

YGL CONVERGENCE BERHAD (649013-W)

**CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2005**

(AFTER acquisition of Ygl Consulting Sdn Bhd and Ygl Multimedia Resources Sdn Bhd)

	<u>NOTE</u>	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
		QUARTER ENDED 30/06/2005	CORRESPONDING QUARTER ENDED 30/06/2004*	TO DATE 30/06/2005	CORRESPONDING PERIOD ENDED 30/06/2004*
		RM	RM	RM	RM
REVENUE		1,401,531	N/A	2,667,847	N/A
COST OF SALES		(730,417)	N/A	(1,041,449)	N/A
GROSS PROFIT		671,114	N/A	1,626,398	N/A
OTHER OPERATING INCOME		6,302	N/A	10,648	N/A
SELLING AND DISTRIBUTION COSTS		(16,958)	N/A	(20,240)	N/A
ADMINISTRATION EXPENSES		(41,960)	N/A	(67,365)	N/A
OTHER OPERATING EXPENSES		(61,003)	N/A	(115,946)	N/A
PROFIT FROM OPERATIONS		557,495	N/A	1,433,495	N/A
FINANCE COSTS		(204)	N/A	(1,420)	N/A
PROFIT BEFORE TAXATION		557,291	N/A	1,432,075	N/A
INCOME TAX EXPENSES	5	(75,624)	N/A	(130,415)	N/A
PROFIT AFTER TAXATION		481,667	N/A	1,301,660	N/A
MINORITY INTEREST		-	N/A	-	N/A
PROFIT AFTER TAXATION AND MINORITY INTEREST		481,667	N/A	1,301,660	N/A
PRE-ACQUISITION PROFIT	6	(162,163)	N/A	(982,156)	N/A
NET PROFITS ATTRIBUTABLE TO SHAREHOLDERS		319,504	N/A	319,504	N/A
EARNING PER SHARE (SEN) (AFTER PRE-ACQUISITION PROFIT)		3.74	N/A	7.23	N/A

Ygl Convergence Bhd completed the acquisition of Ygl Consulting Sdn Bhd ("YGLC") and Ygl Multimedia Resources Sdn Bhd ("YGLM") on 31 May 2005.

Notes:-

* Ygl Convergence Bhd was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 13 July 2005 and as such no corresponding figures for year 2004 have been included.

(The unaudited Consolidated Income Statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2004)

YGL CONVERGENCE BERHAD (649013-W)**CONSOLIDATED BALANCE SHEET****AS AT 30 JUNE 2005***(AFTER acquisition of Ygl Consulting Sdn Bhd and Ygl Multimedia Resources Sdn Bhd)*

	AS AT END OF CURRENT YEAR QUARTER ENDED 30/6/2005	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2004 *
	RM	RM
NON CURRENT ASSETS		
Fixed Assets	1,067,209	N/A
Investment in Associate Co.	10	N/A
Research and Development	507,915	N/A
Listing Expenditure	486,594	N/A
CURRENT ASSETS		
Inventories	134,690	N/A
Trade Receivables	2,078,290	N/A
Other Receivables	120,323	N/A
Cash and bank balances	620,619	N/A
	<u>2,953,922</u>	<u>N/A</u>
CURRENT LIABILITIES		
Other Payables	416,492	N/A
Tax Payable	57,130	N/A
	<u>473,622</u>	<u>N/A</u>
NET CURRENT ASSETS	2,480,300	N/A
	<u>4,542,028</u>	<u>N/A</u>
SHAREHOLDERS' EQUITY		
Share Capital	2,500,000	N/A
Retained Profits	314,084	N/A
Discount on Acquisition	1,727,944	N/A
	<u>4,542,028</u>	<u>N/A</u>
NTA per share (sen)	14.19	N/A

* Ygl Convergence Bhd was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 13 July 2005 and as such no corresponding figures for year 2004 have been included.

(The unaudited Condensed Balance Sheet should be read in conjunction with the annual audited financial statements for the year ended 31 December 2004)

YGL CONVERGENCE BERHAD (649013-W)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2005**

(AFTER acquisition of Ygl Consulting Sdn Bhd and Ygl Multimedia Resources Sdn Bhd)

	<u>Share Capital</u> RM	<u>Retained Profits</u> RM	<u>Discount on Acquisitions</u> RM	<u>Total</u> RM
As at 1 January 2005	2	(5,420)	-	(5,418)
Issuance of shares	2,499,998	-	-	2,499,998
Net profit for period	-	319,504	-	319,504
Discount on Acquisition of YGLC and YGLM	-	-	1,727,944	1,727,944
Balance as at 30 June 2005	<u>2,500,000</u>	<u>314,084</u>	<u>1,727,944</u>	<u>4,542,028</u>

(The unaudited Consolidated Statement of Changes in Equity should be read in conjunction with the annual audited financial statements for the year ended 31 December 2004)

YGL CONVERGENCE BERHAD (649013-W)
CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED 30 JUNE 2005

(AFTER acquisition of Ygl Consulting Sdn Bhd and Ygl Multimedia Resources Sdn Bhd)

	QUARTER ENDED 30/06/2005 RM	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2004 * RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,432,075	N/A
Adjustment for:-		
Amortisation of development costs	68,550	N/A
Depreciation	<u>18,242</u>	N/A
Operating profit before working capital changes	1,518,867	N/A
Increase in inventories	(71,907)	N/A
Increase in receivables	(363,190)	N/A
Decrease in payables	(451,362)	N/A
Increase in operating activities		
Tax paid	(182,083)	N/A
NET CASH (FOR)/FROM OPERATING ACTIVITIES	<u>450,325</u>	N/A
CASH FLOW FROM INVESTING ACTIVITIES		
Development costs incurred	(140,299)	N/A
Purchase of equipment	(7,064)	N/A
NET CASH (FOR)/FROM INVESTING ACTIVITIES	<u>(147,363)</u>	N/A
CASH FLOW FROM FINANCING ACTIVITIES	-	
NET CHANGE IN CASH AND BANK BALANCES	<u>302,962</u>	N/A
CASH AND BANK BALANCES AT 01.01.2005	317,657	N/A
CASH AND BANK BALANCES AT 30.06.2005	<u><u>620,619</u></u>	N/A
NOTES TO CASH FLOW STATEMENT		
Cash and cash equivalents comprise of:		
Cash and bank balances	<u><u>620,619</u></u>	N/A

* Ygl Convergence Bhd was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 13 July 2005 and as such no corresponding figures for year 2004 have been included.

(The unaudited Consolidated Cash Flow Statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2004)

NOTES TO THE FINANCIAL STATEMENT

1. Basis of Preparation

The interim financial report has been prepared in compliance with FRS 134, Interim Financial Reporting and the Listing Requirements of Bursa Malaysia Securities Berhad for the Mesdaq Market. The interim financial report should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2004.

The accounting policies and methods of computation adopted by the Company in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 December 2004.

2. Qualification of Financial Statement

The audit report on the preceding annual financial statements were not subject to any qualification.

3. Nature and Amount of Exceptional and Extraordinary Items

There were no unusual items in the financial statements under review.

4. Valuation of Plant and Equipment

The Company did not revalue any of its plant and equipment.

5. Taxation

The taxation charged is in respect of Ygl Consulting Sdn Bhd (“YGLC”) only. There is no taxation charged on Ygl Multimedia Resources Sdn Bhd (“YGLM”), 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

6. Pre-acquisition Profit

The acquisition by Ygl of Ygl’s two (2) wholly owned operating subsidiaries namely YGLC and YGLM was completed on 31 May 2005. As such, the profits generated by the aforesaid operating subsidiaries for the 5 month period ended 31 May 2005 amounting to RM982,156 are pre-acquisition profits

7. Profit on sale of Unquoted Investments and/or Properties

There were no disposal of unquoted investment and properties in the quarter ended 30 June 2005.

8. Purchase or Disposal of Quoted Securities

There were no purchases or disposals of quoted securities in the quarter ended 30 June 2005.

9. Changes in the Composition of the Group

There were no changes in Composition of the Company/Group except for the following:-

Acquisition of YGLC

Pursuant to the SPA between Ygl and the shareholders of YGLC dated 31 May 2005, which supplemented an earlier SPA dated 4 May 2004, Ygl acquired 300,000 ordinary shares of RM1.00 each in YGLC, representing 100.0% of the issued share capital of YGLC for a purchase consideration of RM2,199,998 satisfied entirely by the issue of 21,999,980 ordinary shares of RM0.10 each in Ygl (“Ygl Shares”) at par credited as fully paid up.

The purchase consideration was arrived at on a willing buyer-willing seller basis based on the NTA of YGLC as at 31 December 2003, of RM1,738,567 and its earnings potential. The acquisition of YGLC was completed on 31 May 2005.

Acquisition of YGLM

Pursuant to the SPA between Ygl and the shareholders of YGLM dated 4 May 2004, Ygl Convergence acquired 2 ordinary shares of RM1.00 each in YGLM, representing 100.0% of the issued share capital of YGLM for a purchase consideration of RM300,000 satisfied entirely by the issue of 3,000,000 Ygl Shares at par credited as fully paid up.

The purchase consideration was arrived at on a willing-buyer willing seller basis based on its earnings potential. YGLM achieved a PAT of RM928,793 for the FYE 31 December 2004 and its NTA as at 31 December 2004 stood at RM332,627. The acquisition of YGLM was completed on 31 May 2005.

Upon completion of the acquisitions, YGLC and YGLM became wholly-owned subsidiaries of Ygl and the issued and paid-up share capital of Ygl increased from RM2 comprising 20 Ygl Shares to RM2,500,000 comprising 25,000,000 Ygl Shares credited as fully paid-up.

10. Corporate Proposals

There were no corporate proposals announced or completed as at the date of this announcement except for the following: -

The Company issued a prospectus dated 17 June 2005 for the following:-

- (i) Public issue of 8,400,000 new Ygl Shares comprising
 - 5,560,000 new Ygl Shares by way of private placement to identified public investors;
 - 2,000,000 new Ygl Shares available for application by public; and
 - 840,000 new Ygl Shares available for application by eligible directors, employees and business associates of Ygl and its subsidiary companiesat an issue price of RM0.90 per ordinary share payable in full on application;
- (ii) Offer of employee share option scheme options in Ygl to its non-executive directors; and
- (iii) Bonus issue of 33,400,000 new Ygl Shares to be credited as fully paid-up to the shareholders of Ygl on the basis of one (1) new Ygl Share for every one (1) existing Ygl Share held in Ygl after the public issue

in conjunction with Ygl’s listing on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The new Ygl Shares were fully subscribed on its closing date on 27 June 2005 and the entire share capital of the company was listed on the MESDAQ Market on 13 July 2005.

11. Seasonal or Cyclical Factors

The business of the Company is not affected by any significant seasonal or cyclical factors.

12. Issuance and Repayment of Debt and Equity Securities

Save as disclosed in Note 9, there were no issuance 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 to date.

13. Company Borrowings and Debt Securities

As at 30 June 2005, the Company has no borrowings.

14. Contingent Liabilities

There was no contingent liability as at 23 August 2005 (the latest practicable date not earlier than 7 days from date of issue of this financial result).

15. Off Balance Sheet Financial Instruments

The Company does not have any financial instrument with off balance sheet risk as at 23 August 2005 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial result).

16. Review of Performance

For the second quarter ended 30 June 2005, the Group achieved a revenue and profit after taxation of RM1,401,531 and RM481,667 respectively. The results of the second quarter are encouraging with continued efforts of the marketing and support teams in enhancing the Group’s presence and recognition in the industry.

17. Current Year’s Prospect

There is an increase in market recognition and leadership position created with certain Ygl product lines such as Taxcom and through joint initiatives undertaken with world class Enterprise Resource Planning (“ERP”) principals such as SSA Global TechnologiesTM Inc, Microsoft Corporation and ACCPAC International Inc, both within and outside Malaysia. As such, the directors are optimistic that the Group is expected to achieve encouraging and creditable results for the financial year ending 31 December 2005.

18. Material Changes in Profit Before Tax Against Preceding Quarter

Profit before taxation for this quarter is lower by approximately 41.26% as compared against the preceding quarter as the drop in revenue for the second quarter is mainly contributed by Ygl's consulting division which has a lower profit margin.

19. 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 23 August 2005 (the latest practicable date which is not earlier than 7 days from the date of issue of this financial result).

20. Segmental Information

No segmental analysis is prepared as the Group is involved in a single industry relating to software solution. The business of the Group is principally carried out in Malaysia.

(According to MASB 22 (Segment Reporting), the following factors should be considered in determining the definition of business segment for segment reporting:-

- (a) The nature of the products or services (which are the same for Ygl Group);
- (b) The nature of the production processes (which are the same for Ygl Group);
- (c) The type or class of customer for the products or services (which are the same for Ygl Group);
- (d) The methods used to distribute the products or provide the services (which are the same for Ygl Group);
- (e) The nature of the regulatory environment (which is not applicable for Ygl Group).

Accordingly, segmental information is not applicable to the Group and has been removed)

21. Profit Estimate/Forecast

Not applicable.

22. Dividend

The Board did not declare any interim dividend for the six months ended 30 June 2005.

23. Earnings Per Share

The earnings per share of the Group was calculated by dividing the profit after taxation and pre-acquisition profits over the weighted average number of shares in issue.

24. Comparison With Previous Year's Results

Ygl is in its first year of listing on the MESDAQ Market of Bursa Malaysia Securities Berhad and as such no corresponding figures for the year 2004 have been included.