

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

|  | Note | Individual Quarter<br>3 months ended<br>31 March |                    | Cumulative Quarter<br>3 months ended<br>31 March |                    |
|--|------|--|--------------------|--|--------------------|
|  |      | 2013<br>RM                                       | 2012<br>RM         | 2013<br>RM                                       | 2012<br>RM         |
| <b>Continuing Operations</b>   |      |  |                    |  |                    |
| Revenue  | 13   | 1,926,461  | 1,885,710          | 1,926,461  | 1,885,710          |
| Cost of Sales  |      | <u>(1,758,255)</u>                               | <u>(1,779,130)</u> | <u>(1,758,255)</u>                               | <u>(1,779,130)</u> |
| Gross (Loss) / Profit  |      | 168,206  | 106,580            | 168,206  | 106,580            |
| Other Operating Income   |      | 34,746   | 22,855             | 34,746   | 22,855             |
| Selling and Distribution Costs                                       |      | (8,000)  | -                  | (8,000)  | -                  |
| Administrative Expenses  |      | (170,196)  | (160,264)          | (170,196)  | (160,264)          |
| Other Operating Expenses   |      | (366,874)  | (366,575)          | (366,874)  | (366,575)          |
| <b>(Loss) / Profit for the period from<br/>continuing operations</b> |      | <u>(342,118)</u>                                 | <u>(397,404)</u>   | <u>(342,118)</u>                                 | <u>(397,404)</u>   |
| Finance Costs  |      | (16,936)   | (9,064)            | (16,936)   | (9,064)            |
| Gain on Financial Assets Measured at Fair Value                      | 22   | -  | -                  | -  | -                  |
| Share of Results of Associate Company                                |      | (42,966)   | (36,073)           | (42,966)   | (36,073)           |
| <b>(Loss) / Profit Before Tax</b>                                    | 14   | <u>(402,020)</u>                                 | <u>(442,541)</u>   | <u>(402,020)</u>                                 | <u>(442,541)</u>   |
| Income Tax Expense   | 17   | 12,015   | 6,682              | 12,015   | 6,682              |
| <b>(Loss) / Profit for the period</b>                                |      | <u>(390,005)</u>                                 | <u>(435,859)</u>   | <u>(390,005)</u>                                 | <u>(435,859)</u>   |
| <b>Profit attributable to :</b>                                      |      |  |                    |  |                    |
| Shareholders of the company  |      | (364,587)  | (458,768)          | (364,587)  | (458,768)          |
| Minority interests   |      | (25,418)   | 22,909             | (25,418)   | 22,909             |
| <b>(Loss) / Profit for the period</b>                                |      | <u>(390,005)</u>                                 | <u>(435,859)</u>   | <u>(390,005)</u>                                 | <u>(435,859)</u>   |
| <b>Other comprehensive income</b>                                    |      |  |                    |  |                    |
| Exchange differences on translation of<br>foreign operation          |      | 40,576   | (68,164)           | 40,576   | (68,164)           |
| <b>Total Comprehensive (Loss) / Income for the period</b>            |      | <u>(349,429)</u>                                 | <u>(504,023)</u>   | <u>(349,429)</u>                                 | <u>(504,023)</u>   |
| Total comprehensive (loss) / income attributable to:                 |      |  |                    |  |                    |
| Shareholders of the Parent   |      | (324,011)  | (526,932)          | (324,011)  | (526,932)          |
| Minority interests   |      | (25,418)   | 22,909             | (25,418)   | 22,909             |
|  |      | <u>(349,429)</u>                                 | <u>(504,023)</u>   | <u>(349,429)</u>                                 | <u>(504,023)</u>   |
| Earnings per share attributable to owners of<br>the parent (in sen)  |      |  |                    |  |                    |
| Basic EPS  | 27   | -0.25  | -0.28              | -0.25  | -0.28              |

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

**NOTES TO CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

|   | Individual Quarter<br>3 months ended<br>31 March<br>2013<br><u>RM</u> | Cumulative<br>3 months ended<br>31 March<br>2013<br><u>RM</u> |
|---|---|---|
| (a) Interest income   | 1,168   | 1,168   |
| (b) Other income including investment income                                | 697   | 697   |
| (c) Gain / (Loss) on disposal of quoted / unquoted investment or properties | n/a   | n/a   |
| (d) Gain / (Loss) on foreign exchange                                       | (1,454)   | (1,454)   |
| (e) Gain / (Loss) on derivatives  | n/a   | n/a   |
| (f) Interest expense  | 16,936  | 16,936  |
| (g) Depreciation  | 23,501  | 23,501  |
| (h) Amortization  | 330,842   | 330,842   |
| (i) Provision for and write-off of receivables                              | 708,208   | 708,208   |
| (j) Provision for and write-off of inventories                              | n/a   | n/a   |
| (k) Exceptional item  | n/a   | n/a   |

n/a denotes not applicable

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2013

|  | Note | 31 March 2013<br>(Unaudited)<br>RM | 31 December 2012<br>(Audited)<br>RM |
|--|------|------------------------------------|-------------------------------------|
| <b>ASSETS</b>  |      |                                    |                                     |
| <b>Non-Current Assets</b>  |      |                                    |                                     |
| Property, Plant and Equipment  |      | 5,463,540                          | 5,392,679                           |
| Investment Property  |      | 287,019                            | 287,138                             |
| Goodwill and Other Intangible Assets   |      | 6,643,523                          | 6,689,710                           |
| Investment in Associate Company  |      | 636,121                            | 679,087                             |
|  |      | <u>13,030,203</u>                  | <u>13,048,614</u>                   |
| <b>Current Assets</b>  |      |                                    |                                     |
| Trade and Other Receivables  | 22   | 4,932,054                          | 4,059,447                           |
| Short Term Investment  |      | 101,629                            | 100,932                             |
| Amount Owing by Associate Company  |      | 27,000                             | 21,600                              |
| Current Tax Assets   |      | 24,042                             | 9,733                               |
| Cash and Cash Equivalents  | 19   | 1,094,797                          | 648,791                             |
|  |      | <u>6,179,522</u>                   | <u>4,840,503</u>                    |
| <b>TOTAL ASSETS</b>  |      | <u>19,209,725</u>                  | <u>17,889,117</u>                   |
| <b>EQUITY AND LIABILITIES</b>  |      |                                    |                                     |
| <b>Equity</b>  |      |                                    |                                     |
| Share Capital  |      | 17,597,514                         | 15,997,740                          |
| Share Premium Reserve, non-distributable   |      | 2,308,629                          | 2,353,327                           |
| Exchange Translation Reserve, non-distributable                                  |      | (120,199)                          | (160,775)                           |
| (Accumulated Loss) / Retained Profit   |      | (4,383,619)                        | (4,019,032)                         |
| <b>Equity attributable to shareholders of the Company</b>                        |      | <u>15,402,325</u>                  | <u>14,171,260</u>                   |
| Minority Interests   |      | 153,132                            | 178,550                             |
| <b>TOTAL EQUITY</b>  |      | <u>15,555,457</u>                  | <u>14,349,810</u>                   |
| <b>Non-Current Liabilities</b>   |      |                                    |                                     |
| Term Loan  | 20   | 736,087                            | 740,449                             |
| Hire Purchase Liabilities  | 20   | 25,993                             | 32,495                              |
| Deferred Tax Liabilities   |      | 12,997                             | 12,997                              |
|  |      | <u>775,077</u>                     | <u>785,941</u>                      |
| <b>Current Liabilities</b>   |      |                                    |                                     |
| Term Loan  | 20   | 16,679                             | 16,487                              |
| Hire Purchase Liabilities  | 20   | 26,003                             | 26,003                              |
| Bank Overdraft   | 20   | -                                  | 443,609                             |
| Trade and Other Payables   | 22   | 2,130,358                          | 1,899,046                           |
| Deferred Revenue   |      | 706,151                            | 368,221                             |
|  |      | <u>2,879,191</u>                   | <u>2,753,366</u>                    |
| <b>TOTAL LIABILITIES</b>   |      | <u>3,654,268</u>                   | <u>3,539,307</u>                    |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <u>19,209,725</u>                  | <u>17,889,117</u>                   |
| Net assets per share attributable to ordinary equity holders of the parent (sen) |      | 8.75                               | 8.86                                |

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

**YGL CONVERGENCE BERHAD (649013-W)**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

|   | Note | Share<br>Capital<br>RM | Share<br>Premium<br>RM | Exchange<br>Translation<br>Reserve<br>RM | Retained<br>Earnings<br>RM | Total<br>RM       | Minority<br>Interests<br>RM | Total<br>Equity<br>RM |
|---|------|------------------------|------------------------|--|----------------------------|-------------------|-----------------------------|-----------------------|
| <i>Audited</i>                                |      |                        |                        |  |                            |                   |                             |                       |
| At 1 January 2012                             |      | 15,997,740             | 2,353,327              | (129,599)                                | (1,538,883)                | 16,682,585        | 152,816                     | 16,835,401            |
| Other comprehensive loss                      |      | -                      | -                      | (31,176)                                 | -                          | (31,176)          | -                           | (31,176)              |
| Net loss for the year                         |      | -                      | -                      | -  | (2,480,149)                | (2,480,149)       | 25,734                      | (2,454,415)           |
| At 31 December 2012                           |      | <u>15,997,740</u>      | <u>2,353,327</u>       | <u>(160,775)</u>                         | <u>(4,019,032)</u>         | <u>14,171,260</u> | <u>178,550</u>              | <u>14,349,810</u>     |
| <i>Unaudited</i>                              |      |                        |                        |  |                            |                   |                             |                       |
| At 1 January 2013                             |      | 15,997,740             | 2,353,327              | (160,775)                                | (4,019,032)                | 14,171,260        | 178,550                     | 14,349,810            |
| Issue of share capital<br>- private placement |      | 1,599,774              | (44,698)               | -  | -                          | 1,555,076         | -                           | 1,555,076             |
| Other comprehensive loss                      |      | -                      | -                      | 40,576                                   | -                          | 40,576            | -                           | 40,576                |
| Net loss for the year                         |      | -                      | -                      | -  | (364,587)                  | (364,587)         | (25,418)                    | (390,005)             |
| At 31 March 2013                              |      | <u>17,597,514</u>      | <u>2,308,629</u>       | <u>(120,199)</u>                         | <u>(4,383,619)</u>         | <u>15,402,325</u> | <u>153,132</u>              | <u>15,555,457</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 2012 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2013

| Note  | 3 MONTHS<br>ENDED 31 MARCH<br>(UNAUDITED) | YEAR ENDED<br>31 DECEMBER<br>(AUDITED) |
|---|---|--|
|   | 2013<br>RM                                | 2012<br>RM                             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |   |  |
| (Loss) / Profit before taxation                               | (402,020)                                 | (2,430,870)                            |
| Adjustments for:-   |   |  |
| Depreciation of property, plant and equipment                 | 23,024                                    | 120,684                                |
| Depreciation of investment property                           | 477                                       | 477                                    |
| Amortisation of software development costs                    | 330,261                                   | 1,373,564                              |
| Amortisation of membership                                    | 581                                       | 2,325                                  |
| Share of result of associates                                 | 42,966                                    | 117,384                                |
| Bad debts written off   | -   | 22,068                                 |
| Allowance for doubtful debts                                  | -   | -                                      |
| Allowance for doubtful debts written back                     | -   | (10,437)                               |
| Restatement of investment in subsidiary                       | -   | -                                      |
| Loss on financial instruments measured at fair value          | -   | -                                      |
| Unrealised (gain) / loss on foreign exchange                  | 47,285                                    | (61,744)                               |
| Dividend income   | (697)                                     | (2,787)                                |
| Interest income   | (1,168)                                   | (25,097)                               |
| Interest expense  | 16,279                                    | 36,836                                 |
| Hire purchase term charges                                    | 657                                       | 2,049                                  |
| Operating (loss) / profit before working capital changes      | 57,645                                    | (855,548)                              |
| Changes in software development costs                         | (274,755)                                 | (1,248,995)                            |
| Receipts from customers                                       | 1,448,663                                 | 6,623,461                              |
| Changes in receivables  | (2,318,521)                               | (6,885,402)                            |
| Payments to suppliers, contractors and employees              | (839,341)                                 | (5,047,996)                            |
| Changes in payables   | 1,028,939                                 | 5,409,422                              |
| Changes in deferred revenue                                   | 337,930                                   | (47,727)                               |
| Cash used in operations                                       | (559,440)                                 | (2,052,785)                            |
| Interest received   | 1,168                                     | 25,097                                 |
| Dividend received   | 697                                       | 2,787                                  |
| Interest paid   | (16,279)                                  | (36,836)                               |
| Tax paid  | 12,015                                    | (23,545)                               |
| Net cash used in operating activities                         | (561,839)                                 | (2,085,282)                            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |   |  |
| Purchase of property, plant and equipment                     | (93,760)                                  | (289,668)                              |
| Purchase of investment in associate                           | -   | -                                      |
| Investment in subsidiary                                      | -   | -                                      |
| Purchase of other investment                                  | -   | -                                      |
| Purchase of other investment                                  | -   | -                                      |
| Net cash used in investing activities                         | (93,760)                                  | (289,668)                              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |   |  |
| Proceeds from hire purchase                                   | -   | 78,000                                 |
| Proceeds from term loan                                       | -   | -                                      |
| Proceeds from share issue                                     | 1,555,076                                 | -                                      |
| Payment of term loan instalments                              | (4,170)                                   | (15,604)                               |
| Payment of hire purchase instalments                          | (6,501)                                   | (24,080)                               |
| Hire purchase term charges paid                               | (657)                                     | (2,049)                                |
| Consolidation of subsidiary, net cash                         | -   | 55,079                                 |
| Net cash from / (used in) financing activities                | 1,543,748                                 | 91,346                                 |
| <b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b> | 888,149                                   | (2,283,604)                            |
| <b>EFFECT OF CHANGES IN EXCHANGE RATES</b>                    | 1,466                                     | (5,577)                                |
| <b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>              | 205,182                                   | 2,494,363                              |
| <b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>              | 1,094,797                                 | 205,182                                |
| Represented by:   |   |  |
| <b>TIME DEPOSITS</b>  | 153,934                                   | 152,786                                |
| <b>CASH AND BANK BALANCES</b>                                 | 940,863                                   | 496,005                                |
| <b>BANK OVERDRAFT</b>   | -   | (443,609)                              |
|   | 1,094,797                                 | 205,182                                |

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

## **PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING**

### **1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in compliance with MFRS 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 2012. 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 2012 except for the adoption of the following MFRSs and Amendments to MFRS which are applicable to the financial statements from 1 January 2013 as disclosed therein:

|                                  |  |
|----------------------------------|--|
| MFRS 7                           | Disclosure – Offsetting Financial Assets and Financial Liabilities   |
| MFRS 9                           | Financial Instrument   |
| MFRS 10                          | Consolidated Financial Statements  |
| MFRS 11                          | Joint Arrangements   |
| MFRS 12                          | Disclosure of Interests in Other Entities  |
| MFRS 13                          | Fair Value Measurement   |
| MFRS 16                          | Property, Plant and Equipment  |
| MFRS 119                         | Employee Benefits  |
| MFRS 127                         | Separate Financial Statements  |
| MFRS 128                         | Investment in Associates and Joint Ventures  |
| MFRS 134                         | Interim Financial Reporting  |
| Amendments to MFRS 1             | First- time Adoption of Malaysian Financial Reporting Standards – Government Loans                                       |
| Amendments to MFRS 7             | Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities                               |
| Amendments to MFRS 10, 11 and 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |

The application of the above MFRSs and Amendments to MFRSs did not result in any significant changes in accounting policies and presentation of the financial results of the Group for the current quarter.

### **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.

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)  
Quarterly report for the first quarter ended 31 March 2013**

**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. Issues, Repurchases 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 15 March 2013, the Company announced the completion of the proposed private placement with the listing and quotation of 15,997,740 new ordinary shares of RM0.10 each in Ygl on the ACE Market representing 10% of the issued and paid-up share capital of Ygl.

**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<br>ended 31 March |           | Cumulative 3 months<br>ended 31 March |           |
|------------------------------------|----------------------------|-----------|---------------------------------------|-----------|
|                                    | 2013                       | 2012      | 2013                                  | 2012      |
| <u>Segment Revenue</u>             |                            |           |                                       |           |
| Revenue from operations:           |                            |           |                                       |           |
| Malaysia                           | 1,039,042                  | 1,016,919 | 1,039,042                             | 1,016,919 |
| Asia Pacific                       | 887,419                    | 868,791   | 887,419                               | 868,791   |
| Total revenue                      | 1,926,461                  | 1,885,710 | 1,926,461                             | 1,885,710 |
| Elimination of inter-segment sales | -                          | -         | -                                     | -         |
| External sales                     | 1,926,461                  | 1,885,710 | 1,926,461                             | 1,885,710 |
| Interest revenue                   | 1,168                      | 10,742    | 1,168                                 | 10,742    |

|                                      | 3 months<br>ended 31 March |           | Cumulative 3 months<br>ended 31 March |           |
|--------------------------------------|----------------------------|-----------|---------------------------------------|-----------|
|                                      | 2013                       | 2012      | 2013                                  | 2012      |
| <u>Segment Results</u>               |                            |           |                                       |           |
| Results from operations:             |                            |           |                                       |           |
| Malaysia                             | 117,683                    | (546,510) | 117,683                               | (546,510) |
| Asia Pacific                         | (459,801)                  | 149,106   | (459,801)                             | 149,106   |
|                                      | (342,118)                  | (397,404) | (342,118)                             | (397,404) |
| Finance cost                         | (16,936)                   | (9,064)   | (16,936)                              | (9,064)   |
| Share of associate's profit / (loss) | (42,966)                   | (36,073)  | (42,966)                              | (36,073)  |
| Tax expense                          | 12,015                     | 6,682     | 12,015                                | 6,682     |
| Minority interests                   | 25,418                     | (22,909)  | 25,418                                | (22,909)  |
| Total results                        | (364,587)                  | (458,768) | (364,587)                             | (458,768) |

**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 2012.

**10. Events After 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 29 May 2013 (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**

Current Quarter - Group

For the quarter under review, Ygl Group recorded a revenue of RM1,926,461 which was an increase of 2.2% as compared to a revenue of RM1,885,710 achieved in the preceding year corresponding quarter ended 31 March 2012. Gross profit for the quarter under review was RM168,206 as compared to gross profit of RM106,580 for the preceding year corresponding quarter which was an increase of 57.8%. The increase in gross profit was in line with the increase in gross revenue recorded during the quarter.

Malaysia Segment

For the quarter under review, the Malaysia segment recorded a revenue of RM1,039,042 which was an increase of 2.2% as compared to a revenue of RM1,016,919 achieved in the preceding year corresponding quarter ended 31 March 2012. Profit from operations for the quarter under review was RM117,683 as compared to loss from operations of RM546,510 for the preceding year corresponding quarter which was an increase of 121.5%. The recovery to profit from operations in this quarter was due to better margin obtained for certain projects during this quarter.

Asia Pacific Segment

For the quarter under review, the Asia Pacific segment recorded a revenue of RM887,419 which was an increase of 2.1% as compared to a revenue of RM868,791 achieved in the preceding year corresponding quarter ended 31 March 2012. Loss from operations for the quarter under review was RM459,801 as compared to profit from operations of RM149,106 for the preceding year corresponding quarter which was a decrease of 408.4%. This was due to the commencement of amortisation for certain products developed that have been tested and released to the Asia Pacific market and also due to slow deliverables of certain projects which affected margin.

**14. Material Changes in Profit Before Tax Against Preceding Quarter**

There was a loss before tax of RM402,020 for the quarter under review as compared to a loss of RM632,854 recorded in the preceding fourth quarter ended 31 December 2012, which was a decrease of 36.5%. This was due to certain year end provisions made in the preceding quarter.

**15. Corporate Proposals**

There are no other corporate proposals announced but not completed as at the date of announcement other than set out below:-

Change of name of subsidiary company

On 02 April 2013, Ygl announced that a wholly-owned subsidiary, Ygl iHoliday Sdn Bhd, had changed its name to Ygl Technologies Sdn Bhd.

**16. Prospects for 2013**

The demand for business solutions is expected to grow in line with the rising business overhead costs. Ygl may secure its market share by offering very competitive business solutions with comparable features as compared to other world class solutions. The demand for Ygl business solutions will progressively increase both locally and overseas as more market penetration is achieved in the region over time.

**17. Taxation**

|                          | <b>Current Quarter<br/>31 March 2013<br/>RM</b> | <b>Cumulative Quarter<br/>31 March 2013<br/>RM</b> |
|--------------------------|---|--|
| Current tax expense      |   |  |
| Malaysian income tax     | (13,500)  | (13,500)   |
| Foreign tax              | 1,485   | 1,485  |
|                          | <hr/>   | <hr/>  |
|                          | (12,015)  | (12,015)   |
| Deferred tax             | -   | -  |
| Total income tax expense | <hr/> <hr/>                                     | <hr/> <hr/>  |
|                          | (12,015)  | (12,015)   |

There was a tax expense despite the net loss position of the Group as certain companies within the Group are still subject to income tax.

**18. Status on Utilisation of Proceeds**

Private Placement

Pursuant to the private placement exercise undertaken by the Company on 15 March 2013, the Company had raised approximately RM1.599 million which is entirely earmarked for working capital purposes. As at to date, Ygl has utilised approximately RM561,286.

**19. Cash and cash equivalents**

|                        | <b>As at<br/>31 March 2013<br/>RM'000</b> |
|------------------------|---|
| Time deposits          | 153                                       |
| Cash and bank balances | 941                                       |
|                        | <b><u>1,094</u></b>                       |

**20. Company Borrowings and Debt Securities**

The Group's borrowings are as follows:

|                                   | <b>As at<br/>31 March 2013<br/>RM</b> | <b>As at<br/>31 March 2012<br/>RM</b> |
|-----------------------------------|---------------------------------------|---------------------------------------|
| <u>Payable within 12 months</u>   |                                       |                                       |
| Secured - Term Loan               | 16,679                                | 15,916                                |
| Secured - Hire purchase liability | 26,003                                | -                                     |
|                                   | <u>42,682</u>                         | <u>15,916</u>                         |
| <u>Payable after 12 months</u>    |                                       |                                       |
| Secured - Term Loan               | 736,087                               | 752,735                               |
| Secured - Hire purchase liability | 25,993                                | -                                     |
|                                   | <u>762,080</u>                        | <u>752,735</u>                        |
| Total                             | <u>804,762</u>                        | <u>768,651</u>                        |

The Group does not have any foreign currency borrowings.

**21. 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 29 May 2013 (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.

**22. Financial Instruments**

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

|  | <b>As at<br/>31 March 2013<br/>RM</b> | <b>As at<br/>31 March 2012<br/>RM</b> |
|--|---------------------------------------|---------------------------------------|
| <u>Financial assets</u>                          |                                       |                                       |
| Account receivables                              | 2,945,780                             | 2,483,923                             |
| Other receivables, prepayments and deposits paid | 1,986,274                             | 2,679,010                             |
| Short term investment                            | 101,629                               | 98,858                                |
| Cash and cash equivalents                        | 1,094,797                             | 1,790,394                             |
|  | <u>6,128,480</u>                      | <u>7,052,185</u>                      |
|  | =====                                 | =====                                 |

**Ygi Convergence Berhad (649013-W) (“Ygi” or “Group”)  
Quarterly report for the first quarter ended 31 March 2013**

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

|   | <b>As at<br/>31 March 2013<br/>RM</b> | <b>As at<br/>31 March 2012<br/>RM</b> |
|---|---------------------------------------|---------------------------------------|
| <u>Financial liabilities at amortised cost</u>    |                                       |                                       |
| Account payables                                  | 863,946                               | 746,116                               |
| Other payables, accruals and<br>deposits received | 1,266,412                             | 1,048,846                             |
| Term loan   | 752,766                               | 768,651                               |
| Hire purchase liabilities                         | 51,996                                | -                                     |
|   | -----<br>2,935,120<br>=====           | -----<br>2,563,613<br>=====           |

All other financial instruments are carried at amounts not materially different from their fair values as at 31 March 2013.

#### 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.

The Company does not deal in any derivative financial instruments in the quarter under review as such there was no derivative financial instrument reported and no other comprehensive income reported in the financial statements in the quarter under review except those that were of loans and receivables in nature.

**Trade Receivables**

Aging analysis of financial assets:

|                  | <b>RM</b>        |
|------------------|------------------|
| Up to 90 days    | 1,698,486        |
| >90 to 180 days  | 191,518          |
| >180 to 360 days | 611,043          |
| >360 days        | 444,733          |
| Total amount     | <u>2,945,780</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.

**Loans and Advances**

These non-derivative financial assets and liabilities 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 4.7% over expected five years of repayment. The discounted amounts arisen from inter company advances were eliminated in the consolidation of accounts at group level.

**23. Significant Related Party Transactions**

For the first quarter ended 31 March 2013, there was no significant related party transaction entered by the Group.

**24. 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.

**25. Profit Estimate/Forecast**

Not applicable.

**26. Dividend**

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

**27. 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 |             |
|---|-------------------------|-------------|------------------------------------|-------------|
|   | 2013                    | 2012        | 2013                               | 2012        |
| Profits/(Loss) for the period attributable to shareholders (RM) | (402,020)               | (442,541)   | (402,020)                          | (442,541)   |
| Weighted average number of ordinary shares in issue             | 175,975,140             | 159,977,400 | 175,975,140                        | 159,977,400 |
| Basic earnings/(loss) per share (sen)                           | (0.23)                  | (0.28)      | (0.23)                             | (0.28)      |

**28. 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:

|   | As at<br>31 March 2013<br>RM | As at preceding<br>financial year end<br>31 December 2012<br>RM |
|---|------------------------------|---|
| Total accumulated profits / (losses) of Ygl and its subsidiaries:       |                              |   |
| Realised  | (3,592,025)                  | (3,161,374)   |
| Unrealised  | 47,285                       | (61,744)  |
|   | (3,544,740)                  | (3,223,118)   |
| Total share of accumulated losses from associated company:              |                              |   |
| Realised  | (838,879)                    | (795,913)   |
| Unrealised  | -                            | -   |
|   | (4,383,619)                  | (4,019,031)   |
| Less: Consolidation adjustments   | -                            | -   |
| Total group accumulated profits / (losses) as per consolidated accounts | (4,383,619)                  | (4,019,031)   |