

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006

	Note	Individual Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
		2006 RM	2005 * RM	2006 RM	2005 * RM
Revenue		2,688,817	1,238,099	6,183,666	3,607,460
Cost of Sales		(1,462,407)	(322,640)	(3,215,630)	(1,065,603)
Gross Profit		1,226,410	915,459	2,968,036	2,541,857
Other Operating Income		89,785	12,363	191,109	23,011
Discount On Acquisition		-	-	151,033	-
Selling and Distribution Costs		(38,516)	(17,058)	(114,801)	(37,298)
Administrative Expenses		(116,809)	(69,892)	(236,165)	(137,257)
Other Operating Expenses		(501,066)	(133,301)	(806,253)	(249,247)
Finance Costs		(1,145)	(9)	(2,799)	(1,429)
<b>Profit Before Tax</b>		<b>658,659</b>	<b>707,562</b>	<b>2,150,160</b>	<b>2,139,637</b>
Income Tax Expense	17	(1,307)	13,750	(9,307)	(116,665)
<b>Profit After Tax</b>		<b>657,352</b>	<b>721,312</b>	<b>2,140,853</b>	<b>2,022,972</b>
Pre-Acquisition Profit		-	-	-	(982,156)
<b>Profit for the period</b>		<b>657,352</b>	<b>721,312</b>	<b>2,140,853</b>	<b>1,040,816</b>
Attributable to:					
Equity Holders of the Parent		655,311	721,312	2,136,603	1,040,816
Minority Interest		2,041	-	4,250	-
		<u>657,352</u>	<u>721,312</u>	<u>2,140,853</u>	<u>1,040,816</u>
Basic earnings per share attributable to equity holders of the parent (sen)	29	0.98	1.13	3.20	3.87

\* 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 September 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.

This 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 Ygl Convergence (Asia Pacific) Pte Ltd (formerly known as *Elitus Asia Pacific Pte Ltd*) ("YGL(Asia Pac)") for five (5) months and SCS Information Technology (HK) Limited ("SCSHK") for four (4) months 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 SEPTEMBER 2006

	Note	30 September 2006 (Unaudited) RM	31 December 2005 (Audited) RM
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment		1,326,644	1,208,840
Research and Development		852,431	639,874
Deferred Tax Assets		46,222	46,222
Goodwill on acquisition		1,222,555	-
		<u>3,447,852</u>	<u>1,894,936</u>
<b>Current Assets</b>			
Inventories		197,242	196,695
Trade Receivables		2,804,023	1,018,401
Deposits & Prepayment		62,061	4,008
Other Receivables		1,418,199	192,830
Tax Recoverable		330,231	201,484
Fixed Deposit		4,870,753	5,860,821
Cash and bank balances		2,368,538	1,464,986
		<u>12,051,047</u>	<u>8,939,225</u>
<b>Total Assets</b>		<u>15,498,899</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
Revaluation Reserve		(16,993)	-
Retained Earnings		3,131,399	334,769
<b>Equity Attributable to shareholders of the parent</b>		<u>11,533,861</u>	<u>8,754,224</u>
Minority Interest		57,592	-
<b>Total Equity</b>		<u>11,591,453</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		88,602	105,105
Other Payables		3,818,844	227,356
Tax Payable		-	18,650
		<u>3,907,446</u>	<u>351,111</u>
<b>Total Equity and Liabilities</b>		<u>15,498,899</u>	<u>10,834,161</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)		17.27	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 YGL(Asia Pac) and SCSHK.

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

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

	Note	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Retained Earnings RM	Total 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>-</u>	<u>334,769</u>	<u>8,754,224</u>
Effects of adopting FRS 3		<u>-</u>	<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
Foreign Exchange Loss		-	-	(16,993)	-	(16,993)
Profit for the period		-	-	-	2,136,604	2,136,604
Interim Dividend		-	-	-	(1,068,800)	(1,068,800)
At 30 September 2006		<u>6,680,000</u>	<u>1,739,455</u>	<u>(16,993)</u>	<u>3,131,399</u>	<u>11,533,861</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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006**

	<b>9 MONTHS ENDED 30 SEPTEMBER</b>	
	<b>Note</b>	<b>2005 *</b>
	<b>2006</b>	<b>2005 *</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,150,160	2,139,637
Adjustment for:-		
Depreciation	79,632	63,238
Amortisation of development costs	202,712	114,703
Discount on acquisition	(151,033)	-
Foreign Exchange Gain	(4,364)	-
Decrease in provision for bad debts	(44,789)	-
Interest Expense	2,799	1,429
Interest Income	(161,272)	(6,353)
Operating profit before working capital changes	<u>2,073,845</u>	<u>2,312,654</u>
(Increase)/Decrease in inventories	(183,630)	(133,912)
(Increase)/Decrease in receivables	(939,534)	430,841
Increase/(Decrease) in payables	1,024,576	(753,697)
Cash generated from operations	<u>1,975,257</u>	<u>1,855,886</u>
Tax paid	(131,704)	(376,991)
Interest paid	(2,799)	(1,429)
<b>NET CASH (FOR)/FROM OPERATING ACTIVITIES</b>	<u><u>1,840,754</u></u>	<u><u>1,477,466</u></u>
 <b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Development costs incurred	(403,616)	(219,479)
Purchase of property, plant and equipment	(129,618)	(203,858)
Investment in subsidiaries	11 (470,005)	-
Interest received	161,272	6,353
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>	<u><u>(841,967)</u></u>	<u><u>(416,984)</u></u>
 <b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Public Share Issue	-	7,560,000
Listing Expenses	-	(1,407,175)
Dividend Paid	(1,068,800)	-
Repayment of Hire Purchase	(16,503)	-
<b>NET CHANGE IN CASH AND BANK BALANCES</b>	<u><u>(86,516)</u></u>	<u><u>7,213,307</u></u>
<b>CASH AND BANK BALANCES AT 1 JANUARY</b>	7,325,807	317,657
<b>CASH AND BANK BALANCES AT 30 SEPTEMBER</b>	<u><u>7,239,291</u></u>	<u><u>7,530,964</u></u>
 <b>NOTES TO CASH FLOW STATEMENT</b>		
Cash and cash equivalents comprise of:		
Fixed Deposit	4,870,753	5,000,000
Cash and bank balances	2,368,538	2,530,964
Bank Borrowings	-	-
	<u><u>7,239,291</u></u>	<u><u>7,530,964</u></u>

\* Ygl Convergence Bhd completed the acquisitions of YGLC and YGLM on 31 May 2005. The comparative results in respect of the individual and cumulative quarter ended 30 September 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 the 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 financial 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 financial quarter under review.

**5. 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 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 financial quarter under review.

**7. Dividend Paid**

A tax-exempt interim dividend of 1.6 sen per share was paid for the 9 months ended 30 September 2006.

**8. Segmental Information**

Not applicable. No segmental analysis is prepared as the Group is involved in a single industry relating to software solution.

**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 financial quarter under review that has not been reflected in the financial statements herein.

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

There were no changes in the composition of the Group in the current financial quarter under review.

**12. Changes in Contingent Liabilities**

There is no contingent liability as at 16 November 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 third quarter ended 30 September 2006 (“3Q2006”), the Group recorded a revenue of RM2,688,817 representing a growth of 117.2% compared to a revenue of RM1,238,099 achieved in the same quarter last year (“3Q2005”). Concurrently, the gross profit also increased by 34.0% to RM1,226,410 in 3Q2006 from RM915,459 in 3Q2005.

The improved performance in 3Q2006 is due to the consolidation of its recently acquired subsidiaries, YGL(Asia Pac) for five (5) months and SCSHK for four (4) months.

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

Profit before taxation (“PBT”) of RM658,659 for 3Q2006 is lower than the preceding second quarter ended 30 June 2006 (“2Q2006”) of RM905,339 by 27.2%. This was partly due to the recognition of discount on acquisition from the acquisition of SCSHK amounting to RM151,033 in 2Q2006.

For comparative purposes, excluding the amount of RM151,033 for the discount on acquisition, the PBT of RM754,306 for 2Q2006 still resulted in a slight decrease in Ygl's 3Q2006 PBT by 12.7%. The decrease in 3Q2006 was due to additional sales staff employed for SCSHK resulting in an increase in staff costs.

## **15. Corporate Proposals**

### Change of name of subsidiary company

On 20 November 2006, Ygl had announced that the Company's recently acquired subsidiary company, namely Elitus Asia Pacific Pte Ltd had changed its name to Ygl Convergence (Asia Pacific) Pte Ltd.

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

#### (i) Acquisition of new subsidiary company

On 28 September 2006, Ygl had announced that the Company had entered into a conditional share sale agreement with To King for the acquisition by Ygl of Two Million Seven Hundred and Sixty Thousand (2,760,000) ordinary shares of Hong Kong Dollar One (HKD1.00) each, representing 60% of the equity interest in Computer Processing Services Limited (“CPSL”), for a total cash consideration of HKD2,730,000 only.

The acquisition was approved by Bank Negara Malaysia on 13 October 2006 and is currently pending completion.

## **16. Prospects for 2006**

The recent acquisition of CPSL marked the completion of the first phase of Ygl's expansion plan. As part of the conditions precedent of the CPSL acquisition, CPSL had acquired the entire interest in King's System (Shanghai) Co., Ltd, a corporation operating in Shanghai, People's Republic of China. Arising thereon, Ygl is represented regionally in five (5) locations, namely Malaysia, Thailand, Singapore, Hong Kong and China. This has made Ygl the largest InforGlobal Enterprise Resource Planning (“ERP”) provider in Asia.

The Board of Directors of Ygl believe that the prospects for 2006 are expected to be positive due a wider regional coverage from Ygl's active acquisitions. The current corporate structure will enable Ygl to quickly kick-start the second phase of Ygl's expansion plan that is expected to further enhance the value of Ygl offerings in the region.

## **17. Taxation**

The taxation charged is in respect of YGLC only. There is no taxation charged on 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 September 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	419,195	900,805	End 2007
Working Capital	610,000	494,974	115,026	End 2006
Estimated Listing Expenses	1,500,000	1,500,000	-	Mid 2005
<b>Total</b>	<b>7,560,000</b>	<b>4,965,913</b>	<b>2,594,087</b>	

**21. Cash and cash equivalents**

	<b>30 September 2006 RM'000</b>
Fixed deposit	4,871
Cash and bank balances	2,368
	<u><u><b>7,239</b></u></u>

**22. Company Borrowings and Debt Securities**

As at 30 September 2006, Ygl has an outstanding balance of RM88,602 on a hire purchase facility.

**23. Capital Commitment**

As at 16 November 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 November 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 third quarter ended 30 September 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 November 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 had declared and paid a tax-exempt interim dividend of 1.6 sen per share for the 9 months ended 30 September 2006 compared to a tax-exempt dividend of 1.5 sen per share which was declared and paid for the 9 months ended 30 September 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 September		Cumulative 9 months ended 30 September	
	2006	2005	2006	2005
Profits for the period attributable to shareholders (RM)	655,311	721,312	2,136,603	1,040,816
Weighted average number of ordinary shares in issue	66,800,000	64,000,000	66,800,000	26,888,910
Basic earnings per share (sen)	0.98	1.13	3.20	3.87