

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
FOR THE SECOND QUARTER ENDED 30 JUNE 2008

	Note	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue		3,083,572	2,964,200	6,018,851	5,967,862
Cost of Sales		(2,369,985)	(1,475,134)	(4,092,603)	(3,046,327)
Gross Profit		713,587	1,489,066	1,926,248	2,921,535
Other Operating Income		102,826	125,900	229,034	189,758
Discount On Acquisition		-	-	-	-
Selling and Distribution Costs		(36,071)	(51,623)	(87,132)	(85,939)
Administrative Expenses		(215,903)	(178,213)	(435,057)	(273,538)
Other Operating Expenses		(689,503)	(660,901)	(1,326,919)	(1,310,546)
Finance Costs		(2,297)	(2,474)	(4,523)	(3,878)
Profit / (Loss) Before Tax		(127,361)	721,755	301,651	1,437,392
Income Tax Expense	17	(29,924)	(3,750)	(63,608)	(7,500)
Profit / (Loss) After Tax		(157,285)	718,005	238,043	1,429,892
Pre-Acquisition Profit		-	-	-	-
Profit / (Loss) for the period		(157,285)	718,005	238,043	1,429,892
Attributable to:					
Equity Holders of the Parent		(167,303)	657,098	205,334	1,370,085
Minority Interest		10,018	60,907	32,709	59,807
		(157,285)	718,005	238,043	1,429,892
Basic earnings per share attributable to equity holders of the parent (sen)	29	-0.12	0.90	0.14	1.88

This condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to this interim financial report.

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2008

	Note	30 June 2008 (Unaudited) RM	31 December 2007 (Audited) RM
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		3,841,953	3,036,545
Investment Property		289,285	289,523
Intangible Assets (R&D, Goodwill)		3,673,400	3,435,239
Other Investment		-	659,400
Deferred Tax Assets		48,232	19,899
		7,852,870	7,440,606
Current Assets			
Inventories		242,896	190,733
Trade Receivables		4,069,359	2,294,604
Deposits & Prepayment		647,508	186,263
Other Receivables		1,696,369	1,340,231
Tax Recoverable		115,803	180,962
Fixed Deposit		8,872,327	9,668,356
Cash and bank balances		2,716,807	3,148,444
		18,361,069	17,009,593
Total Assets		26,213,939	24,450,199
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share Capital		14,543,400	7,271,700
Share Premium		2,335,128	9,606,828
Revaluation Reserve		36,665	6,817
Retained Earnings		4,438,535	4,233,201
Equity Attributable to shareholders of the parent		21,353,728	21,118,546
Minority Interest		376,497	343,788
Total Equity		21,730,225	21,462,334
Non Current Liabilities			
Discount on acquisition		-	-
Hire purchase liability		168,361	207,073
Deferred tax liabilities		921	952
Total Non Current Liabilities		169,282	208,025
Current Liabilities			
Hire Purchase Creditor		72,014	69,309
Trade & Other Payables		2,717,135	1,431,069
Deferred Revenue		1,496,888	1,251,051
Current Tax Liabilities		28,395	28,411
		4,314,432	2,779,840
Total Equity and Liabilities		26,213,939	24,450,199
Net assets per share attributable to ordinary equity holders of the parent (sen)		14.68	29.04

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to this interim financial report.

YGL CONVERGENCE BERHAD (649013-W)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SECOND QUARTER ENDED 30 JUNE 2008**

	Note	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Retained Earnings RM	Minority Interests RM	Total RM
At 1 January 2007		6,680,000	1,727,153	24,805	4,018,386	82,718	12,533,062
Issuance of shares		591,700	7,928,780	-	-	-	8,520,480
Share issue and listing expenses		-	(49,105)	-	-	-	(49,105)
Exchange translation reserve		-	-	(17,988)	-	-	(17,988)
Acquisition of subsidiaries		-	-	-	-	165,120	165,120
Net profit for period		-	-	-	1,232,853	95,950	1,328,803
Interim Dividend		-	-	-	(1,018,038)	-	(1,018,038)
At 31 December 2007		<u>7,271,700</u>	<u>9,606,828</u>	<u>6,817</u>	<u>4,233,201</u>	<u>343,788</u>	<u>21,462,334</u>
At 1 January 2008		7,271,700	9,606,828	6,817	4,233,201	343,788	21,462,334
Share issue and listing expenses		7,271,700	(7,271,700)	-	-	-	-
Exchange translation reserve		-	-	29,848	-	-	29,848
Profit for the period		-	-	-	205,334	32,709	238,043
At 30 June 2008		<u>14,543,400</u>	<u>2,335,128</u>	<u>36,665</u>	<u>4,438,535</u>	<u>376,497</u>	<u>21,730,225</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 2007 and the accompanying explanatory notes attached to this interim report

YGL CONVERGENCE BERHAD (649013-W)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SECOND QUARTER ENDED 30 JUNE 2008**

	Note	6 MONTHS ENDED 30 JUNE	
		2008 RM	2007 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		301,651	1,437,392
Adjustment for:-			
Depreciation		116,919	126,888
Amortisation of development costs		267,750	180,658
Discount on acquisition		-	-
Foreign Exchange Gain		(30,103)	15,032
Decrease in provision for bad debts		(725)	(5,750)
Interest Expense		4,523	3,878
Interest Income		(159,251)	(127,738)
Loss on disposal of fixed asset		-	-
Operating profit before working capital changes		500,764	1,630,360
(Increase)/Decrease in inventories		71,260	(15,154)
(Increase)/Decrease in receivables		(2,331,085)	(205,109)
Increase/(Decrease) in payables		1,240,910	93,757
Cash generated from operations		(518,151)	1,503,854
Tax paid		(63,607)	(7,500)
Interest paid		(4,523)	(3,878)
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(586,281)	1,492,476
CASH FLOW FROM INVESTING ACTIVITIES			
Development costs incurred		(506,616)	(256,477)
Purchase of property, plant and equipment		(917,413)	(777,463)
Investment in subsidiaries	11	-	(1,285,805)
Interest received		159,251	127,215
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(1,264,778)	(2,192,530)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Public Share Issue		-	8,514,231
Listing Expenses		-	-
Dividend Paid		-	-
Repayment of Hire Purchase		(36,007)	222,328
NET CHANGE IN CASH AND BANK BALANCES		(1,887,066)	8,036,505
CASH AND BANK BALANCES AT 1 JANUARY		13,476,200	6,560,656
CASH AND BANK BALANCES AT 30 JUNE		11,589,134	14,597,161
NOTES TO CASH FLOW STATEMENT			
Cash and cash equivalents comprise of:			
Fixed Deposits		8,872,327	13,947,752
Cash and bank balances		2,716,807	649,409
Bank Borrowings		-	-
		11,589,134	14,597,161

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 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 of the Listing Requirements of the Bursa Malaysia Securities Berhad for the MESDAQ 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 2007. 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 ending 31 December 2007 as well as those policies adopted from the financial year beginning 1 January 2008 as disclosed therein.

2. Auditors’ Report of Preceding Annual Financial Statements

The auditors’ report of the preceding annual financial statements 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.

7. Dividend Paid

No dividends were paid in the current quarter under review.

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)
Quarterly report for the second quarter ended 30 June 2008**

8. Segmental Information

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

	3 months ended 30 June		Cumulative 6 months ended 30 June	
	2008	2007	2008	2007
<u>Segment Revenue</u>				
Revenue from operations:				
Malaysia	1,030,971	1,397,243	2,470,835	2,759,429
Asia Pacific	2,060,142	1,580,997	3,577,990	3,222,473
Total revenue including inter-segment sales	3,091,113	2,978,240	6,048,825	5,981,902
Elimination of inter-segment sales	(7,541)	(14,040)	(29,974)	(14,040)
Total	3,083,572	2,964,200	6,018,851	5,967,862

	3 months ended 30 June		Cumulative 6 months ended 30 June	
	2008	2007	2008	2007
<u>Segment Results</u>				
Results from operations:				
Malaysia	106,267	615,860	672,679	1,395,783
Asia Pacific	(273,570)	41,238	(467,345)	(25,698)
Total results	(167,303)	657,098	205,334	1,370,085
Elimination	-	-	-	-
Total	(167,303)	657,098	205,334	1,370,085

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 2007.

10. Material Events subsequent to the Balance Sheet date

Save as disclosed below, there were no material events subsequent to the end of the current financial quarter under review to the date of this announcement:-

Proposed shareholding spread

On 30 June 2008, Ygl announced that the Company has met the public shareholding spread pursuant to Rule 8.15(1) of the MESDAQ Market Listing Requirements whereby listed companies must ensure that their public shareholding spread complies with the minimum spread requirements of 25% and a minimum of 1,000 public shareholders holding not less than 100 shares each (“Required Shareholding Spread”).

Based on the Company's record of depositors as at 27 June 2008, the Company has 42.49% of its total issued and paid-up share in the hands of 1,109 public shareholders.

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 21 August 2008 (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 second quarter ended 30 June 2008 (“2Q2008”), the Ygl Group recorded a revenue of RM3,083,572 representing a slight increase of 4% compared to a revenue of RM2,964,200 achieved in the same quarter last year (“2Q2007”). Gross profit decreased by 52% to RM713,587 in 2Q2008 from RM1,489,066 in 2Q2007. This is mainly due to the increase in direct professional salary cost resulting from the hiring of more professional staff, increase in direct purchase costs and the amortization of development cost for new product, the revenue of which has not come in yet.

For the cumulative quarter ended 30 June 2008, the Ygl Group recorded a revenue of RM6,018,851 representing a slight increase of 0.9% compared to a revenue of RM5,967,862 achieved in the same cumulative preceding quarter last year. Gross profit decreased by 34% to RM1,926,248 in cumulative quarter ended 30 June 2008 from RM2,921,535 in the same preceding quarter last year. This is mainly due to increase in direct professional salary costs and increase in direct purchase costs.

14. Material Changes in Profit Before Tax Against Preceding Quarter

There was a loss before taxation (“LBT”) of RM127,361 for 2Q2008 as compared to the profit before taxation (“PBT”) in the preceding first quarter ended 31 March 2008 (“1Q2008”) of RM429,012 which represent a decrease of 70% of PBT. The decrease was mainly contributed by the commitment in gearing up the level of professional staff force in the Asia region and the increase in direct purchase costs.

15. Corporate Proposals

Save as disclosed below, there are no other corporate proposals that are pending implementation as at the date of announcement:-

Proposed joint venture with Vista Investment Management Limited

On 18 March 2008, the Company announced the proposed joint venture with Vista Investment Management Limited (“VIML”) for the establishment of a joint venture company incorporated in Malaysia under the proposed name of “Ygl iBay International Sdn. Bhd.” (“Ygl iBay”).

The joint venture will be involved in the business of providing professional advisory on consulting, procurement and outsourcing, software development and marketing and renting of software, acquiring master agency and developing and marketing eProcurement IT solutions.

16. Prospects for 2008

2008 will be a year of moderate growth for the information technology sector in the world and the Asia region. Ygl has consolidated the operations of its overseas subsidiary companies and has been investing in the expansion of Ygl’s management and professional team both in Malaysia and in the Greater China. Combining the business intelligence accumulated from these regions with the research and development capability and know-how, Ygl is positioning itself to be the dominating niche business application provider in Asia.

17. Taxation

	Current Quarter	Cumulative Quarter
	30 Jun 2008	30 Jun 2008
	RM	RM
Current tax expense	29,924	63,608

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 is renewable for another 5 years.

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 in May 2007, the Company had raised approximately RM8.482 million which is entirely earmarked for working capital purposes. As at 30 June 2008, Ygl has utilised approximately RM1.148 million.

21. Cash and cash equivalents

	As at
	30 Jun 2008
	RM’000
Fixed deposit	8,872
Cash and bank balances	2,717
	<u>11,589</u>

22. Company Borrowings and Debt Securities

Unsecured	As at 30 Jun 2008 RM
<u>Payable within 12 months</u> Hire purchase liability	72,014
<u>Payable after 12 months</u> Hire purchase liability	168,361
Total	<u>240,375</u>

The Group does not have any foreign currency borrowings.

23. Capital Commitment

As at 21 August 2008 (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. Off Balance Sheet Financial Instruments

The Company does not have any financial instrument with off balance sheet risks as at 21 August 2008 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

25. Significant Related Party Transactions

For the second quarter ended 30 June 2008, there were no significant related party transactions entered into by the Group.

26. Material Litigation

The Company/Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Company as at 21 August 2008 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

27. Profit Estimate/Forecast

Not applicable.

28. Dividend

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

**Ygi Convergence Berhad (649013-W) (“Ygi” or “Group”)
Quarterly report for the second quarter ended 30 June 2008**

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 30 June		Cumulative 6 months ended 30 June	
	2008	2007	2008	2007
Profits for the period attributable to shareholders (RM)	(167,303)	657,098	205,334	1,370,085
Weighted average number of ordinary shares in issue	145,434,000	72,717,000	145,434,000	72,717,000
Basic earnings per share (sen)	-0.12	0.90	0.14	1.88