

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009

	Note	Individual Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
		2009 RM	2008 RM	2009 RM	2008 RM
Revenue		2,224,212	1,952,241	6,195,530	7,971,092
Cost of Sales		<u>(2,456,541)</u>	<u>(1,948,710)</u>	<u>(5,706,807)</u>	<u>(6,041,313)</u>
Gross Profit / (Loss)		(232,329)	3,531	488,723	1,929,779
Other Operating Income		24,570	105,949	127,422	334,983
Selling and Distribution Costs		(5,000)	(19,856)	(17,182)	(106,988)
Administrative Expenses		(235,818)	(234,611)	(712,006)	(669,668)
Other Operating Expenses		(551,013)	(740,371)	(1,500,647)	(2,067,290)
Finance Costs		(1,632)	(2,449)	(6,155)	(6,972)
Share of Results of Associated Company		(19,347)	-	(89,228)	-
Profit / (Loss) Before Tax		<u>(1,020,569)</u>	<u>(887,807)</u>	<u>(1,709,073)</u>	<u>(586,156)</u>
Income Tax Expense	17	2,979	41,131	(12,864)	(22,477)
Profit / (Loss) for the period		<u>(1,017,590)</u>	<u>(846,676)</u>	<u>(1,721,937)</u>	<u>(608,633)</u>
Attributable to:					
Equity Holders of the Parent		(1,030,273)	(785,068)	(1,682,163)	(579,734)
Minority Interest		12,683	(61,608)	(39,774)	(28,899)
		<u>(1,017,590)</u>	<u>(846,676)</u>	<u>(1,721,937)</u>	<u>(608,633)</u>
Basic earnings per share attributable to equity holders of the parent (sen)	29	-0.71	-0.54	-1.16	-0.40

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 September 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 SEPTEMBER 2009

	Note	30 September 2009 (Unaudited) RM	31 December 2008 (Audited) RM
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		4,932,965	4,760,079
Investment Property		288,688	289,046
Intangible Assets (R&D, Goodwill)		4,126,105	3,062,651
Investment in Associate Company		232,436	322,220
Other Investment		1	990,932
Deferred Tax Assets		28,333	-
		<u>9,608,528</u>	<u>9,424,928</u>
Current Assets			
Trade Receivables		1,763,730	1,743,764
Deposits & Prepayment		135,127	230,232
Other Receivables		2,302,223	1,970,031
Tax Recoverable		224,884	214,888
Fixed Deposit		3,359,229	5,972,987
Cash and bank balances		746,539	1,550,122
		<u>8,531,732</u>	<u>11,682,024</u>
Total Assets		<u>18,140,260</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		(186,996)	16,704
Retained Earnings		(1,651,725)	30,438
Equity Attributable to shareholders of the parent		<u>15,039,807</u>	<u>16,925,670</u>
Minority Interest		111,901	151,676
Total Equity		<u>15,151,708</u>	<u>17,077,346</u>
Non Current Liabilities			
Hire purchase liability		73,684	134,205
Deferred tax liabilities		15,563	15,563
Total Non Current Liabilities		<u>89,247</u>	<u>149,768</u>
Current Liabilities			
Hire Purchase Creditor		71,994	72,868
Trade & Other Payables		1,643,026	2,473,812
Deferred Revenue		1,155,952	1,318,844
Current Tax Liabilities		28,333	14,314
		<u>2,899,305</u>	<u>3,879,838</u>
Total Equity and Liabilities		<u>18,140,260</u>	<u>21,106,952</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)		10.34	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 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 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		-	-	(203,700)	-	(203,700)	-	(203,700)
Net loss for the period		-	-	-	(1,682,163)	(1,682,163)	(39,775)	(1,721,938)
At 30 September 2009		<u>14,543,400</u>	<u>2,335,128</u>	<u>(186,996)</u>	<u>(1,651,725)</u>	<u>15,039,807</u>	<u>111,901</u>	<u>15,151,708</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 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2009**

	Note	9 MONTHS ENDED 30 SEPTEMBER	
		2009 RM	2008 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		(1,709,073)	(586,156)
Adjustment for:-			
Depreciation		191,210	188,895
Amortisation of development costs		564,220	449,602
Allowance for doubtful debts		-	(725)
Foreign Exchange Gain		(16,684)	34,730
Interest Expense		6,155	6,972
Interest Income		(95,396)	(230,772)
Operating profit before working capital changes		(1,059,568)	(137,454)
(Increase)/Decrease in inventories		-	(178,403)
(Increase)/Decrease in receivables		(219,738)	(1,342,949)
Increase/(Decrease) in payables		(1,143,425)	1,297,267
Cash generated from operations		(2,422,731)	(361,539)
Tax paid		(12,864)	(22,477)
Interest paid		(6,155)	(6,972)
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(2,441,750)	(390,988)
 CASH FLOW FROM INVESTING ACTIVITIES			
Development costs incurred		(1,635,603)	(995,062)
Purchase of property, plant and equipment		(364,922)	(1,663,755)
Disposal of other investment		990,932	-
Interest received		95,396	230,772
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(914,197)	(2,428,045)
 CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Hire Purchase		(61,394)	(54,011)
NET CHANGE IN CASH AND BANK BALANCES		(3,417,341)	(2,873,044)
CASH AND BANK BALANCES AT 1 JANUARY		7,523,109	13,476,200
CASH AND BANK BALANCES AT 30 SEPTEMBER		4,105,768	10,603,156
 NOTES TO CASH FLOW STATEMENT			
Cash and cash equivalents comprise of:			
Fixed Deposits		3,359,229	8,185,517
Cash and bank balances		746,539	2,417,639
Bank Borrowings		-	-
		<u>4,105,768</u>	<u>10,603,156</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 September 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.

8. Segmental Information

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

	3 months ended 30 September		Cumulative 9 months ended 30 September	
	2009	2008	2009	2008
<u>Segment Revenue</u>				
Revenue from operations:				
Malaysia	438,043	456,531	2,060,188	2,927,366
Asia Pacific	1,808,947	1,506,861	4,244,903	5,084,851
Total revenue including inter-segment sales	2,246,990	1,963,392	6,305,091	8,012,217
Elimination of inter-segment sales	(22,778)	(11,151)	(109,561)	(41,125)
Total	2,224,212	1,952,241	6,195,530	7,971,092

	3 months ended 30 September		Cumulative 9 months ended 30 September	
	2009	2008	2009	2008
<u>Segment Results</u>				
Results from operations:				
Malaysia	(870,640)	(406,735)	(964,796)	327,275
Asia Pacific	(128,950)	(478,623)	(648,894)	(906,459)
	(999,590)	(885,358)	(1,613,690)	(579,184)
Finance cost	(1,632)	(2,449)	(6,155)	(6,972)
Share of associate's profit / (loss)	(19,347)	-	(89,228)	-
Tax expense	2,979	41,131	(12,864)	(22,477)
Minority interest	(12,683)	61,608	39,774	28,899
Total results	(1,030,273)	(785,068)	(1,682,163)	(579,734)

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 other 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 23 November 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 quarter under review, Ygl Group recorded a revenue of RM2,224,212 which was an increase of 13.9% as compared to a revenue of RM1,952,241 achieved in the preceding year corresponding quarter ended 30 September 2008. However, gross loss for the quarter under review was RM232,329 as compared to gross profit of RM3,531 for the preceding year corresponding quarter. This was mainly due to increase in direct cost for project in the new business unit and increase in amortization of development cost.

For the nine months period ended 30 September 2009, Ygl Group recorded a revenue of RM6,195,530 representing a decrease of 22.3% as compared to a revenue of RM7,971,092 achieved in the nine month period ended 30 September 2008. This was mainly due to lower revenue from sales of enterprise solutions both in Malaysia and overseas. It was also attributable to the deconsolidation of sales of YGLAP amounting to RM970,853. The results of YGLAP were excluded from the nine months period ended 30 September 2009 as the results of YGLAP were deconsolidated as at 31 December 2008 due to loss of control. Gross profit decreased by 74.7% to RM488,723 for nine months period ended 30 September 2009 from RM1,929,779 as achieved in nine months period ended 30 September 2008. This was due to decrease in revenue, the maintenance costs of core professional workforce both in Malaysia and overseas, the operation cost for newly set up business unit, and the amortization of development cost for Ygl owned developed software.

14. Material Changes in Profit Before Tax Against Preceding Quarter

There was a loss before taxation (“LBT”) of RM1,020,569 for the quarter under review as compared to LBT of RM110,786 recorded in the preceding second quarter ended 30 June 2009. This was attributable to high maintenance costs of core professional workforce and the amortization of development costs in the quarter under review.

15. Corporate Proposals

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

16. Prospects for 2009

The revenue prospect for 2009 continues to be challenging until the market demand for enterprise resource planning solutions recovers in the future financial quarters. Strengthening of the professional workforce and research and development effort will persist as they are deemed to be essential for future growth for Ygl Group.

17. Taxation

	Current Quarter	Cumulative Quarter
	30 September 2009	30 September 2009
	RM	RM
Current tax expense/(tax recoverable)	(2,979)	12,864

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 processed by the relevant authorities pending approval by the Ministry of Finance.

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 2009, Ygl has utilised approximately RM7.376 million.

21. Cash and cash equivalents

	As at 30 September 2009 RM'000
Fixed deposit	3,359
Cash and bank balances	747
	<u>4,106</u>

22. Company Borrowings and Debt Securities

Unsecured	As at 30 September 2009 RM
<u>Payable within 12 months</u>	
Hire purchase liability	71,994
<u>Payable after 12 months</u>	
Hire purchase liability	73,684
Total	<u>145,678</u>

The Group does not have any foreign currency borrowings.

23. Capital Commitment

As at 23 November 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 November 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 third quarter ended 30 September 2009, there was no significant related party transaction entered 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.

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.

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 September		Cumulative 9 months ended 30 September	
	2009	2008	2009	2008
Profits/(Loss) for the period attributable to shareholders (RM)	(1,030,273)	(785,068)	(1,682,163)	(579,734)
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)	(0.71)	(0.54)	(1.16)	(0.40)