

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008

	Note	Individual Quarter 3 months ended 31 December		Cumulative Quarter 12 months ended 31 December	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue		1,387,336	3,366,271	8,387,575	12,410,726
Cost of Sales		<u>(1,897,125)</u>	<u>(1,961,091)</u>	<u>(7,108,823)</u>	<u>(6,990,502)</u>
Gross Profit / (Loss)		(509,789)	1,405,180	1,278,752	5,420,224
Other Operating Income		72,576	89,184	407,559	398,752
Selling and Distribution Costs		(16,245)	(105,146)	(123,232)	(257,912)
Administrative Expenses		(443,861)	(505,373)	(1,089,166)	(990,373)
Other Operating Expenses		(2,596,410)	(948,860)	(4,544,994)	(3,092,319)
Finance Costs		(2,074)	(7,429)	(9,046)	(13,778)
Share of Results of Associated Company		(177,802)	-	(177,802)	-
Profit / (Loss) Before Tax		<u>(3,673,605)</u>	<u>(72,444)</u>	<u>(4,257,929)</u>	<u>1,464,594</u>
Income Tax Expense	17	(6,111)	(115,855)	(28,588)	(135,791)
Profit / (Loss) for the period		<u>(3,679,716)</u>	<u>(188,299)</u>	<u>(4,286,517)</u>	<u>1,328,803</u>
Attributable to:					
Equity Holders of the Parent		(3,603,117)	(222,569)	(4,180,286)	1,232,853
Minority Interest		(76,599)	34,270	(106,231)	95,950
		<u>(3,679,716)</u>	<u>(188,299)</u>	<u>(4,286,517)</u>	<u>1,328,803</u>
Basic earnings per share attributable to equity holders of the parent (sen)	29	-2.48	-0.16	-2.87	0.86

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.

The results of Ygl Convergence (Asia Pacific) Pte Ltd were not consolidated in the financial year ended 31 December 2008. Please refer to Note 13 herein for further clarification

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 31 DECEMBER 2008

	Note	31 December 2008 (Unaudited) RM	31 December 2007 (Audited) RM
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		4,765,915	3,036,545
Investment Property		289,046	289,523
Intangible Assets (R&D, Goodwill)		3,053,661	3,435,239
Investment in Associate Company		322,198	-
Other Investment		-	659,400
Deferred Tax Assets		48,232	19,899
		<u>8,479,052</u>	<u>7,440,606</u>
Current Assets			
Inventories		-	190,733
Trade Receivables		1,493,730	2,294,604
Deposits & Prepayment		33,638	186,263
Other Receivables		2,797,484	1,340,231
Tax Recoverable		178,777	180,962
Fixed Deposit		6,963,918	9,668,356
Cash and bank balances		1,530,758	3,148,444
		<u>12,998,305</u>	<u>17,009,593</u>
Total Assets		<u>21,477,357</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		(49,129)	6,817
Retained Earnings		52,915	4,233,201
Equity Attributable to shareholders of the parent		<u>16,882,314</u>	<u>21,118,546</u>
Minority Interest		237,557	343,788
Total Equity		<u>17,119,871</u>	<u>21,462,334</u>
Non Current Liabilities			
Hire purchase liability		132,354	207,073
Deferred tax liabilities		28,534	952
Total Non Current Liabilities		<u>160,888</u>	<u>208,025</u>
Current Liabilities			
Hire Purchase Creditor		72,014	69,309
Trade & Other Payables		2,806,074	1,431,069
Deferred Revenue		1,318,510	1,251,051
Current Tax Liabilities		-	28,411
		<u>4,196,598</u>	<u>2,779,840</u>
Total Equity and Liabilities		<u>21,477,357</u>	<u>24,450,199</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)		11.61	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.

The results of Ygl Convergence (Asia Pacific) Pte Ltd were not consolidated in the financial year ended 31 December 2008. Please refer to Note 13 herein for further clarification

YGL CONVERGENCE BERHAD (649013-W)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008**

Note	<u>Share Capital</u> RM	<u>Share Premium</u> RM	<u>Revaluation Reserve</u> RM	<u>Retained Earnings</u> RM	<u>Minority Interests</u> RM	<u>Total</u> 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
Issuance of shares	7,271,700	(7,271,700)	-	-	-	-
Exchange translation reserve	-	-	(55,946)	-	-	(55,946)
Profit for the period	-	-	-	(4,180,286)	(106,231)	(4,286,517)
At 31 December 2008	<u>14,543,400</u>	<u>2,335,128</u>	<u>(49,129)</u>	<u>52,915</u>	<u>237,557</u>	<u>17,119,871</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

The results of Ygl Convergence (Asia Pacific) Pte Ltd were not consolidated in the financial year ended 31 December 2008.

Please refer to Note 13 herein for further clarification

YGL CONVERGENCE BERHAD (649013-W)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008**

	Note	12 MONTHS ENDED 31 DECEMBER	
		2008 RM	2007 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		(4,257,929)	1,464,594
Adjustment for:-			
Depreciation		287,822	244,351
Amortisation of development costs		659,610	402,795
Foreign Exchange Gain		39,943	7,048
Impairment in investment in subsidiary company		1,314,404	-
Stock written down		178,233	-
Decrease in provision for bad debts		524,865	-
Interest Expense		9,046	13,778
Interest Income		(297,069)	(332,285)
Operating profit before working capital changes		(1,541,075)	1,800,281
(Increase)/Decrease in inventories		(91,666)	5,962
(Increase)/Decrease in receivables		111,424	1,844,361
Increase/(Decrease) in payables		380,564	(617,416)
Cash generated from operations		(1,140,753)	3,033,188
Tax paid		(28,588)	(58,699)
Interest paid		(9,046)	(13,778)
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(1,178,387)	2,960,711
CASH FLOW FROM INVESTING ACTIVITIES			
Development costs incurred		(1,512,882)	(620,777)
Purchase of property, plant and equipment		(2,015,310)	(1,982,662)
Investment in subsidiaries / associate	11	(500,000)	(1,155,700)
Purchase of other investment		-	(659,400)
Disposal of other investment		659,400	-
Interest received		297,069	332,285
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(3,071,723)	(4,086,254)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Public Share Issue		-	8,471,375
Dividend Paid		-	(1,018,038)
Repayment of Hire Purchase		(72,014)	(71,650)
NET CHANGE IN CASH AND BANK BALANCES		(4,322,124)	6,256,144
CASH AND BANK BALANCES AT 1 JANUARY		12,816,800	6,560,656
CASH AND BANK BALANCES AT 31 DECEMBER		8,494,676	12,816,800
NOTES TO CASH FLOW STATEMENT			
Cash and cash equivalents comprise of:			
Fixed Deposits		6,963,918	9,668,356
Cash and bank balances		1,530,758	3,148,444
Bank Borrowings		-	-
		8,494,676	12,816,800

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.

The results of Ygl Convergence (Asia Pacific) Pte Ltd were not consolidated in the financial year ended 31 December 2008. Please refer to Note 13 herein for further clarification

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 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.

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 fourth quarter ended 31 December 2008**

8. Segmental Information

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

<u>Segment</u>	3 months		Cumulative 12 months	
	ended 31 December	2007	ended 31 December	2007
<u>Revenue</u>	2008	2007	2008	2007
Revenue from operations:				
Malaysia	43,999	1,286,425	2,969,310	5,236,756
Asia Pacific	1,345,392	2,082,557	5,420,320	7,183,970
Total revenue including inter-segment sales	1,389,391	3,368,982	8,389,630	12,420,726
Elimination of inter-segment sales	(2,055)	(2,711)	(2,055)	(10,000)
Total	1,387,336	3,366,271	8,387,575	12,410,726

<u>Segment Results</u>	3 months		Cumulative 12 months	
	ended 31 December	2007	ended 31 December	2007
<u>Results from operations:</u>	2008	2007	2008	2007
Malaysia	(3,148,076)	255,939	(2,840,197)	2,147,686
Asia Pacific	(523,455)	(320,954)	(1,408,686)	(669,314)
	(3,671,531)	(65,015)	(4,248,883)	1,478,372
Finance cost	(2,074)	(7,429)	(9,046)	(13,778)
Tax expense	(6,111)	(115,855)	(28,588)	(135,791)
Minority interest	76,599	(34,270)	106,231	(95,950)
Total results	(3,603,117)	(222,569)	(4,180,286)	1,232,853

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

There were no 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

Save as disclosed below, there are no changes in the composition of the Group. However, the results of YGL Convergence (Asia Pacific) Pte Ltd were not consolidated in the financial year ended 31 December 2008. Please refer to Note 13 herein for further clarification.

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 involves 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.

12. Changes in Contingent Liabilities

There is no contingent liability as at 23 February 2009 (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 fourth quarter ended 31 December 2008 (“4Q2008”), Ygl Group recorded a revenue of RM1,387,336 representing a decrease of 58.8% compared to a revenue of RM3,366,271 achieved in the same quarter last year (“4Q2007”). Gross loss of RM509,789 was incurred in 4Q2008 which represented 136% decrease from gross profit of RM1,405,180 in 4Q2007.

For the cumulative quarter ended 31 December 2008, Ygl Group recorded a revenue of RM8,387,575 representing a decrease of 32.4% compared to a revenue of RM12,410,726 achieved in the same cumulative preceding quarter last year. Gross profit decreased by 76.4% to RM1,278,752 in cumulative quarter ended 31 December 2008 from RM5,420,224 in the same preceding quarter last year. The drop in revenue is mainly due to the sharp downturn in market demand for enterprise solutions both in Malaysia and overseas. The decrease in gross profit is due to the direct fixed cost of professional staffs, maintenance of salary cost for new business unit, and the amortization of development cost for certain new products which were deemed necessary in view of the future prospect of the Group.

As at balance sheet date, the Board of Ygl had noted and acknowledged that Ygl had lost control over Ygl Convergence (Asia Pacific) Pte Ltd when it loss the power to govern the financial and operating policies of Ygl Convergence (Asia Pacific) Pte Ltd, accordingly the results of Ygl Convergence (Asia Pacific) Pte Ltd were not consolidated in the Ygl Group’s accounts in the financial year ended 31 December 2008. Arising therefrom, the total cost of investment of Ygl in Ygl Convergence (Asia Pacific) Pte. Ltd. amounting to RM1,314,404 were fully impaired in the financial year ended 31 December 2008. For the cumulative quarter ended 31 December 2008, Ygl Group incurred a loss before taxation (“LBT”) of RM4,257,929 of which RM1,314,404 was due to the impairment of Ygl Convergence (Asia Pacific) Pte. Ltd.

14. Material Changes in Profit Before Tax Against Preceding Quarter

There was a loss before taxation (“LBT”) of RM3,673,605 for 4Q2008 as compared to the loss LBT in the preceding third quarter ended 30 September 2008 (“3Q2008”) of RM887,807. The LBT was mainly due to the sharp downturn in revenue recorded coupled with continuous maintenance of the core management team and research and development of existing and new software. Compared to 3Q2008, in 4Q2008, the Company had made certain provision for doubtful debts and wrote down inventories amounting to a total of RM647,408. In addition, Ygl also incurred share of results of associated company amounting to RM177,802 as well as impairment of Ygl Convergence (Asia Pacific) Pte. Ltd. amounting to RM1,314,404 as discussed above.

15. Corporate Proposals

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

16. Prospects for 2009

The deepening of the global financial crisis started in 2008 and continuing into 2009 has dampened the demand for information technology expenditure in the Asia region where Ygl Group is represented. Certain prospective customers either cancelled or delayed their investments in information technology to preserve their cash reserve to see their operation through the financial turmoil. The revenue prospect for 2009 is less encouraging unless the global economy is perceived to be recovering in later financial quarters. The Group sees some opportunities to embark on new product lines and business ventures that compliment the core competency of Ygl Group. Ygl Group also sees the need to preserve the core management team, speed up its research and development efforts, and increase the penetration in the market space that Ygl Group is representing.

17. Taxation

	Current Quarter	Cumulative Quarter
	31 Dec 2008	31 Dec 2008
	RM	RM
Current tax expense/(recoverable)	6,111	28,588

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 31 December 2008, Ygl has utilised approximately RM3.35 million.

21. Cash and cash equivalents

	As at 31 Dec 2008 RM'000
Fixed deposit	6,964
Cash and bank balances	1,531
	<u>8,495</u>

22. Company Borrowings and Debt Securities

Unsecured	As at 31 Dec 2008 RM
<u>Payable within 12 months</u> Hire purchase liability	72,014
<u>Payable after 12 months</u> Hire purchase liability	132,354
Total	<u>204,368</u>

The Group does not have any foreign currency borrowings.

23. Capital Commitment

As at 23 February 2009 (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 23 February 2009 (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 fourth quarter ended 31 December 2008, there were no significant related party transactions entered into 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.

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 December		Cumulative 12 months ended 31 December	
	2008	2007	2008	2007
Profits/(Loss) for the period attributable to shareholders (RM)	(3,603,117)	(222,569)	(4,180,286)	1,232,853
Weighted average number of ordinary shares in issue	145,434,000	143,461,667	145,434,000	143,461,667
Basic earnings/loss per share (sen)	(2.48)	(0.16)	(2.87)	0.86