YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE FIRST QUARTER ENDED 31 MARCH 2011

	Note	Individual Quarter 3 months ended 31 March 2011	Individual Quarter 3 months ended 31 March 2010	Cumulative Quarter 3 months ended 31 March 2011	Cumulative Quarter 3 months ended 31 March 2010
		RM	RM	RM	RM
Continuing Operations					
Revenue	13	2,636,153	2,428,518	2,636,153	2,428,518
Cost of Sales		(1,793,644)	(1,716,898)	(1,793,644)	(1,716,898)
Gross Profit	14	842,509	711,620	842,509	711,620
Other Operating Income		1,338,508	164,944	1,338,508	164,944
Selling and Distribution Costs		-	-	-	-
Administrative Expenses		(267,807)	(227,056)	(267,807)	(227,056)
Other Operating Expenses		(275,790)	(436,885)	(275,790)	(436,885)
Profit for the period from continuing operations		1,637,420	212,623	1,637,420	212,623
Finance Costs		(154)	(1,846)	(154)	(1,846)
Loss on Financial Assets Measured at Fair Value	24	(11,539)	-	(11,539)	-
Share of Results of Associate Company		(34,195)	(46,085)	(34,195)	(46,085)
Profit Before Tax		1,591,532	164,692	1,591,532	164,692
Income Tax Expense	17	(7,088)	(5,873)	(7,088)	(5,873)
Profit for the period		1,584,444	158,819	1,584,444	158,819
Profit attributable to :					
Shareholders of the company		1,612,712	190,666	1,612,712	190,666
Minority interests		(28,268)	(31,847)	(28,268)	(31,847)
Profit for the period		1,584,444	158,819	1,584,444	158,819
Other comprehensive income					
Exchange differences on translation of foreign operation		(56,949)	(69,286)	(56,949)	(69,286)
Total Comprehensive Income for the period		**1,527,495**	**89,533**	**1,527,495**	**89,533**
Total comprehensive income attributable to:					
Shareholders of the Parent		1,555,763	121,380	1,555,763	121,380
Minority interests		(28,268)	(31,847)	(28,268)	(31,847)
		1,527,495	89,533	1,527,495	89,533
Earnings per share attributable to owners of the parent (in sen)					
Basic EPS	29	0.97	0.08	0.97	0.08

This condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 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 2011

	Note	31 March 2011 (Unaudited) RM	31 December 2010 (Audited) RM
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		5,071,128	5,067,710
Investment Property		287,973	288,092
Goodwill and Other Intangible Assets		6,133,927	4,939,816
Investment in Associate Company		913,755	947,950
Other Investments		-	1
		12,406,783	11,243,569
Current Assets			
Trade and Other Receivables	24	3,833,719	3,060,601
Short Term Investment		-	95,441
Amount Owing by Associate Company		5,400	3,600
Current Tax Assets		48,161	200,430
Cash and Cash Equivalents	21	2,317,021	2,141,499
		6,204,301	5,501,571
TOTAL ASSETS		18,611,084	16,745,140
EQUITY AND LIABILITIES			
Equity			
Share Capital		15,997,740	15,997,740
Share Premium Reserve, non-distributable		2,353,327	2,353,327
Exchange Translation Reserve, non-distributable		(288,336)	(229,331)
(Accumulated Loss) / Retained Profit		(2,102,129)	(3,212,550)
Equity attributable to shareholders of the Company		15,960,602	14,909,186
Minority Interests		140,166	114,928
TOTAL EQUITY		16,100,768	15,024,114
Non-Current Liabilities			
Hire Purchase Liabilities	22	-	9,307
Deferred Tax Liabilities		6,969	21,971
		6,969	31,278
Current Liabilities			
Trade and Other Payables	24	1,461,715	1,007,665
Hire Purchase Liabilities	22	50,857	50,806
Current Tax Liabilities		15,002	13,586
Deferred Revenue		975,773	617,691
		2,503,347	1,689,748
TOTAL LIABILITIES		2,510,316	1,721,026
TOTAL EQUITY AND LIABILITES		18,611,084	16,745,140
Net assets per share attributable to ordinary equity holders of the parent (sen)		9.98	9.32

This condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 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 2011

	Note	Share Capital	Share Premium	Exchange Translation Reserve	Retained Earnings	Total	Minority Interests	Total Equity
		RM	RM	RM	RM	RM	RM	RM
Audited								
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	72,717	-	-	1,527,057	-	1,527,057
Share issue and listing expenses		-	(54,518)	-	-	(54,518)	-	(54,518)
Total comprehensive loss		-	-	(174,845)	(483,616)	(658,461)	2,817	(655,644)
At 31 December 2010		15,997,740	2,353,327	(229,331)	(3,212,550)	14,909,186	114,928	15,024,114
Unaudited								
At 1 January 2011		15,997,740	2,353,327	(229,331)	(3,212,550)	14,909,186	114,928	15,024,114
Consolidation of subsidiary		-	-	(2,056)	(502,291)	(504,347)	53,506	(450,841)
Total comprehensive (loss) / income		-	-	(56,949)	1,612,712	1,555,763	(28,268)	1,527,495
At 31 March 2011		15,997,740	2,353,327	(288,336)	(2,102,129)	15,960,602	140,166	16,100,768

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 2010 and the accompanying explanatory notes attached to this interim report.

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2011

	Note	3 MONTHS ENDED 31 MARCH (UNAUDITED) 2011 RM	YEAR ENDED 31 DECEMBER (AUDITED) 2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		1,591,532	(436,494)
Adjustments for:-			
Depreciation of property,plant and equipment		43,832	203,132
Depreciation of investment property		119	477
Amortisation of software development costs		252,461	1,080,169
Share of result of associates		34,195	204,579
Bad debts written off		14,282	-
Allowance for doubtful debts		-	-
Allowance for doubtful debts written back		-	(331,537)
Loss on financial instruments measured at fair value		11,539	-
Unrealised loss on foreign exchange		78,395	(54,530)
Interest income		(7,914)	(45,790)
Interest expense		-	78,052
Hire purchase term charges		154	5,693
Operating profit / (loss) before working capital changes		2,018,595	703,751
Changes in software development costs		(262,935)	(1,730,094)
Changes in receivables		(1,173,940)	920,165
Changes in payables		504,582	(819,737)
Changes in deferred revenue		385,989	(404,724)
Cash used in operations		1,472,291	(1,330,639)
Interest received		7,914	45,790
Interest paid		-	(78,052)
Tax paid		(7,088)	(44,305)
Net cash used in operating activities		1,473,117	(1,407,206)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(49,567)	(374,935)
Purchase of investment in associate		-	(475,000)
Investment in subsidiary		(1,314,403)	-
Purchase of other investment		-	(95,440)
Proceeds from disposal of other investment		95,441	-
Net cash (used in) / from investing activities		(1,268,529)	(945,375)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,472,540
Payment of hire purchase instalments		(9,256)	(67,147)
Hire purchase term charges paid		(154)	(5,693)
Net cash from / (used in) financing activities		(9,410)	1,399,700
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		195,178	(952,881)
EFFECT OF CHANGES IN EXCHANGE RATES		(19,656)	(17,048)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		2,141,499	3,111,428
CASH AND CASH EQUIVALENTS CARRIED FORWARD		2,317,021	2,141,499
Represented by:			
TIME DEPOSITS		916,008	1,296,353
CASH AND BANK BALANCES		1,401,013	845,146
		2,317,021	2,141,499

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 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 2010. 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 2010 except for the following new Financial Reporting Standards ("FRSs"), Amendments to FRSs and Interpretations by the Group from the financial year beginning 1 January 2011 as disclosed therein (where applicable).

Adoption of New and Revised FRSs, IC Interpretations and Amendments
FRS 1, First Time Adoption of Financial Reporting Standards
FRS 3, Business Combinations (Revised)
Amendments to FRS 2, Share-based Payment
Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 127, Consolidated and Separate Financial Statements
Amendments to FRS 132, Classification of Rights Issues
Amendments to FRS 138, Intangible Assets
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives
IC Interpretation 12, Service Concession Arrangements
IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17, Distributions of Non-cash Assets to Owners
Limited Exemption from Comparative FRS 7, Disclosures for First-time Adopters (Amendments to FRS1) Improving Disclosures about Financial Instruments (Amendments to FRS 7)
FRS 1, Additional Exemptions for First-time Adopters (Amendments to FRS 1)
FRS 2, Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)
IC Interpretation 4, Determining Whether an Arrangement contains a Lease
IC Interpretation 18, Transfers of Assets from Customers
Technical Release 3, Guidance on Disclosures of Transition to IFRSs
Amendments to FRSs and Interpretation, Improvements to FRSs (2010)

The application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in accounting policies and presentation of the financial results of the Group.

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 Cyclicality 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 was no other unusual item in the financial statements in the current financial quarter under review, save as disclosed below:

Analysis of Consolidation of Ygl Convergence (Asia Pacific) Pte Ltd ("YGLAP")

In the year 2008 the Company lost control over YGLAP. Control over the financial and operational policies of YGLAP has been re-established in early May 2011. Accordingly, the financial results of YGLAP are consolidated into the Group's result in the quarter under review.

<u>Effect on consolidated statement of financial position</u>

	RM
Net assets	133,764
Group's share of net assets 60%	80,259
Cost of acquisition	1,314,404
Goodwill arising from consolidation	1,234,145

<u>Effect on consolidated statement of cash flows</u>

	RM
Current assets	20,447
Current liabilities	(71,897)
Minority interest	53,506
Exchange reserve	(2,056)
	nil
Add Cash and cash equivalents	77,558
Net cash inflow on consolidation	77,558

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.

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.

	3 months ended 31 March		Cumulative 3 months ended 31 March	
	2011	**2010**	**2011**	**2010**
Segment Revenue				
Revenue from operations:				
Malaysia	1,463,116	1,187,044	1,463,116	1,187,044
Asia Pacific	1,173,037	1,241,474	1,173,037	1,241,474
Total revenue	2,636,153	2,428,518	2,636,153	2,428,518
Elimination of inter-segment sales	-	-	-	-
External sales	2,636,153	2,428,518	2,636,153	2,428,518
Interest revenue	7,914	11,699	7,914	11,699

	3 months ended 31 March		Cumulative 3 months ended 31 March	
	2011	**2010**	**2011**	**2010**
Segment Results				
Results from operations:				
Malaysia	1,728,191	487,442	1,728,191	487,442
Asia Pacific	(90,771)	(274,819)	(90,771)	(274,819)
	1,637,420	212,623	1,637,420	212,623
Finance cost	(154)	(1,846)	(154)	(1,846)
Share of associate's profit / (loss)	(34,195)	(46,085)	(34,195)	(46,085)
Tax expense	(7,088)	(5,873)	(7,088)	(5,873)
Loss on financial instruments	(11,539)	-	(11,539)	-
Minority interests	28,268	31,847	28,268	31,847
Total results	1,612,712	190,666	1,612,712	190,666

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 2010.

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

Acquisition of Ygl iHoliday Sdn Bhd

On 3 May 2011, the Company has acquired the entire issued and paid-up capital of a company known as Ygl iHoliday Sdn Bhd (formerly known as Kimyong Sdn. Bhd.), a dormant company, comprising 370,002 ordinary shares of RM1.00 each at a total cash consideration of RM1.00 only.

	RM
Net asset of Ygl iHoliday Sdn Bhd	Nil

	RM
Purchase consideration paid by cash	1
Cash and cash equivalent on date of acquisition	Nil
Net cash outflow of the Group	1

12. Changes in Contingent Liabilities

There is no contingent liability as at 25 May 2011 (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 RM2,636,153 which was an increase of 8.5% as compared to a revenue of RM2,428,518 achieved in the preceding year corresponding quarter ended 31 March 2010. Gross profit for the quarter under review was RM842,509 as compared to gross profit of RM711,620 for the preceding year corresponding quarter which was an increase of 18.4%. The increase in gross profit was due to cost control measures effectively deployed by Ygl Group.

14. Material Changes in Profit Before Tax Against Preceding Quarter

There was a profit before tax of RM1,591,532 for the quarter under review as compared to a loss of RM546,909 recorded in the preceding fourth quarter ended 31 December 2010. This is due to the re-consolidation of subsidiary, Ygl Convergence (Asia Pacific) Pte Ltd ("YGLAP") after the management had eventually regained control over the finance and operation of YGLAP. The investment in YGLAP which was impaired in the year 2008 amounted to RM1,314,403 due to loss of management control, has been re-instated. Profit before tax from operations (excluding the amount written back from consolidation of YGLAP) (refer note4) for the quarter under review amounted to RM277,129. This represents an increase of 151% as compared to loss before tax of RM546,909 in the preceding quarter. This is due to more sales recorded from Ygl own products which enjoyed a better margin.

15. Corporate Proposals

There are no other corporate proposals announced but not completed as at the date of announcement as at 25 May 2011 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

16. Prospects for 2011

Looking forward to the remaining three quarters of 2011, Ygl Group is cautiously optimistic on its revenue outlook as the market economy has shown some improvements on the demand for enterprise resource planning solutions. Ygl Group will continue to invest in Ygl own solutions while strengthen its sales strategy and structure the product mix to gain on gross margin. Ygl's presence in both local and overseas markets provides the ready platform for growth and revenue opportunities.

17. Taxation

	Current Quarter 31 March 2011 RM	Cumulative Quarter 31 March 2011 RM
Current tax expense	7,088	7,088

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 RM872,540.

21. Cash and cash equivalents

	As at 31 March 2011 RM'000
Time deposits	1,401
Cash and bank balances	916
	2,317

22. Company Borrowings and Debt Securities

On 4 April 2011, the Group has obtained from a local financial institution a term loan facility of RM780,000 over a repayment period of twenty five years and an overdraft facility of RM700,000 totalling RM1,480,000. The loan and overdraft facility is secured over the property of the Company. As at to date, the Company has not utilized the loan and overdraft amount yet.

Unsecured	**As at 31 March 2011 RM**
Payable within 12 months	
Hire purchase liability	50,857
Payable after 12 months	
Hire purchase liability	Nil
Total	50,857

The Group does not have any foreign currency borrowings.

23. Capital Commitment

The Group's objectives when managing capital are to maintain a strong capital base and to safeguard the Group's ability to continue as a going concern, so as to maintain shareholder, stakeholder and market confidence and to sustain future development of the business.

As at 25 May 2011 (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

The Company has classified its financial assets in the following categories:

	Cash RM	Loan and Receivables RM	Total RM
As at 31 March 2011			
Account receivables	-	2,163,862	2,163,862
Other receivables, prepayments and deposits paid (note 9)	-	1,669,857	1,669,857
Cash and cash equivalents	2,317,021	-	2,317,021
	2,317,021	3,833,719	6,150,740

The Company has classified its financial liabilities in the following categories:

	Financial liabilities at amortised costs RM
As at 31 March 2011	
Account payables	447,111
Other payables, accruals and deposits received	1,014,604
Hire purchase liabilities	50,857
	1,512,572

All other financial instruments are carried at amounts not materially different from their fair values as at 31 March 2011.

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.

Trade Receivables
Analysis of financial assets past due but not impaired:

Past due	**RM**
Up to 90 days	1,287,628
>90 to 180 days	405,935
>180 to 360 days	214,932
>360 days	255,367
Total past due amount	2,163,862

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.

Loans and Advances
These non-derivative financial assets are measured at amortised cost using the effective interest method where the initial amounts are measured at fair value. Gains or losses arisen from the fair value measurement with the related interest income or expense are recognised in the statement of comprehensive income. The effective discount rate used was 4.4% over expected two to five years of repayment and the discounted amount was RM11,539.

25. Significant Related Party Transactions

For the first quarter ended 31 March 2011, 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.

On 10 February 2011, Toh Keng Ching returned most of the properties of Ygl Convergence (Asia Pacific) Pte Ltd ("YGLAP") pursuant to the issue the Originating Summons dated 11 May 2009. In early May 2011, Ygl finally managed to re-establish control over the financial and operational policies of YGLAP. As at to date, there was no other legal action taken by the Company.

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**	
	2011	**2010**	**2011**	**2010**
Profits/(Loss) for the period attributable to shareholders (RM)	1,555,763	121,380	1,555,763	121,380
Weighted average number of ordinary shares in issue	159,977,400	159,977,400	159,977,400	159,977,400
Basic earnings/(loss) per share (sen)	0.97	0.08	0.97	0.08

30. Realised and Unrealised Accumulated Losses

The disclosure as required by Bursa Malaysia Securities Berhad on the realized and unrealised unappropriated profits or accumulated losses is as follows:

	Current Quarter 31 March 2011 RM	**Cumulative Quarter 31 March 2011 RM**
Total accumulated losses of Ygl and its subsidiaries:		
Realised	(1,462,489)	(1,462,489)
Unrealised	(78,395)	(78,395)
	(1,540,884)	(1,540,884)
Total share of accumulated losses from associated company:		
Realised	(561,245)	(561,245)
Unrealised	-	-
	(2,102,129)	(2,102,129)
Less: Consolidation adjustments	-	-
Total group accumulated losses as per consolidated accounts	(2,102,129)	(2,102,129)