

**YGL CONVERGENCE BERHAD (649013-W)**

**CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)  
FOR THE SECOND QUARTER ENDED 30 JUNE 2006**

	Note	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
		2006 RM	2005 * RM	2006 RM	2005 * RM
Revenue		2,385,857	1,401,531	3,494,849	2,667,847
Cost of Sales		(1,369,058)	(730,417)	(1,753,223)	(1,041,449)
Gross Profit		1,016,799	671,114	1,741,626	1,626,398
Other Operating Income		51,042	6,302	101,324	10,648
Discount On Acquisition	11(b)	151,033	-	151,033	-
Selling and Distribution Costs		(32,535)	(16,958)	(76,285)	(20,240)
Administrative Expenses		(63,097)	(41,960)	(119,356)	(67,365)
Other Operating Expenses		(216,898)	(61,003)	(305,187)	(115,946)
Finance Costs		(1,005)	(204)	(1,654)	(1,420)
<b>Profit Before Tax</b>		<b>905,339</b>	<b>557,291</b>	<b>1,491,501</b>	<b>1,432,075</b>
Income Tax Expense	17	-	(75,624)	(8,000)	(130,415)
<b>Profit After Tax</b>		<b>905,339</b>	<b>481,667</b>	<b>1,483,501</b>	<b>1,301,660</b>
Pre-Acquisition Profit		-	(162,163)	-	(982,156)
<b>Profit for the period</b>		<b>905,339</b>	<b>319,504</b>	<b>1,483,501</b>	<b>319,504</b>
Attributable to:					
Equity Holders of the Parent		903,130	319,504	1,481,292	319,504
Minority Interest		2,209	-	2,209	-
		<u>905,339</u>	<u>319,504</u>	<u>1,483,501</u>	<u>319,504</u>
Basic earnings per share attributable to equity holders of the parent (sen)	29	1.35	3.74	2.22	7.23

\* Ygl Convergence Bhd completed the acquisitions of Ygl Consulting Sdn Bhd ("YGLC") and Ygl Multimedia Resources Sdn Bhd ("YGLM") on 31 May 2005. The comparative results in respect of the individual and cumulative quarter ended 30 June 2005 are based on the assumption that the acquisitions of YGLC and YGLM were completed on 1 January 2005.

Ygl Convergence Bhd was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 13 July 2005.

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005 and the accompanying explanatory notes attached to this interim financial report.

The post acquisition profits attributable to Ygl from Elitus Asia Pacific Pte Ltd for two (2) months and SCS Information Technology (HK) Limited for one (1) month have been incorporated in this condensed consolidated income statement for this quarter.

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)  
AS AT 30 JUNE 2006

	Note	30 June 2006 (Unaudited) RM	31 December 2005 (Audited) RM
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Goodwill on acquisition	11(a)	1,222,555	-
Property, Plant and Equipment		1,233,847	1,208,840
Research and Development		795,891	639,874
Deferred Tax Assets		46,222	46,222
		<u>3,298,515</u>	<u>1,894,936</u>
<b>Current Assets</b>			
Inventories		197,327	196,695
Trade Receivables		2,199,700	1,018,401
Deposits & Prepayment		83,365	4,008
Other Receivables		1,450,567	192,830
Tax Recoverable		294,532	201,484
Fixed Deposit		4,969,796	5,860,821
Cash and bank balances		2,740,846	1,464,986
		<u>11,936,133</u>	<u>8,939,225</u>
<b>Total Assets</b>		<u>15,234,648</u>	<u>10,834,161</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share Capital		6,680,000	6,680,000
Share Premium		1,739,455	1,739,455
Retained Earnings		3,544,887	334,769
<b>Equity Attributable to shareholders of the parent</b>		<u>11,964,342</u>	<u>8,754,224</u>
Minority Interest		55,715	-
<b>Total Equity</b>		<u>12,020,057</u>	<u>8,754,224</u>
<b>Non Current Liabilities</b>			
Discount on acquisition		-	1,728,826
<b>Total Non Current Liabilities</b>		<u>-</u>	<u>1,728,826</u>
<b>Current Liabilities</b>			
Hire Purchase Creditor		94,103	105,105
Other Payables		3,120,488	227,356
Tax Payable		-	18,650
		<u>3,214,591</u>	<u>351,111</u>
<b>Total Equity and Liabilities</b>		<u>15,234,648</u>	<u>10,834,161</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)		17.91	13.11

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005 and the accompanying explanatory notes attached to this interim financial report.

The condensed consolidated balance sheet for this quarter has incorporated the financial positions of Elitus Asia Pacific Pte Ltd and SCS Information Technology (HK) Limited.

**YGL CONVERGENCE BERHAD (649013-W)**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE SECOND QUARTER ENDED 30 JUNE 2006**

	Note	<u>Share Capital</u> RM	<u>Share Premium</u> RM	<u>Retained Earnings</u> RM	<u>Total</u> RM
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		-	-	1,342,189	1,342,189
Interim Dividend		-	-	(1,002,000)	(1,002,000)
At 31 December 2005		<u>6,680,000</u>	<u>1,739,455</u>	<u>334,769</u>	<u>8,754,224</u>
Effects of adopting FRS 3		<u>-</u>	<u>-</u>	<u>1,728,826</u>	<u>1,728,826</u>
At 1 January 2006		6,680,000	1,739,455	2,063,595	10,483,050
Profit for the period		-	-	1,481,292	1,481,292
At 30 June 2006		<u>6,680,000</u>	<u>1,739,455</u>	<u>3,544,887</u>	<u>11,964,342</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 2005 and the accompanying explanatory notes attached to this interim report

**YGL CONVERGENCE BERHAD (649013-W)**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)  
FOR THE SECOND QUARTER ENDED 30 JUNE 2006**

	Note	6 MONTHS ENDED 30 JUNE	
		2006 RM	2005 * RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		1,491,501	1,432,075
Adjustment for:-			
Amortisation of development costs		121,351	68,550
Discount on acquisition	11(b)	(151,033)	-
Depreciation		43,332	18,242
Operating profit before working capital changes		1,505,151	1,518,867
Increase in inventories		(631)	(71,907)
Increase in receivables		(124,249)	(363,190)
Increase/(Decrease) in payables		(158,897)	(451,362)
<b>Increase in operating activities</b>			
Tax paid		(94,698)	(182,083)
<b>NET CASH (FOR)/FROM OPERATING ACTIVITIES</b>		<u>1,126,676</u>	<u>450,325</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Development costs incurred		(270,304)	(140,299)
Purchase of property, plant and equipment		(23,337)	(7,064)
Investment in subsidiaries	11	(437,198)	-
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>		<u>(730,839)</u>	<u>(147,363)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of Hire Purchase		(11,002)	-
<b>NET CHANGE IN CASH AND BANK BALANCES</b>		<u>384,835</u>	<u>302,962</u>
<b>CASH AND BANK BALANCES AT 1 JANUARY</b>		7,325,807	317,657
<b>CASH AND BANK BALANCES AT 30 JUNE</b>		<u>7,710,642</u>	<u>620,619</u>
<b>NOTES TO CASH FLOW STATEMENT</b>			
Cash and cash equivalents comprise of:			
Fixed Deposit		4,969,796	-
Cash and bank balances		2,740,846	620,619
Bank Borrowings		-	-
		<u>7,710,642</u>	<u>620,619</u>

\* Ygl Convergence Bhd completed the acquisitions of Ygl Consulting Sdn Bhd ("YGLC") and Ygl Multimedia Resources Sdn Bhd ("YGLM") on 31 May 2005. The comparative results in respect of the individual and cumulative quarter ended 30 June 2005 are based on the assumption that the acquisitions of YGLC and YGLM were completed on 1 January 2005.

Ygl Convergence Bhd was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 13 July 2005.

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005 and the accompanying explanatory notes attached to this interim financial report.

**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 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 2005 and in accordance with the new accounting policies adopted for the financial year ending 31 December 2006 as reported in the first quarter ended 31 March 2006. These explanatory notes attached to the interim financial statements provides an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2005.

The significant 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 year ended 31 December 2005 except for the adoption of the new and revised Financial Reporting Standards (“FRS”) effective for the financial period beginning 1 January 2006 as reported in the first quarter ended 31 March 2006.

**2. Auditors’ Report of Preceding Annual Financial Statements**

The audit report of the preceding annual financial statements 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 quarter under review.

**5. Changes in Estimates**

There were no changes in estimates that have had a material effect in the current quarter under review.

**6. 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 for the current quarter under review.

**7. Dividend Paid**

No dividends were paid in the current quarter under review.

**8. Segmental Information**

Not applicable. No segmental analysis is prepared as the Group is involved in a single industry relating to software solution. Currently, the business of the Group is principally carried out in Malaysia.

**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 2005.

**10. Material Events subsequent to the Balance Sheet date**

There were no material events subsequent to the end of the current quarter that has not been reflected in the financial statements for the current quarter under review.

**11. Changes in the Composition of the Group**

**(a) Acquisition of Elitus Asia Pacific Pte Ltd (“Elitus”)**

On 11 May 2006, Ygl completed the acquisition of 192,000 ordinary shares of SGD1.00 each, representing 60% equity interest in Elitus, a Singapore-based Tier-1 ERP consulting company. The cost of acquisition comprised of the following:-

	<b>RM</b>
Net Assets	133,764
Group’s share of net assets 60%	80,258
Total cost of acquisition	1,302,813
	-----
Goodwill arising on acquisition	1,222,555
	-----

The cash outflow on acquisition is as follows:

	<b>6 months ended 30/6/06</b>
	<b>RM</b>
Purchase consideration paid by cash	(1,302,813)
Cash and cash equivalents of subsidiary acquired on the date of acquisition	119,242
	-----
Net cash outflow of the Group	(1,183,571)
	=====

**(b) Acquisition of SCS Information Technology (HK) Limited (“SCSHK”)**

On 16 June 2006, Ygl completed another acquisition of 44,677,220 ordinary shares of HKD1.00 each, representing 100% equity interest in SCSHK, a company incorporated in Hong Kong which is a service provider and outsourcer for enterprise solutions. The cost of acquisition comprised of the following:-

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)  
Quarterly report for the second quarter ended 30 June 2006**

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	<b>RM</b>
Net Assets	635,275
Group’s share of net assets 100%	635,275
Total cost of acquisition	484,242
	-----
Discount on acquisition	151,033
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The cash inflow on acquisition is as follows:

	<b><u>6 months ended 30/6/06</u></b>
	<b>RM</b>
Purchase consideration paid by cash	(484,242)
Cash and cash equivalents of subsidiary acquired on the date of acquisition	1,230,615
	-----
Net cash inflow of the Group	746,373
	=====

**12. Changes in Contingent Liabilities**

There is no contingent liability as at 16 August 2006 (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 second quarter ended 30 June 2006, the Group recorded a revenue of RM2,385,857 as compared to RM1,401,531 for the same quarter last year, representing a growth in revenue of RM984,326 or 70.2%. There was also a corresponding increase of 51.5% in gross profit as compared with the corresponding quarter last year.

The improvement in performance was due to an increase in revenue from Ygl’s consulting division and the consolidation of profits attributable to Ygl from its recently acquired subsidiaries, namely Elitus for two (2) months and SCSHK for one (1) month.

**14. Material Changes in Profit Before Tax Against Preceding Quarter**

Profit before taxation of RM905,339 for the second quarter ended 30 June 2006 is higher than the preceding first quarter ended 31 March 2006 of RM586,162 which is an increase of 54.5%. The higher profit before taxation was partly due to the discount on acquisition from the acquisition of SCSHK amounting to RM151,033.

In excluding the said discount on acquisition for comparative purposes, Ygl’s operational profit before tax performance improved for the second quarter ended 30 June 2006 compared to the preceding first quarter ended 31 March 2006 amounting to RM754,306 and RM586,162 respectively. This is due to the consolidation of profits attributable to Ygl from its recently acquired subsidiaries, namely Elitus for two (2) months and SCSHK for one (1) month.

**15. Corporate Proposals**

There were no corporate proposals announced but not completed in the current financial quarter under review.

**16. Prospects for 2006**

Ygl has adopted an active geographical diversification strategy to widen its market, having strategically positioned itself in ASEAN i.e. initially Malaysia and Thailand and recently including Singapore, China and Hong Kong through the recent acquisitions of Elitus and SCSHK.

In addition, Ygl is continuing its development of proprietary solutions for industry verticals which complements the world class ERP solutions.

We expect Ygl's performance to be better in 2006 with the ability to offer customers a comprehensive and attractive service package for its consulting division through the regional presence. The entry in the new markets will also enable Ygl to market its proprietary products for its software division to a wider customer base.

**17. 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.

**18. Profit on sale of Unquoted Investments and/or Properties**

There were no disposal of unquoted investments and properties in the current financial quarter under review.

**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 Listing Proceeds**

The details of the utilisation of the gross listing proceeds as at 30 June 2006 are as below:-

<b>Description</b>	<b>Proposed Utilisation RM</b>	<b>Actual Utilisation RM</b>	<b>Balance RM</b>	<b>Timeframe for Utilisation</b>
Future business expansion and capital expenditure	4,130,000	2,551,744	1,578,256	End 2007
R&D expenditure	1,320,000	285,603	1,034,397	End 2007
Working Capital	610,000	299,569	310,431	End 2006
Estimated Listing Expenses	1,500,000	1,500,000	-	Mid 2005
<b>Total</b>	<b>7,560,000</b>	<b>4,636,916</b>	<b>2,923,084</b>	

**21. Cash and cash equivalents**

**30 June 2006  
RM'000**

Fixed deposit	4,970
Cash and bank balances	2,741
	<b>7,711</b>

**22. Company Borrowings and Debt Securities**

As at 30 June 2006, Ygl has an outstanding balance of RM94,103 on a hire purchase facility.

**23. Capital Commitment**

As at 16 August 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.

**24. Off Balance Sheet Financial Instruments**

The Company does not have any financial instrument with off balance sheet risks as at 16 August 2006 (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 second quarter ended 30 June 2006, there were no significant related party transactions entered into by the Group.

**26. 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 16 August 2006 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

**27. Profit Estimate/Forecast**

Not applicable.

**28. Dividend**

The Board is declaring a tax-exempt interim dividend of 1.6 sen per share for the six months ended 30 June 2006. No dividends were declared for the six months ended 30 June 2005.

**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	
	2006	2005	2006	2005
Profits for the period attributable to shareholders (RM)	903,130	319,504	1,481,292	319,504
Weighted average number of ordinary shares in issue	66,800,000	8,533,335	66,800,000	4,416,670
Basic earnings per share (sen)	1.35	3.74	2.22	7.23