

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
FOR THE SECOND QUARTER ENDED 30 JUNE 2009

	Note	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
		2009 RM	2008 RM	2009 RM	2008 RM
Revenue		2,025,983	3,083,572	3,971,318	6,018,851
Cost of Sales		<u>(1,726,468)</u>	<u>(2,369,985)</u>	<u>(3,250,266)</u>	<u>(4,092,603)</u>
Gross Profit / (Loss)		299,515	713,587	721,052	1,926,248
Other Operating Income		39,132	102,826	102,852	229,034
Selling and Distribution Costs		(11,432)	(36,071)	(12,182)	(87,132)
Administrative Expenses		(203,761)	(215,903)	(476,188)	(435,057)
Other Operating Expenses		(370,195)	(689,503)	(949,634)	(1,326,919)
Finance Costs		(2,262)	(2,297)	(4,523)	(4,523)
Share of Results of Associated Company		138,217	-	(69,881)	-
Profit / (Loss) Before Tax		<u>(110,786)</u>	<u>(127,361)</u>	<u>(688,504)</u>	<u>301,651</u>
Income Tax Expense	17	(8,536)	(29,924)	(15,843)	(63,608)
Profit / (Loss) for the period		<u>(119,322)</u>	<u>(157,285)</u>	<u>(704,347)</u>	<u>238,043</u>
Attributable to:					
Equity Holders of the Parent		(102,829)	(167,303)	(651,890)	205,334
Minority Interest		(16,493)	10,018	(52,457)	32,709
		<u>(119,322)</u>	<u>(157,285)</u>	<u>(704,347)</u>	<u>238,043</u>
Basic earnings per share attributable to equity holders of the parent (sen)	29	-0.07	-0.12	-0.45	0.14

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 30 June 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 30 JUNE 2009

Note	30 June 2009 (Unaudited) RM	31 December 2008 (Audited) RM
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	4,931,526	4,760,079
Investment Property	288,808	289,046
Intangible Assets (R&D, Goodwill)	3,811,475	3,062,651
Investment in Associate Company	251,445	322,220
Other Investment	1	990,932
Deferred Tax Assets	28,333	-
	<u>9,311,588</u>	<u>9,424,928</u>
Current Assets		
Trade Receivables	2,044,805	1,743,764
Deposits & Prepayment	138,345	230,232
Other Receivables	2,943,468	1,970,031
Tax Recoverable	214,888	214,888
Fixed Deposit	4,243,448	5,972,987
Cash and bank balances	1,323,083	1,550,122
	<u>10,908,037</u>	<u>11,682,024</u>
Total Assets	<u>20,219,625</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
Exchange Translation Reserve	(52,896)	16,704
Retained Earnings	(621,452)	30,438
Equity Attributable to shareholders of the parent	<u>16,204,180</u>	<u>16,925,670</u>
Minority Interest	99,219	151,676
Total Equity	<u>16,303,399</u>	<u>17,077,346</u>
Non Current Liabilities		
Hire purchase liability	99,052	134,205
Deferred tax liabilities	15,563	15,563
Total Non Current Liabilities	<u>114,615</u>	<u>149,768</u>
Current Liabilities		
Hire Purchase Creditor	72,014	72,868
Trade & Other Payables	2,289,160	2,473,812
Deferred Revenue	1,412,104	1,318,844
Current Tax Liabilities	28,333	14,314
	<u>3,801,611</u>	<u>3,879,838</u>
Total Equity and Liabilities	<u>20,219,625</u>	<u>21,106,952</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	11.14	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 30 June 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 SECOND QUARTER ENDED 30 JUNE 2009**

	Note	Share Capital RM	Share Premium RM	Exchange Translation Reserve RM	Retained Earnings RM	Total RM	Minority Interests RM	Total Equity RM
<i>Audited</i>								
At 1 January 2008		7,271,700	9,606,828	6,817	4,233,201	21,118,546	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	-	10,356
Acquisition of subsidiaries		-	-	-	-	-	-	-
Net loss for the year		-	-	-	(4,144,719)	(4,144,719)	(100,694)	(4,245,413)
Deconsolidation of subsidiary		-	-	(469)	(58,044)	(58,513)	(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>16,925,670</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	16,925,670	151,676	17,077,346
Issuance of shares		-	-	-	-	-	-	-
Exchange translation reserve		-	-	(69,600)	-	(69,600)	-	(69,600)
Net loss for the period		-	-	-	(651,890)	(651,890)	(52,457)	(704,347)
At 30 June 2009		<u>14,543,400</u>	<u>2,335,128</u>	<u>(52,896)</u>	<u>(621,452)</u>	<u>16,204,180</u>	<u>99,219</u>	<u>16,303,399</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 30 June 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 SECOND QUARTER ENDED 30 JUNE 2009**

	Note	6 MONTHS ENDED 30 JUNE	
		2009 RM	2008 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		(688,504)	301,651
Adjustment for:-			
Depreciation		125,172	116,919
Amortisation of development costs		342,587	267,750
Allowance for doubtful debts		-	(725)
Foreign Exchange Gain		(6,236)	(30,103)
Interest Expense		4,523	4,523
Interest Income		(79,587)	(159,251)
Operating profit before working capital changes		(302,045)	500,764
(Increase)/Decrease in inventories		-	71,260
(Increase)/Decrease in receivables		(485,641)	(2,331,085)
Increase/(Decrease) in payables		(792,638)	1,240,910
Cash generated from operations		(1,580,324)	(518,151)
Tax paid		(15,843)	(63,607)
Interest paid		(4,523)	(4,523)
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(1,600,690)	(586,281)
 CASH FLOW FROM INVESTING ACTIVITIES			
Development costs incurred		(1,094,213)	(506,616)
Purchase of property, plant and equipment		(296,187)	(917,413)
Disposal of other investment		990,932	-
Interest received		79,587	159,251
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(319,881)	(1,264,778)
 CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Hire Purchase		(36,007)	(36,007)
NET CHANGE IN CASH AND BANK BALANCES		(1,956,578)	(1,887,066)
CASH AND BANK BALANCES AT 1 JANUARY		7,523,109	13,476,200
CASH AND BANK BALANCES AT 30 JUNE		5,566,531	11,589,134
 NOTES TO CASH FLOW STATEMENT			
Cash and cash equivalents comprise of:			
Fixed Deposits		4,243,448	8,872,327
Cash and bank balances		1,323,083	2,716,807
Bank Borrowings		-	-
		<u>5,566,531</u>	<u>11,589,134</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 30 June 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 ACE 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 second quarter ended 30 June 2009**

8. Segmental Information

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

	3 months ended 30 June		Cumulative 6 months ended 30 June	
	2009	2008	2009	2008
<u>Segment Revenue</u>				
Revenue from operations:				
Malaysia	890,166	1,030,971	1,622,145	2,470,835
Asia Pacific	1,222,600	2,060,142	2,435,956	3,577,990
Total revenue including inter-segment sales	2,112,766	3,091,113	4,058,101	6,048,825
Elimination of inter-segment sales	(86,783)	(7,541)	(86,783)	(29,974)
Total	2,025,983	3,083,572	3,971,318	6,018,851

	3 months ended 30 June		Cumulative 6 months ended 30 June	
	2009	2008	2009	2008
<u>Segment Results</u>				
Results from operations:				
Malaysia	(110,403)	108,529	(94,156)	734,198
Asia Pacific	(136,338)	(253,629)	(519,944)	(493,443)
	(246,741)	(145,100)	(614,100)	240,755
Finance cost	(2,262)	(2,297)	(4,523)	(4,523)
Share of associate's profit / (loss)	138,217	-	(69,881)	-
Tax expense	(8,536)	(29,924)	(15,843)	(63,607)
Minority interest	16,493	10,018	52,457	32,709
Total results	(102,829)	(167,303)	(651,890)	205,334

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 21 August 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 (“YGLAP”) 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 second quarter ended 30 June 2009 (“2Q2009”), Ygl Group recorded a revenue of RM3,971,318 representing a decrease of 34% compared to a revenue of RM6,018,851 achieved in the same quarter last year (“2Q2008”). Gross profit decreased by 62.6% to RM721,052 in 2Q2009 from RM1,926,248 in 2Q2008. This was mainly due to substantially curtailed sales for enterprise solutions both in Malaysia and overseas. It was also attributable to the deconsolidation of sales of YGLAP amounting to RM774,760. The decrease in gross profit was due to lower revenue and the retaining of core professional workforce, maintaining of salary cost for newly set up business unit, and amortizing of development cost for designated software.

14. Material Changes in Profit Before Tax Against Preceding Quarter

There was a loss before taxation (“LBT”) of RM110,786 for 2Q2009 as compared to LBT in the preceding first quarter ended 31 March 2009 (“1Q2009”) of RM577,718. The difference was due to an overprovision of loss of RM179,600 in associated company provided for in 1Q2009 which was subsequently reversed in 2Q2009 and certain cost control measures that were concurrently implemented to curb expenditures.

15. Corporate Proposals

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

16. Prospects for 2009

The market demand for enterprise solutions continues to be subdued under the prolonged impact of the current economic condition but Ygl Group alternatively engages the opportunity to compliment and enhance the core competency of Ygl existing business solutions with new vertical solutions. The revenue prospect for 2009 remains less encouraging unless the global market is perceived to be recovering in the future financial quarters. Ygl Group will continue to preserve the core professional staff as well as strengthen the research and development teams which are essential for future market growth according to its business strategy.

17. Taxation

	Current Quarter	Cumulative Quarter
	30 June 2009	30 June 2009
	RM	RM
Current tax expense	8,536	15,843

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)
Quarterly report for the second quarter ended 30 June 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 30 June 2009, Ygl has utilised approximately RM5.43 million.

21. Cash and cash equivalents

	As at 30 June 2009 RM'000
Fixed deposit	4,243
Cash and bank balances	1,323
	<hr/> 5,566 <hr/>

22. Company Borrowings and Debt Securities

Unsecured	As at 30 June 2009 RM
<u>Payable within 12 months</u>	
Hire purchase liability	72,014
<u>Payable after 12 months</u>	
Hire purchase liability	99,052
Total	<hr/> 171,066 <hr/>

The Group does not have any foreign currency borrowings.

23. Capital Commitment

As at 21 August 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 21 August 2009 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

25. Significant Related Party Transactions

There was no other significant related party transaction entered by the Group other than set out below.

The Company's wholly owned subsidiary, namely Ygl Convergence Malaysia Sdn Bhd had entered into an enterprise solution contract with Paycomm Network Sdn Bhd (“Paycomm”) involving the sale of software, hardware and professional services amounting to RM337,071. The director and shareholder of Paycomm is Dato' Muhammad Farid Bin Haji Ahmad Ridhwan (“Dato' Farid”), who is also the independent non-executive director of the Company. The transaction is in the normal course of business and based on normal market terms and conditions.

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.

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 (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 Convergence (Asia Pacific) Pte Ltd (the "Company") shall forthwith call, hold or conduct an extraordinary general meeting ("EGM") of the Company for the purpose of considering and, if though fit, passing resolutions set out in the Schedule.
- (ii) One member of the Company 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.

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)
Quarterly report for the second quarter ended 30 June 2009**

The Solicitors of Ygl had postponed the hearing date on 10 June 2009 pending negotiation between Ygl and the Defendants. No new hearing date has been fixed as at the date of issuance of this report.

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 30 June		Cumulative 6 months ended 30 June	
	2009	2008	2009	2008
Profits/(Loss) for the period attributable to shareholders (RM)	(102,829)	(167,303)	(651,890)	205,334
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)	(0.07)	(0.12)	(0.45)	0.14