

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
FOR THE FIRST QUARTER ENDED 31 MARCH 2009

| | Note | Individual Quarter 3 months ended 31 March | | Cumulative Quarter 3 months ended 31 March | |
|---|------|--|-----------------------|--|-----------------------|
| | | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Revenue | | 1,945,335 | 2,935,279 | 1,945,335 | 2,935,279 |
| Cost of Sales | | <u>(1,523,798)</u> | <u>(1,722,618)</u> | <u>(1,523,798)</u> | <u>(1,722,618)</u> |
| Gross Profit / (Loss) | | 421,537 | 1,212,661 | 421,537 | 1,212,661 |
| Other Operating Income | | 63,720 | 126,208 | 63,720 | 126,208 |
| Selling and Distribution Costs | | (750) | (51,061) | (750) | (51,061) |
| Administrative Expenses | | (272,427) | (218,966) | (272,427) | (218,966) |
| Other Operating Expenses | | (579,439) | (637,416) | (579,439) | (637,416) |
| Finance Costs | | (2,261) | (2,414) | (2,261) | (2,414) |
| Share of Results of Associated Company | | (208,098) | - | (208,098) | - |
| Profit / (Loss) Before Tax | | <u>(577,718)</u> | <u>429,012</u> | <u>(577,718)</u> | <u>429,012</u> |
| Income Tax Expense | 17 | (7,307) | (33,684) | (7,307) | (33,684) |
| Profit / (Loss) for the period | | <u>(585,025)</u> | <u>395,328</u> | <u>(585,025)</u> | <u>395,328</u> |
| Attributable to: | | | | | |
| Equity Holders of the Parent | | (549,061) | 372,637 | (549,061) | 372,637 |
| Minority Interest | | (35,964) | 22,691 | (35,964) | 22,691 |
| | | <u>(585,025)</u> | <u>395,328</u> | <u>(585,025)</u> | <u>395,328</u> |
| Basic earnings per share attributable to equity holders of the parent (sen) | 29 | -0.38 | 0.26 | -0.38 | 0.26 |

This condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to this interim financial report.

The results for the period ended 31 March 2008 included the results of Ygl Convergence (Asia Pacific) Pte Ltd but the results were excluded from this quarter as Ygl Convergence (Asia Pacific) Pte Ltd were deconsolidated as at 31 December 2008 due to loss of control.

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2009

| Note | 31 March 2009 (Unaudited) RM | 31 December 2008 (Audited) RM |
|--|------------------------------------|-------------------------------------|
| ASSETS | | |
| Non-Current Assets | | |
| Property, Plant and Equipment | 4,861,456 | 4,760,079 |
| Investment Property | 288,927 | 289,046 |
| Intangible Assets (R&D, Goodwill) | 3,494,840 | 3,062,651 |
| Investment in Associate Company | 291,902 | 322,220 |
| Other Investment | 1 | 990,932 |
| Deferred Tax Assets | 28,333 | - |
| | <u>8,965,459</u> | <u>9,424,928</u> |
| Current Assets | | |
| Trade Receivables | 2,672,743 | 1,743,764 |
| Deposits & Prepayment | 137,851 | 230,232 |
| Other Receivables | 3,284,217 | 1,970,031 |
| Tax Recoverable | 214,888 | 214,888 |
| Fixed Deposit | 5,215,775 | 5,972,987 |
| Cash and bank balances | 1,168,337 | 1,550,122 |
| | <u>12,693,811</u> | <u>11,682,024</u> |
| Total Assets | <u>21,659,270</u> | <u>21,106,952</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the parent | | |
| Share Capital | 14,543,400 | 14,543,400 |
| Share Premium | 2,335,128 | 2,335,128 |
| Revaluation Reserve | 168,599 | 16,704 |
| Retained Earnings | (518,623) | 30,438 |
| Equity Attributable to shareholders of the parent | <u>16,528,504</u> | <u>16,925,670</u> |
| Minority Interest | 115,712 | 151,676 |
| Total Equity | <u>16,644,216</u> | <u>17,077,346</u> |
| Non Current Liabilities | | |
| Hire purchase liability | 110,300 | 134,205 |
| Deferred tax liabilities | 15,563 | 15,563 |
| Total Non Current Liabilities | <u>125,863</u> | <u>149,768</u> |
| Current Liabilities | | |
| Hire Purchase Creditor | 72,014 | 72,868 |
| Trade & Other Payables | 2,671,935 | 2,473,812 |
| Deferred Revenue | 2,116,909 | 1,318,844 |
| Current Tax Liabilities | 28,333 | 14,314 |
| | <u>4,889,191</u> | <u>3,879,838</u> |
| Total Equity and Liabilities | <u>21,659,270</u> | <u>21,106,952</u> |
| Net assets per share attributable to ordinary equity holders of the parent (sen) | 11.36 | 11.64 |

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to this interim financial report.

The results for the period ended 31 March 2008 included the results of Ygl Convergence (Asia Pacific) Pte Ltd but the results were excluded from this quarter as Ygl Convergence (Asia Pacific) Pte Ltd were deconsolidated as at 31 December 2008 due to loss of control.

YGL CONVERGENCE BERHAD (649013-W)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

| | Note | Share Capital RM | Share Premium RM | Revaluation Reserve RM | Retained Earnings RM | Minority Interests RM | Total RM |
|----------------------------------|------|------------------------|------------------------|------------------------------|----------------------------|-----------------------------|-------------------|
| <i>Audited</i> | | | | | | | |
| 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) | - | - | - | - |
| Share issue and listing expenses | | - | - | - | - | - | - |
| Exchange translation reserve | | - | - | 10,356 | - | - | 10,356 |
| Acquisition of subsidiaries | | - | - | - | - | - | - |
| Net loss for the year | | - | - | - | (4,144,719) | (100,694) | (4,245,413) |
| Deconsolidation of subsidiary | | - | - | (469) | (58,044) | (91,418) | (149,931) |
| At 31 December 2008 | | <u>14,543,400</u> | <u>2,335,128</u> | <u>16,704</u> | <u>30,438</u> | <u>151,676</u> | <u>17,077,346</u> |
| <i>Unaudited</i> | | | | | | | |
| At 1 January 2009 | | 14,543,400 | 2,335,128 | 16,704 | 30,438 | 151,676 | 17,077,346 |
| Issuance of shares | | - | - | - | - | - | - |
| Exchange translation reserve | | - | - | 151,895 | - | - | 151,895 |
| Profit for the period | | - | - | - | -549,061 | (35,964) | (585,025) |
| At 31 March 2009 | | <u>14,543,400</u> | <u>2,335,128</u> | <u>168,599</u> | <u>-518,623</u> | <u>115,712</u> | <u>16,644,216</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 2008 and the accompanying explanatory notes attached to this interim report.

The results for the period ended 31 March 2008 included the results of Ygl Convergence (Asia Pacific) Pte Ltd but the results were excluded from this quarter as Ygl Convergence (Asia Pacific) Pte Ltd were deconsolidated as at 31 December 2008 due to loss of control.

YGL CONVERGENCE BERHAD (649013-W)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

| | Note | 3 MONTHS ENDED 31 MARCH | |
|---|------|-------------------------|--------------------|
| | | 2009 RM | 2008 RM |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit / (Loss) before taxation | | (577,718) | 429,012 |
| Adjustment for:- | | | |
| Depreciation | | 62,701 | 50,309 |
| Amortisation of development costs | | 155,620 | 120,632 |
| Allowance for doubtful debts | | 13,777 | - |
| Foreign Exchange Gain | | 23,882 | -54,310 |
| Interest Expense | | 2,261 | 2,414 |
| Interest Income | | (51,877) | -84,533 |
| Operating profit before working capital changes | | (371,354) | 463,524 |
| | | | |
| (Increase)/Decrease in inventories | | - | 139,856 |
| (Increase)/Decrease in receivables | | (1,409,770) | -3,369,961 |
| Increase/(Decrease) in payables | | 370,307 | 1,642,032 |
| | | | |
| Cash generated from operations | | (1,410,817) | -1,124,549 |
| Tax paid | | (7,307) | -33,684 |
| Interest paid | | (2,261) | -2,414 |
| | | | |
| NET CASH (FOR)/FROM OPERATING ACTIVITIES | | (1,420,385) | -1,160,647 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Development costs incurred | | (576,378) | -241,765 |
| Purchase of property, plant and equipment | | (160,285) | (524,414) |
| Disposal of other investment | | 990,932 | - |
| Interest received | | 51,877 | 84,533 |
| | | | |
| NET CASH (FOR)/FROM INVESTING ACTIVITIES | | 306,146 | -681,646 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Repayment of Hire Purchase | | (24,758) | (18,004) |
| | | | |
| NET CHANGE IN CASH AND BANK BALANCES | | (1,138,997) | (1,860,297) |
| | | | |
| CASH AND BANK BALANCES AT 1 JANUARY | | 7,523,109 | 13,476,200 |
| | | | |
| CASH AND BANK BALANCES AT 31 MARCH | | 6,384,112 | 11,615,903 |
| NOTES TO CASH FLOW STATEMENT | | | |
| Cash and cash equivalents comprise of: | | | |
| Fixed Deposits | | 5,215,775 | 9,290,454 |
| Cash and bank balances | | 1,168,337 | 2,325,449 |
| Bank Borrowings | | - | - |
| | | <u>6,384,112</u> | <u>11,615,903</u> |

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to this interim financial report.

The results for the period ended 31 March 2008 included the results of Ygl Convergence (Asia Pacific) Pte Ltd but the results were excluded from this quarter as Ygl Convergence (Asia Pacific) Pte Ltd were deconsolidated as at 31 December 2008 due to loss of control.

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 2008. 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 2008 as well as those policies adopted from the financial year beginning 1 January 2009 as disclosed therein (where applicable).

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.

**Ygi Convergence Berhad (649013-W) (“Ygi” or “Group”)
Quarterly report for the first quarter ended 31 March 2009**

8. Segmental Information

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

| <u>Segment</u> | 3 months ended 31 March | | Cumulative 3 months ended 31 March | |
|---|--------------------------------|------------------|---|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| <u>Revenue</u> | | | | |
| Revenue from operations: | | | | |
| Malaysia | 731,979 | 1,439,864 | 731,979 | 1,439,864 |
| Asia Pacific | 1,213,356 | 1,517,848 | 1,213,356 | 1,517,848 |
| Total revenue including inter-segment sales | 1,945,335 | 2,957,712 | 1,945,335 | 2,957,712 |
| Elimination of inter-segment sales | - | (22,433) | - | (22,433) |
| Total | 1,945,335 | 2,935,279 | 1,945,335 | 2,935,279 |

| <u>Segment Results</u> | 3 months ended 31 March | | Cumulative 3 months ended 31 March | |
|---------------------------|--------------------------------|----------------|---|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| Results from operations: | | | | |
| Malaysia | 16,247 | 597,171 | 16,247 | 597,171 |
| Asia Pacific | (383,606) | (165,745) | (383,606) | (165,745) |
| | (367,359) | 431,426 | (367,359) | 431,426 |
| Finance cost | (2,261) | (2,414) | (2,261) | (2,414) |
| Share of associate's loss | (208,098) | - | (208,098) | - |
| Tax expense | (7,307) | (33,684) | (7,307) | (33,684) |
| Minority interest | 35,964 | (22,691) | 35,964 | (22,691) |
| Total results | (549,061) | 372,637 | (549,061) | 372,637 |

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 2008.

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

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 22 May 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

The results of Ygl Convergence (Asia Pacific) Pte Ltd were excluded from this quarter as Ygl Convergence (Asia Pacific) Pte Ltd were deconsolidated as at 31 December 2008 due to loss of control. For the first quarter ended 31 March 2009 (“1Q2009”), Ygl Group recorded a revenue of RM1,945,335 representing a decrease of 33.7% compared to a revenue of RM2,935,279 achieved in the same quarter last year (“1Q2008”). Gross profit decreased by 65.2% to RM421,537 in 1Q2009 from RM1,212,661 in 1Q2008. This is mainly due to low demand for enterprise solutions both in Malaysia and overseas. The decrease in gross profit is due to the maintenance of existing direct professional workforce, maintenance of salary cost for new business unit, and the amortization of development cost for certain new products which were deemed necessary in anticipation of the future plans of the Group.

14. Material Changes in Profit Before Tax Against Preceding Quarter

There was a loss before taxation (“LBT”) of RM577,718 for 1Q2009, of which RM208,098 was attributable to the share of results in the newly acquired associate company, Ygl iBay International Sdn Bhd, as compared to LBT in the preceding fourth quarter ended 31 December 2008 (“4Q2008”) of RM3,673,605. The LBT was mainly due to the sharp downturn in revenue recorded coupled with expenses incurred associated with continuous maintenance of the core management team and research and development of existing and new software. In 1Q2009, the Company had provided for doubtful debts amounting RM13,777 whilst in 4Q2008, the Company had written off bad debts, provided for certain doubtful debts and written down inventories amounting to a total of RM703,098, in addition to the impairment loss of Ygl Convergence (Asia Pacific) Pte. Ltd. amounting to RM1,314,404.

15. Corporate Proposals

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

16. Prospects for 2009

The global financial crisis which continues into 2009 has affected the information technology market but Ygl Group sees some opportunity to embark on new business ventures and vertical solutions that compliment and enhance the core competency of Ygl business solutions. The revenue prospect for 2009 remains less encouraging unless the global economy is perceived to be recovering in later financial quarters. Ygl Group also sees the need to preserve the core management team and consolidate its research and development efforts which are necessary to ensure future market penetration. Ygl Group will chart its growth path according to its business strategy to strive in the current economic condition.

17. Taxation

| | Current Quarter 31 March 2008 | Cumulative Quarter 31 March 2008 |
|---------------------|--|---|
| | RM | RM |
| Current tax expense | 7,307 | 7,307 |

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)
Quarterly report for the first quarter ended 31 March 2009**

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. Renewal application has been submitted to the relevant authorities pending approval.

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 March 2009, Ygl has utilised approximately RM4.85 million.

21. Cash and cash equivalents

| | As at 31 March 2009 RM'000 |
|------------------------|---|
| Fixed deposit | 5,216 |
| Cash and bank balances | 1,168 |
| | <hr/> 6,384 <hr/> |

22. Company Borrowings and Debt Securities

| Unsecured | As at 31 March 2009 RM |
|---------------------------------|---------------------------------------|
| <u>Payable within 12 months</u> | |
| Hire purchase liability | 72,014 |
| <u>Payable after 12 months</u> | |
| Hire purchase liability | 110,300 |
| Total | <hr/> 182,314 <hr/> |

The Group does not have any foreign currency borrowings.

23. Capital Commitment

As at 22 May 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 22 May 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 first quarter ended 31 March 2009, there were no significant related party transactions entered into by the Group.

26. Material Litigation

Other than set out below, 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.

1. Ygl (hereinafter referred to as "Plaintiff") has served an affidavit in support of the Originating Summons dated 11 May 2009 against Toh Keng Ching, Heng Su Lin and Ygl Convergence (Asia Pacific) Pte Ltd ("Ygl Asia Pacific" (hereinafter referred to as "Defendants"). The affidavit is made in support of the Originating Summons is for the following orders:-
 - (i) The Plaintiff, as member holding 60% of the paid-up share capital of YGL Asia Pacific shall forthwith call, hold or conduct an extraordinary general meeting ("EGM") of YGL Asia Pacific for the purpose of considering and, if though fit, passing resolutions set out in the Schedule of the said Originating Summons.
 - (ii) One member of YGL Asia Pacific present in person or by proxy shall be deemed to constitute a quorum at the EGM.
 - (iii) That such directions as to the manner in which the aforesaid matters be conducted and all such ancillary and consequential directions as the Court may think expedient, be given.
 - (iv) The costs of this application be paid by the Defendants to the Plaintiff.
 - (v) Such further to other orders as his Honorable Court shall deem fit.
 - (vi) That the Plaintiff be given liberty to apply.

The Board of Directors of Ygl are of the opinion that the case is defensible but not withstanding that, the claims are not expected to have a material impact on the Company's performance as Ygl Asia Pacific was already deconsolidated from 31 December 2008.

The Solicitors of Ygl will take the necessary steps to defend the claims and to counter claim against the defendants in the legal suit. No hearing date has been fixed as at the date of issuance of this report.

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)
Quarterly report for the first quarter ended 31 March 2009**

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 March | | Cumulative 3 months ended 31 March | |
|---|------------------------------------|-------------|---|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| Profits/(Loss) for the period attributable to shareholders (RM) | (549,061) | 372,637 | (549,061) | 372,637 |
| Weighted average number of ordinary shares in issue | 145,434,000 | 145,434,000 | 145,434,000 | 145,434,000 |
| Basic earnings/loss per share (sen) | (0.38) | 0.26 | (0.38) | 0.26 |