3 March 2010

Withheld
RM0.115

YGL Convergence

Ending FY09 in the red

- **FY09 net loss of RM2.8m** was more than our loss expectations of RM1.9m (+45%) as YGL secured fewer projects than we had expected and prospects remain challenging for enterprise resource planning (ERP) solutions players in Malaysia. However, commendable is the 34% improvement to net loss position of RM2.7m (FY08: loss of RM4.2m).

- **QoQ** showed a sequential deterioration of 3.5% to RM1.1m net loss (previously net loss of RM1.0m) mainly due to the erosion in revenue for 4QFY09 of 17.7%. Bottom-line was mitigated however by the higher operating income and stabilised costs.

- **YoY,** net loss improved 70.7%, due to reduced provisions for doubtful debts (Q4FY09:RM217k; Q4FY08: RM658k) and absence of impairment (RM1.31m) and inventory write down expenses (RM178k) performed in 4QFY08. The impairment was for its investment in subsidiary YGL Convergence (Asia Pacific).

- **Cautious optimism for 2010.** YGL guides that revenue should improve and losses reduce in 2010, but they are still cautious as contract flows are still unpredictable. PIKOM expects an overall 8% growth in ICT spending for 2010 but we maintain our FY10 estimates of a net loss of RM1.9m on the back of continued weakness in earnings. Upwards revision only upon a sustained improvement in margins and revenue.

- Our call and TP are withheld in the exercise of Kenanga's duties under the applicable laws, rules, regulations, policies and procedures for the time being in force, and is not a reflection of expected returns.

Stock data

Market cap (RMm):	16.7
Issued shares (m):	145.4
52-week range:	RM0.07-RM0.17
3-mth avg daily volume:	12,525 shrs
Bloomberg code:	YGLC MK
YTD price chg:	0%
YTD KLCI chg:	+1.3%
Est. free float:	44.9%
Major shareholders:	
Yeap Kong Chean:	*28.0%*
Yeap Kong Tai:	*27.1%*

KLCI	FBM70	FBM100	Syariah	Hijrah
No	No	No	Yes	No

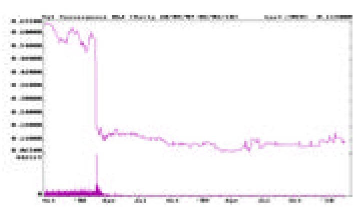
Consensus

FYE 31 Dec	2010E	2011E
Net profit (RMm):	n.a.	n.a.
EPS (sen):	n.a.	n.a.

Forecast revision

FYE 31Dec	2010E	2011E
Prev. net loss (RMm):	(1.9)	-
Revision (%):	-	-
Revised net loss (RMm):	(1.9)	-

Share price chart



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Results Highlights

FYE: 31 Dec (RMm)	4Q08	1Q09	2Q09	3Q09	4Q09	%QoQ	%YoY	12MFY09	12MFY08	YoY YTD Chg
Revenue*	0.5	1.9	2.0	2.2	1.8	-17.7%	283.4%	8.0	8.4	-5.0%
Operating Profit*	(3.5)	(0.4)	(0.2)	(1.0)	(1.0)	0.0%	71.0%	(2.6)	(4.0)	35.2%
Share of results of associate	(0.2)	(0.2)	0.1	(0.0)	(0.0)	105.9%	77.6%	(0.1)	(0.2)	27.4%
Pretax profit *	(3.6)	(0.6)	(0.1)	(1.0)	(1.0)	2.0%	71.4%	(2.8)	(4.2)	34.8%
Taxation	(0.0)	(0.0)	(0.0)	0.0	(0.0)	-910.2%	718.4%	(0.0)	(0.0)	45.5%
Minority interest *	0.1	0.0	0.0	(0.0)	(0.0)	-89.7%	-101.8%	0.0	0.1	-61.8%
Net Profit/(Loss) *	(3.6)	(0.5)	(0.1)	(1.0)	(1.1)	3.5%	70.1%	(2.7)	(4.1)	33.7%
EPS (sen)	(2.5)	(0.4)	(0.1)	(0.7)	(0.7)	3.5%	70.1%	(1.9)	(2.8)	33.7%
Net Equity (x)	0.3	0.3	0.3	0.3	0.2	-17.1%	-34.4%	0.2	0.3	-34.4%
Operating Margin (%)	-723%	-19%	-12%	-45%	-55%	269%	-1%	-33%	-48%	-31.7%
PBT Margin (%)	-761%	-30%	-5%	-46%	-57%	739%	1%	-34%	-50%	-31.4%
Net Margin (%)	-747%	-28%	-5%	-46%	-58%	813%	15%	-34%	-49%	-30.2%
Effective tax rate (%)	-1%	0%	0%	0%	-1%	-132%	-94%	0%	0%	53.2%

. * *Variance in FY08 figures due to removal of subsidiary effects.*

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Results Review

YoY (RMm)	4QFY08	4Q FY09	YoY%	Comment
Net Profit	(3.6)	(1.1)	70.7%	Significantly lower due to reduced provisions for doubtful debts and absence of impairment and inventory write down expenses performed in 4QFY08.

Earnings Estimates

FYE 31 Dec	2006	2007	2008	2009	2010E
Revenue (RMm)	10.9	12.4	8.4	8.0	8.6
Pretax profit (RM m)	3.2	1.5	(4.2)	(2.8)	(1.9)
Net profit (RMm)	3.0	1.2	(4.1)	(2.7)	(1.9)
Net profit growth (%)	125.3%	-59.2%	-436.2%	-33.7%	-30.3%
Basic EPS	2.1	0.8	(2.8)	(1.9)	(1.3)
EPS growth (%)	125.3%	-59.2%	-436.2%	-33.7%	-30.3%
DPS (sen)	1.0	0.9	-	-	-
NTA/share (RM)	0.07	0.12	0.10	0.07	0.06
Net Gearing	-	-	-	-	-
PER (x)	5.5	13.6	(4.0)	(6.1)	(8.7)
P/Book (x)	1.3	0.8	1.0	1.2	1.4
Div. Yield (%)	8.6%	8.2%	0.0%	0.0%	0.0%
ROAE (%)	28.4%	7.3%	-21.5%	-17.6%	-14.5%

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