,111,428
		<u>9,496,401</u>	<u>6,823,126</u>
TOTAL ASSETS		<u>20,104,211</u>	<u>17,199,879</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share Capital		15,997,740	14,543,400
Share Premium Reserve		2,353,328	2,335,128
Exchange Translation Reserve, non-distributable (Accumulated Loss) / Retained Profit		(123,772)	(54,486)
		<u>(2,538,268)</u>	<u>(2,728,934)</u>
Equity attributable to owners of the parent		15,689,028	14,095,108
Non-Controlling Interest		80,264	112,111
TOTAL EQUITY		<u>15,769,292</u>	<u>14,207,219</u>
Non-Current Liabilities			
Hire Purchase Liabilities		45,001	55,265
Deferred Tax Liabilities		3,172	1,521
		<u>48,173</u>	<u>56,786</u>
Current Liabilities			
Trade & Other Payables		2,658,409	1,827,402
Hire Purchase Liabilities		63,840	71,995
Current Tax Liabilities		29,331	14,062
Deferred Revenue		1,535,166	1,022,415
		<u>4,286,746</u>	<u>2,935,874</u>
TOTAL LIABILITIES		<u>4,334,919</u>	<u>2,992,660</u>
TOTAL EQUITY AND LIABILITES		<u>20,104,211</u>	<u>17,199,879</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)		9.81	9.69

This condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to this interim financial report.

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2010

	Note	Share Capital RM	Share Premium RM	Exchange Translation Reserve RM	Retained Earnings RM	Total RM	Minority Interests RM	Total Equity RM
<i>Audited</i>								
At 1 January 2009		14,543,400	2,335,128	16,704	30,438	16,925,670	151,676	17,077,346
Exchange translation differences		-	-	(71,190)	-	(71,190)	-	(71,190)
Net loss for the year		-	-	-	(2,759,372)	(2,759,372)	(39,565)	(2,798,937)
Total recognised income and expenses for the year		-	-	(71,190)	(2,759,372)	(2,830,562)	(39,565)	(2,870,127)
At 31 December 2009		<u>14,543,400</u>	<u>2,335,128</u>	<u>(54,486)</u>	<u>(2,728,934)</u>	<u>14,095,108</u>	<u>112,111</u>	<u>14,207,219</u>
<i>Unaudited</i>								
At 1 January 2010		14,543,400	2,335,128	(54,486)	(2,728,934)	14,095,108	112,111	14,207,219
Issue of share capital		1,454,340	18,200	-	-	-	-	1,472,540
Exchange translation differences		-	-	(69,286)	-	(69,286)	-	(69,286)
Net profit for the year		-	-	-	190,666	190,666	(31,847)	158,819
At 31 March 2010		<u>15,997,740</u>	<u>2,353,328</u>	<u>(123,772)</u>	<u>(2,538,268)</u>	<u>15,689,028</u>	<u>80,264</u>	<u>15,769,292</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to this interim report.

YGL CONVERGENCE BERHAD (649013-W)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

Note	3 MONTHS ENDED 31 MARCH (UNAUDITED) 2010 RM	YEAR ENDED 31 DECEMBER (AUDITED) 2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	164,692	(2,778,027)
Adjustments for:-		
Depreciation of property, plant and equipment	50,759	257,833
Depreciation of investment property	119	477
Amortisation of software development costs	214,922	814,773
Share of result of associates	46,085	144,691
Bad debts written off	-	79,523
Allowance for doubtful debts	-	94,856
Allowance for doubtful debts written back	(145,475)	(28,025)
Unrealised loss on foreign exchange	34,395	-
Interest income	(11,669)	(134,563)
Interest expense	-	6,297
Hire purchase term charges	1,846	8,002
Operating loss before working capital changes	<u>355,674</u>	<u>(1,534,163)</u>
Changes in software development costs	(684,608)	(2,199,262)
Changes in receivables	(1,575,793)	91,415
Changes in payables	622,265	(626,103)
Changes in deferred revenue	585,912	(296,429)
Cash utilised in operations	<u>(696,550)</u>	<u>(4,564,542)</u>
Interest received	11,669	134,563
Interest paid	-	(6,297)
Tax paid	(5,873)	(53,779)
Net cash used in operating activities	<u>(690,754)</u>	<u>(4,490,055)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,589)	(398,153)
Purchase of investment in associate	-	(500,000)
Proceeds from disposal of other investment	92,954	897,977
Repayment from associate	-	175,000
Net cash used in investing activities	<u>79,365</u>	<u>174,824</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,472,540	-
Payment of hire purchase instalments	(18,418)	(79,813)
Hire purchase term charges paid	(1,846)	(8,002)
Net cash used in financing activities	<u>1,452,276</u>	<u>(87,815)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	840,887	(4,403,046)
EFFECT OF CHANGES IN EXCHANGE RATES	3,526	(8,635)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	3,111,428	7,523,109
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	<u><u>3,955,841</u></u>	<u><u>3,111,428</u></u>
Represented by:		
TIME DEPOSITS	1,523,654	2,126,906
CASH AND BANK BALANCES	2,432,187	984,522
	<u><u>3,955,841</u></u>	<u><u>3,111,428</u></u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to this interim financial report.

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134, Interim Financial Reporting and Appendix 9B, para 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009. The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2009 as well as those policies adopted from the financial year beginning 1 January 2010 as disclosed therein (where applicable).

- (i) Adoption of New and Revised FRSs, IC Interpretations and Amendments
 - FRS 7, Financial Instruments: Disclosures
 - FRS 8, Operating Segments
 - FRS 101(revised), Presentation of Financial Statements
 - FRS 123(revised), Borrowing Costs
 - FRS 132(revised), Financial Instruments: Presentation
 - FRS 139, Financial Instruments: Recognition and Measurement
 - IC Interpretation 9, Reassessment of Embedded Derivatives
 - IC Interpretation 10, Impairment and Interim Financial Reporting
 - IC Interpretation 11, FRS 2, Group and Treasury Share Transactions
 - IC Interpretation 13, Customer Loyalty Programmes
 - IC Interpretation 14, FRS 119, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
 - Amendments to FRS 2, Share-Based Payment
 - Amendments to FRS 5, Non-Current Assets Held for Sale and Discontinued Operations
 - Amendments to FRS 8, Operating Segments
 - Amendments to FRS 139, FRS 7 and IC Interpretation 9, Financial Instruments
 - Amendments to FRS 107, Statement of Cash Flows
 - Amendments to FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors
 - Amendments to FRS 110, Events after the Reporting Period
 - Amendments to FRS 116, Property, Plant and Equipment
 - Amendments to FRS 117, Leases
 - Amendments to FRS 118, Revenue
 - Amendments to FRS 119, Employee Benefits
 - Amendments to FRS 123, Borrowing Costs
 - Amendments to FRS 127, Consolidated and Separate Financial Statements
 - Amendments to FRS 128, Investments in Associates
 - Amendments to FRS 131, Interests in Joint Ventures
 - Amendments to FRS 132, Financial Instruments: Presentation
 - Amendments to FRS 134, Interim Financial Reporting
 - Amendments to FRS 136, Impairment of Assets
 - Amendments to FRS 138, Intangible Assets
 - Amendments to FRS 140, Investment Property

2. Auditors’ Report of Preceding Annual Financial Statements

The auditors’ report of the preceding financial year was not subject to any qualification.

3. Seasonality or Cyclicity of Interim Operations

The business of the Group was not affected by any significant seasonal or cyclical factors.

4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items in the financial statements in the current financial quarter under review.

5. Material Changes in Estimates

There were no changes in estimates that have had a material effect in the current financial quarter under review.

6. Issuance and Repayment of Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities, share buy-back, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial quarter under review other than set out below:

On 22 March 2010, the Company announced the completion of the proposed private placement with the listing and quotation of 14,543,400 new ordinary shares of RM0.10 each in Ygl on the ACE Market.

7. Dividend Paid

No dividends were paid in the current quarter under review.

8. Segmental Information

Segmental information was provided for the operations in Malaysia and Asia Pacific region.

<u>Segment Revenue</u>	3 months ended 31 March		Cumulative 3 months ended 31 March	
	2010	2009	2010	2009
Revenue from operations:				
Malaysia	1,187,044	731,979	1,187,044	731,979
Asia Pacific	1,241,474	1,213,356	1,241,474	1,213,356
Total revenue	<u>2,428,518</u>	<u>1,945,335</u>	<u>2,428,518</u>	<u>1,945,335</u>
Elimination of inter-segment sales	-	-	-	-
External sales	<u>2,428,518</u>	<u>1,945,335</u>	<u>2,428,518</u>	<u>1,945,335</u>
Interest revenue	<u>11,669</u>	<u>51,877</u>	<u>11,669</u>	<u>51,877</u>

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	3 months ended 31 March		Cumulative 3 months ended 31 March	
	2010	2009	2010	2009
<u>Segment Results</u>				
Results from operations:				
Malaysia	487,442	16,247	487,442	16,247
Asia Pacific	(274,819)	(383,606)	(274,819)	(383,606)
	212,623	(367,359)	212,623	(367,359)
Finance cost	(1,846)	(2,261)	(1,846)	(2,261)
Share of associate's profit / (loss)	(46,085)	(208,098)	(46,085)	(208,098)
Tax expense	(5,873)	(7,307)	(5,873)	(7,307)
Non-controlling interest	31,847	35,964	31,847	35,964
Total results	190,666	(549,061)	190,666	(549,061)

9. Valuations of Property, Plant & Equipment

The valuations of property, plant and equipment have been brought forward, without amendments from the financial statements for the financial year ended 31 December 2009.

10. Material Events subsequent to the Statement of Financial Position date

There were no other material events subsequent to the end of the current financial quarter under review to the date of this announcement.

11. Changes in the Composition of the Group

There were no changes in the composition of the Group in the current quarter under review.

12. Changes in Contingent Liabilities

There is no contingent liability as at 24 May 2010 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

13. Review of Performance

For the quarter under review, Ygl Group recorded a revenue of RM2,428,518 which was an increase of 24.8% as compared to a revenue of RM1,945,335 achieved in the preceding year corresponding quarter ended 31 March 2009. Gross profit for the quarter under review was RM711,620 as compared to gross profit of RM421,537 for the preceding year corresponding quarter which was an increase of 68.8%. This was mainly due to more revenue contribution for Ygl Group from the Malaysian operation. Gross profit correspondingly increase due to the higher revenue achieved.

14. Material Changes in Profit Before Tax Against Preceding Quarter

There was a profit before tax of RM164,692 for the quarter under review as compared to a loss of RM1,040,970 recorded in the preceding fourth quarter ended 31 December 2009. This is partly due to the increase in revenue from RM1,830,655 in the preceding quarter to RM2,428,518 in this quarter which was an increase of 32.7%.

15. Corporate Proposals

There are no other corporate proposals announced but not completed as at the date of announcement as at 24 May 2010 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

16. Prospects for 2010

Ygl Group is cautiously optimistic of the revenue prospect for 2010 as the world economy improves gradually. This first quarter results show that business operation is aligned with Ygl Group strategy of investing in research and development efforts, strengthening the management team as well as nurturing customer relations. The Group looks forward to introducing new vertical product lines, more active participation in government and semi-government tenders and increasing the presence of Ygl in Malaysia and Asia Pacific.

17. Taxation

	Current Quarter	Cumulative Quarter
	31 March 2010	31 March 2009
	RM	RM
Current tax expense	5,873	7,307

The effective tax rate is lower than the statutory tax rate as there is no taxation charged on Ygl Multimedia Resources Sdn. Bhd., as the company has been accorded Multimedia Super Corridor (“MSC”) Status and was granted Pioneer Status effective from 2 April 2004, which exempts 100% of the statutory business income from qualifying products from taxation for a period of 5 years. The MSC status has been extended for another 5 years as approved in the letter issued by Multimedia Development Corporation (MDEC) dated 24 February 2010.

18. Profit on sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investments and properties in the current financial quarter under review and the financial year to date.

19. Purchase or Disposal of Quoted Securities

There were no purchases or disposals of quoted securities in the current financial quarter under review.

20. Status on Utilisation of Proceeds

Private Placement

Pursuant to the private placement exercise undertaken by the Company on 22 March 2010, the Company had raised approximately RM1.527 million which is entirely earmarked for working capital purposes. As at to date, Ygl has utilised approximately RM104,608.

21. Cash and cash equivalents

	As at 31 March 2010 RM'000
Time deposits	1,524
Cash and bank balances	2,432
	<u><u>3,956</u></u>

22. Company Borrowings and Debt Securities

Unsecured	As at 31 March 2010 RM
<u>Payable within 12 months</u>	
Hire purchase liability	63,840
<u>Payable after 12 months</u>	
Hire purchase liability	45,001
Total	<u><u>108,841</u></u>

The Group does not have any foreign currency borrowings.

23. Capital Commitment

As at 24 May 2010 (the latest practicable date not earlier than 7 days from the date of issue of this financial result), the Group has no material capital commitment in respect of property, plant and equipment.

24. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's operating, investing and financing activities expose it to currency risk, interest rate risk, price risk, credit risk and liquidity risk. The chief executive office, supported by the management team, assesses and makes recommendations to the board for risk management purposes. The methods used to assess financial risks include statistical analysis and financial models. The Board has identified the following financial risk management objectives and policies:

- a) To minimize the group's exposure to foreign currency exchange rates and future cash flow risks;
- b) To accept reasonable level of price risk and credit risk that commensurate with the expected returns of the underlying operations and activities; and

c) To minimize liquidity risk by proper cash flow planning, management and control.

The Group’s risk management policies include:

- a) Credit controls which include evaluation, acceptance, monitoring and feedback to ensure reasonable credit worthy customers are accepted; and
- b) Money market instruments, short term deposits and bank overdrafts to manage liquidity risk.

The Group does not have a formal policy on future or exchange contracts or hedge activities as foreign currency transactions are dealt directly by the respective overseas subsidiary companies.

There have been no significant changes on the Group’s exposure to financial risks from the previous year. Neither have there been any changes to the Group’s risk management objectives and policies from the previous year.

With the implementation of FRS 139, effective on or after 1 January 2010, there are no longer off statement of financial position financial instruments as all financial instruments will be accounted for on the statement of financial position. The Company does not deal in any financial instruments in the quarter under review as such there was no financial instrument reported and no other comprehensive income reported in the financial statements in the quarter under review except those that were of loan and receivable in nature.

Analysis of financial assets past due but not impaired:

	Trade Receivables
	RM
Past due	
Up to 90 days	1,577,885
>90 to 180 days	523,682
>180 to 360 days	507,025
>360 days	84,816
Total past due amount	<u>2,693,408</u>

The financial assets are classified as impaired asset when they are more than 360 days past due and after impairment tests reveal that their recovery is doubtful. Adequate impairment losses have been allowed for these impairment assets.

25. Significant Related Party Transactions

For the first quarter ended 31 March 2010, there was no significant related party transaction entered by the Group.

26. Material Litigation

Neither the Company nor its subsidiary companies is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiary companies and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiary companies.

Negotiation among Ygl Convergence (Asia Pacific) Pte. Ltd., Toh Keng Ching and Heng Su Lin ensued after an affidavit in support of the Originating Summons dated 11 May 2009 was served. An extraordinary general meeting of Ygl Convergence (Asia Pacific) Pte. Ltd. was eventually held on 18 February 2010 for the following resolutions:-

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- (i) That Mr. Yeap Kong Chean was appointed as the Chairman of the meeting.
- (ii) That Mr. Tan Hui Meng of Alpha Asia Management Services Pte. Ltd. was removed as the Company Secretary and that Mr Ramasamy Jayapal of Hallmark Nominees Services Pte. Ltd. was appointed as the new Company Secretary with immediate effect.
- (iii) That the Toh Keng Ching and Heng Su Lin were removed as directors of the company with immediate effect and Yeap Kong Chean, Tan Hoay Leng and Ho Siew Bee were appointed as the new directors with immediate effect.
- (iv) That the one ordinary share from Ygl Convergence Berhad was transferred to Yeap Kong Chean.
- (v) That with the removal of Toh Keng Ching as a director, all the company's accounting, bank sales, forecast, purchases records, relevant supporting documents and cheque books and other company property in her possession custody and control such as computers and laptops be immediately handed over from her to the new management.

The new company secretary will do the necessary to effect the said resolutions.

27. Profit Estimate/Forecast

Not applicable.

28. Dividend

The Board did not declare any dividend payments for the current financial quarter under review.

29. Earnings Per Share

The basic earnings per share of the Group is calculated by dividing the net profit for the period by the weighted average number of ordinary shares.

	3 months ended 31 March		Cumulative 3 months ended 31 March	
	2010	2009	2010	2009
Profits/(Loss) for the period attributable to shareholders (RM)	158,819	(585,025)	158,819	(585,025)
Weighted average number of ordinary shares in issue	159,977,400	145,434,000	159,977,400	145,434,000
Basic earnings/(loss) per share (sen)	0.12	(0.38)	0.12	(0.38)