

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008

	Note	Individual Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue		1,952,241	3,076,593	7,971,092	9,044,455
Cost of Sales		<u>(1,948,710)</u>	<u>(1,983,084)</u>	<u>(6,041,313)</u>	<u>(5,029,411)</u>
Gross Profit		3,531	1,093,509	1,929,779	4,015,044
Other Operating Income		105,949	119,810	334,983	309,568
Selling and Distribution Costs		(19,856)	(66,827)	(106,988)	(152,766)
Administrative Expenses		(234,611)	(211,462)	(669,668)	(485,000)
Other Operating Expenses		(740,371)	(832,913)	(2,067,290)	(2,143,459)
Finance Costs		(2,449)	(2,471)	(6,972)	(6,349)
Profit / (Loss) Before Tax		<u>(887,807)</u>	<u>99,646</u>	<u>(586,156)</u>	<u>1,537,038</u>
Income Tax Expense	17	41,131	(12,436)	(22,477)	(19,936)
Profit / (Loss) for the period		<u>(846,676)</u>	<u>87,210</u>	<u>(608,633)</u>	<u>1,517,102</u>
Attributable to:					
Equity Holders of the Parent		(785,068)	85,337	(579,734)	1,455,422
Minority Interest		(61,608)	1,873	(28,899)	61,680
		<u>(846,676)</u>	<u>87,210</u>	<u>(608,633)</u>	<u>1,517,102</u>
Basic earnings per share attributable to equity holders of the parent (sen)	29	-0.54	0.12	-0.40	2.10

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 SEPTEMBER 2008

	Note	30 September 2008 (Unaudited) RM	31 December 2007 (Audited) RM
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		4,524,785	3,036,545
Investment Property		289,165	289,523
Intangible Assets (R&D, Goodwill)		3,979,993	3,435,239
Other Investment		-	659,400
Deferred Tax Assets		48,232	19,899
		<u>8,842,175</u>	<u>7,440,606</u>
Current Assets			
Inventories		247,653	190,733
Trade Receivables		3,357,524	2,294,604
Deposits & Prepayment		122,997	186,263
Other Receivables		2,353,786	1,340,231
Tax Recoverable		162,792	180,962
Fixed Deposit		8,185,517	9,668,356
Cash and bank balances		2,417,639	3,148,444
		<u>16,847,908</u>	<u>17,009,593</u>
Total Assets		<u>25,690,083</u>	<u>24,450,199</u>
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		124,046	6,817
Retained Earnings		3,653,467	4,233,201
Equity Attributable to shareholders of the parent		<u>20,656,041</u>	<u>21,118,546</u>
Minority Interest		314,889	343,788
Total Equity		<u>20,970,930</u>	<u>21,462,334</u>
Non Current Liabilities			
Hire purchase liability		150,357	207,073
Deferred tax liabilities		927	952
Total Non Current Liabilities		<u>151,284</u>	<u>208,025</u>
Current Liabilities			
Hire Purchase Creditor		72,014	69,309
Trade & Other Payables		2,969,999	1,431,069
Deferred Revenue		1,497,461	1,251,051
Current Tax Liabilities		28,395	28,411
		<u>4,567,869</u>	<u>2,779,840</u>
Total Equity and Liabilities		<u>25,690,083</u>	<u>24,450,199</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)		14.20	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 THIRD QUARTER ENDED 30 SEPTEMBER 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		-	-	117,229	-	-	117,229
Profit for the period		-	-	-	-579,734	(28,899)	(608,633)
At 30 September 2008		<u>14,543,400</u>	<u>2,335,128</u>	<u>124,046</u>	<u>3,653,467</u>	<u>314,889</u>	<u>20,970,930</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 THIRD QUARTER ENDED 30 SEPTEMBER 2008**

	Note	9 MONTHS ENDED 30 SEPTEMBER	
		2008 RM	2007 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		(586,156)	1,537,038
Adjustment for:-			
Depreciation		188,895	193,997
Amortisation of development costs		449,602	296,507
Foreign Exchange Gain		34,730	11,256
Decrease in provision for bad debts		(725)	-5,749
Interest Expense		6,972	6,348
Interest Income		(230,772)	-237,626
Operating profit before working capital changes		(137,454)	1,801,771
(Increase)/Decrease in inventories		(178,403)	175,739
(Increase)/Decrease in receivables		(1,342,949)	-644,151
Increase/(Decrease) in payables		1,297,267	-132,203
Cash generated from operations		(361,539)	1,201,156
Tax paid		(22,477)	-19,936
Interest paid		(6,972)	-6,348
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(390,988)	1,174,872
 CASH FLOW FROM INVESTING ACTIVITIES			
Development costs incurred		(995,062)	-426,608
Purchase of property, plant and equipment		(1,663,755)	(857,128)
Investment in subsidiaries	11	-	(1,285,805)
Interest received		230,772	237,433
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(2,428,045)	-2,332,108
 CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Public Share Issue		-	8,514,230
Dividend Paid		-	(1,018,038)
Repayment of Hire Purchase		(54,011)	204,324
NET CHANGE IN CASH AND BANK BALANCES		(2,873,044)	6,543,280
CASH AND BANK BALANCES AT 1 JANUARY		13,476,200	6,560,656
CASH AND BANK BALANCES AT 30 SEPTEMBER		10,603,156	13,103,936
 NOTES TO CASH FLOW STATEMENT			
Cash and cash equivalents comprise of:			
Fixed Deposits		8,185,517	11,850,825
Cash and bank balances		2,417,639	1,253,111
Bank Borrowings		-	-
		<u>10,603,156</u>	<u>13,103,936</u>

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 third quarter ended 30 September 2008**

8. Segmental Information

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

<u>Segment</u>	3 months		Cumulative 9 months	
	ended 30 September	2007	ended 30 September	2007
<u>Revenue</u>	2008	2007	2008	2007
Revenue from operations:				
Malaysia	456,531	1,193,613	2,927,366	3,953,042
Asia Pacific	1,506,861	1,897,518	5,084,851	5,119,991
Total revenue including inter-segment sales	1,963,392	3,091,131	8,012,217	9,073,033
Elimination of inter-segment sales	(11,151)	(14,538)	(41,125)	(28,578)
Total	1,952,241	3,076,593	7,971,092	9,044,455

<u>Segment Results</u>	3 months		Cumulative 9 months	
	ended 30 September	2007	ended 30 September	2007
<u>Results from operations:</u>	2008	2007	2008	2007
Malaysia	(367,182)	457,234	305,497	1,853,017
Asia Pacific	(417,886)	(371,897)	(885,231)	(397,595)
Total results	(785,068)	85,337	(579,734)	1,455,422
Elimination	-	-	-	-
Total	(785,068)	85,337	(579,734)	1,455,422

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 joint venture with Vista Investment Management Limited

On 20 October 2008, the Company announced the completion of 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 Company holds 30% of the share capital of Ygl iBay, which results in Ygl iBay becoming an associate company of Ygl.

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.

11. Changes in the Composition of the Group

There are no changes in the composition of the Group as at 20 November 2008 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

12. Changes in Contingent Liabilities

There is no contingent liability as at 20 November 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 third quarter ended 30 September 2008 (“3Q2008”), Ygl Group recorded a revenue of RM1,952,241 representing a decrease of 36.5% compared to a revenue of RM3,076,593 achieved in the same quarter last year (“3Q2007”). Gross profit decreased by 99.6% to RM3,531 in 3Q2008 from RM1,093,509 in 3Q2007.

For the cumulative quarter ended 30 September 2008, Ygl Group recorded a revenue of RM7,971,092 representing a decrease of 11.8% compared to a revenue of RM9,044,455 achieved in the same cumulative preceding quarter last year. Gross profit decreased by 51.9% to RM1,929,779 in cumulative quarter ended 30 September 2008 from RM4,015,044 in the same preceding quarter last year. The drop in revenue is mainly due to the slowdown in market demand for enterprise solutions, increase in direct professional salary cost resulting from hiring of staff for new business unit, and the amortization of development cost for certain new products.

14. Material Changes in Profit Before Tax Against Preceding Quarter

There was a loss before taxation (“LBT”) of RM887,807 for 3Q2008 as compared to the loss before taxation (“LBT”) in the preceding second quarter ended 30 June 2008 (“2Q2008”) of RM127,361. The LBT was mainly due to slowdown in revenue recorded coupled with the continued commitment in gearing up the level of professional staff force in the Asia region.

15. Corporate Proposals

There are no other corporate proposals announced but not completed as at the date of announcement.

16. Prospects for 2008

The repercussion of the global financial crisis in 2008 has impacted the information technology sector in the world and the Asia region. The prospects for 2008 in terms of revenue is that of declining growth. However the prospects for 2008 in terms of new product lines and territorial coverage are encouraging. Ygl has undertaken research and development of new product lines to penetrate into the potential niche market both locally and overseas. The management and professional team within Ygl Malaysia and overseas operations are also being built up in line with the Ygl Group vision.

17. Taxation

	Current Quarter	Cumulative Quarter
	30 Sep 2008	30 Sep 2008
	RM	RM
Current tax expense/(recoverable)	(41,131)	22,477

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 September 2008, Ygl has utilised approximately RM1.253 million.

21. Cash and cash equivalents

	As at
	30 Sep 2008
	RM'000
Fixed deposit	8,185
Cash and bank balances	2,418
	<u>10,603</u>

22. Company Borrowings and Debt Securities

Unsecured	As at 30 Sep 2008 RM
<u>Payable within 12 months</u> Hire purchase liability	72,014
<u>Payable after 12 months</u> Hire purchase liability	150,357
Total	<u>222,371</u>

The Group does not have any foreign currency borrowings.

23. Capital Commitment

As at 20 November 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 20 November 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 third quarter ended 30 September 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 20 November 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.

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)
Quarterly report for the third quarter ended 30 September 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 September		Cumulative 9 months ended 30 September	
	2008	2007	2008	2007
Profits/(Loss) for the period attributable to shareholders (RM)	(785,068)	85,337	(579,734)	1,455,422
Weighted average number of ordinary shares in issue	145,434,000	72,717,000	145,434,000	69,429,778
Basic earnings/loss per share (sen)	(0.54)	0.12	(0.40)	2.10