

YGL CONVERGENCE BERHAD (649013-W)

**CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2005**

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

	NOTE	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
		QUARTER ENDED 31/12/2005	QUARTER ENDED 31/12/2004*	TO DATE 31/12/2005	CORRESPONDING PERIOD ENDED 31/12/2004*
		RM	RM	RM	RM
REVENUE		868,797	N/A	4,476,257	N/A
COST OF SALES		<u>(430,387)</u>	<u>N/A</u>	<u>(1,495,990)</u>	<u>N/A</u>
GROSS PROFIT		438,410	N/A	2,980,267	N/A
OTHER OPERATING INCOME		74,209	N/A	97,220	N/A
SELLING AND DISTRIBUTION COSTS		(41,898)	N/A	(79,196)	N/A
ADMINISTRATION EXPENSES		(100,230)	N/A	(237,487)	N/A
OTHER OPERATING EXPENSES		<u>(93,662)</u>	<u>N/A</u>	<u>(342,909)</u>	<u>N/A</u>
PROFIT FROM OPERATIONS		276,829	N/A	2,417,895	N/A
FINANCE COSTS		(649)	N/A	(2,078)	N/A
PROFIT BEFORE TAXATION		<u>276,180</u>	<u>N/A</u>	<u>2,415,817</u>	<u>N/A</u>
INCOME TAX EXPENSES	5	23,333	N/A	(93,332)	N/A
PROFIT AFTER TAXATION		<u>299,513</u>	<u>N/A</u>	<u>2,322,485</u>	<u>N/A</u>
MINORITY INTEREST		-	N/A	-	N/A
PROFIT AFTER TAXATION AND MINORITY INTEREST		<u>299,513</u>	<u>N/A</u>	<u>2,322,485</u>	<u>N/A</u>
PRE-ACQUISITION PROFIT	6	-	N/A	(982,156)	N/A
NET PROFITS ATTRIBUTABLE TO SHAREHOLDERS		<u>299,513</u>	<u>N/A</u>	<u>1,340,329</u>	<u>N/A</u>
EARNING PER SHARE (SEN) (AFTER PRE-ACQUISITION PROFIT)	27	0.45	N/A	3.64	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 31 DECEMBER 2005***(AFTER acquisition of Ygl Consulting Sdn Bhd and Ygl Multimedia Resources Sdn Bhd)*

	AS AT END OF CURRENT YEAR QUARTER ENDED 31/12/2005	AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2004 *
	RM	RM
NON CURRENT ASSETS		
Fixed Assets	1,208,841	N/A
Investment in Associate Co.	10	N/A
Research and Development	639,874	N/A
Deferred Tax Assets	238,197	N/A
CURRENT ASSETS		
Inventories	196,695	N/A
Trade Receivables	1,018,401	N/A
Deposits & Prepayment	4,008	N/A
Other Receivables	134,040	N/A
Fixed Deposit	5,860,821	N/A
Cash and bank balances	1,464,986	N/A
	<u>8,678,951</u>	<u>N/A</u>
CURRENT LIABILITIES		
Hire Purchase Creditor	104,499	N/A
Other Payables	181,066	N/A
	<u>285,565</u>	<u>N/A</u>
NET CURRENT ASSETS	8,393,386	N/A
	<u>10,480,308</u>	<u>N/A</u>
SHAREHOLDERS' EQUITY		
Share Capital	6,680,000	N/A
Share Premium	1,739,455	N/A
Retained Profits	332,909	N/A
Discount on Acquisition	1,727,944	N/A
	<u>10,480,308</u>	<u>N/A</u>
Net Assets per share (sen)	15.69	N/A

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 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 31 DECEMBER 2005**

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

	<u>Share Capital</u> RM	<u>Share Premium</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	6,679,998	-	-	-	6,679,998
Share Premium	-	1,739,455	-	-	1,739,455
Net profit for period	-	-	1,340,329	-	1,340,329
Discount on Acquisition of YGLC and YGLM	-	-	-	1,727,944	1,727,944
Interim Dividend	-	-	(1,002,000)	-	(1,002,000)
Balance as at 31 December 2005	<u>6,680,000</u>	<u>1,739,455</u>	<u>332,909</u>	<u>1,727,944</u>	<u>10,480,308</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 31 DECEMBER 2005
(AFTER acquisition of Ygl Consulting Sdn Bhd and Ygl Multimedia Resources Sdn Bhd)

	QUARTER ENDED 31/12/2005 RM	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2004 * RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	2,415,817	N/A
Adjustment for:-		
Amortisation of development costs	187,229	N/A
Depreciation	<u>88,532</u>	N/A
Operating profit before working capital changes	2,691,578	N/A
Increase in inventories	(133,913)	N/A
Decrease in receivables	1,054,240	N/A
Decrease in payables	(582,290)	N/A
Increase in operating activities		
Tax paid	(440,327)	N/A
NET CASH (FOR)/FROM OPERATING ACTIVITIES	<u>2,589,288</u>	N/A
CASH FLOW FROM INVESTING ACTIVITIES		
Development costs incurred	(390,935)	N/A
Purchase of equipment	(218,986)	N/A
NET CASH (FOR)/FROM INVESTING ACTIVITIES	<u>(609,921)</u>	N/A
CASH FLOW FROM FINANCING ACTIVITIES		
	-	
Proceeds from Public Share Issue	7,560,000	N/A
Payment of listing expenses	(1,529,217)	N/A
Payment of dividends	(1,002,000)	N/A
NET CHANGE IN CASH AND BANK BALANCES	<u>7,008,150</u>	N/A
CASH AND BANK BALANCES AT 01.01.2005	317,657	N/A
CASH AND BANK BALANCES AT 31.12.2005	<u><u>7,325,807</u></u>	N/A
NOTES TO CASH FLOW STATEMENT		
Cash and cash equivalents comprise of:		
Fixed Deposit	5,860,821	N/A
Cash and bank balances	1,464,986	N/A
	<u><u>7,325,807</u></u>	

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 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 was 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.

There is an overprovision of tax expense in this quarter due to higher sales of Ygl's proprietary software as compared to consulting services undertaken for the financial year ended 2005. The sale of Ygl's proprietary software is tax exempt.

6. Pre-acquisition Profits

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 investments and properties in the current financial quarter to date.

8. Purchase or Disposal of Quoted Securities

There were no purchases or disposals of quoted securities in the current financial quarter to date.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group in the current financial quarter to date.

10. Corporate Proposals

Save as disclosed below, there were no corporate proposals announced but not completed as at the date of this announcement.

On 16 December 2005, Ygl had announced that the company has entered into a conditional Share Sale Agreement with Toh Keng Ching and Heng Su-Lin for the acquisition by Ygl of One Hundred and Ninety Two Thousand (192,000) ordinary shares of Singapore Dollar One (S\$1.00) each, representing 60% of the equity interest in Elitus Asia Pacific Pte Ltd, for a total cash consideration of RM1.3 million only (“Proposed Acquisition”).

The Proposed Acquisition is subject to the approval of Bank Negara Malaysia, of which the approval is currently pending.

11. Cash and cash equivalents

	RM'000
Fixed Deposit	5,861
Cash and bank balances	1,465
	<u>7,326</u>

12. Status on Utilisation of Listing Proceeds

The details of the utilisation of the gross listing proceeds as at 31 December 2005 are as follows:-

Description	Proposed Utilization RM	Actual Utilization RM	Balance RM	Timeframe for Utilization
Future business expansion and capital expenditure	4,130,000	764,689	3,365,311	End 2007
R&D expenditure	1,320,000	-	1,320,000	End 2007
Working Capital	610,000	-	610,000	End 2006
Estimated Listing Expenses	1,500,000	1,500,000	-	Mid 2005
Total	7,560,000	2,264,689	5,295,311	

13. Seasonal or Cyclical Factors

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

14. Issuance and Repayment of Debt and Equity Securities

There were no issuance or repayment of debt and equity securities, share buy-back, share cancellation, shares held as treasury shares and resale of treasury shares in the quarter ended 31 December 2005.

15. Company Borrowings and Debt Securities

As at 31 December 2005, Ygl has an outstanding balance of RM104,499 on a hire purchase facility.

16. Contingent Liabilities

There is no contingent liability as at 21 February 2006 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

17. Capital Commitment

As at 21 February 2006 (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.

18. Off Balance Sheet Financial Instruments

The Company does not have any financial instrument with off balance sheet risks as at 21 February 2006 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

19. Significant Related Party Transactions

For the fourth quarter ended 31 December 2005, there were no significant related party transactions entered into by the Group.

20. Review of Performance

For the fourth quarter ended 31 December 2005, the Group achieved a revenue and profit after taxation of RM868,797 and RM299,513 respectively.

As the Group was only listed on 13 July 2005, there are no corresponding figures available for comparison.

21. Current Year’s Prospects

On 16 December 2005, Ygl had announced that it proposed to acquire 60% of the equity interest in Elitus Asia Pacific Pte Ltd, a company located in Singapore.

Ygl believes that the proposed acquisition would offer Ygl a presence in Singapore thus further building its presence and recognition in the Enterprise Resource Planning (“ERP”) industry both within and outside Malaysia.

In addition, the recent appointment of Ygl by Sage Asia on 23 November 2005 as the first development partner in Malaysia and second in Asia with product is another joint initiative that was undertaken by Ygl with world class ERP principals in its efforts to increase presence and recognition in the ERP industry. Arising from the appointment, Ygl is able to market its software alongside with Sage Asia.

Ygl believes that the proposed acquisition of Elitus coupled with the appointment by Sage Asia offers strong prospects to the Company as it enables Ygl to have better market presence in Singapore and a wider market reach which would contribute to the Group’s revenues in 2006.

The Group will continue to search for opportunities to expand its regional business.

22. Material Changes in Profit Before Tax Against Preceding Quarter

Profit before taxation of RM276,180 for the fourth quarter ended 31 December 2005 is lower as compared to the preceding third quarter ended 30 September 2005 of RM707,562 by approximately 61%.

The lower profit before taxation was due to less revenue recorded for the current quarter under review and an increase in staff costs, traveling & sales and promotion costs. The higher staff costs, traveling & sales and promotion costs incurred were in line with more business activity anticipated for the group in 2006.

23. 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 21 February 2006 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

24. Segmental Information

Not applicable. No segmental analysis is prepared as the Group is involved in a single industry relating to software solution. For financial year ended 31 December 2005, the business of the Group had been principally carried out in Malaysia.

25. Profit Estimate/Forecast

Not applicable.

26. Dividend

The Board had declared and paid a tax-exempt interim dividend of 1.5 sen per share for the year ended 31 December 2005.

27. Earnings Per Share

The earnings per share of the Group is calculated by dividing the profit after taxation and pre-acquisition profits for the quarter to date of RM299,513 and year to date of RM1,340,329 by the weighted average number of shares in issue for the quarter to date of 66,800,000 shares and year to date of 36,866,684 shares respectively.

28. 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.