

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
FOR THE FIRST QUARTER ENDED 31 MARCH 2007

	Note	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue		3,003,662	1,108,992	3,003,662	1,108,992
Cost of Sales		(1,571,193)	(384,165)	(1,571,193)	(384,165)
Gross Profit		1,432,469	724,827	1,432,469	724,827
Other Operating Income		63,858	50,282	63,858	50,282
Discount On Acquisition		-	-	-	-
Selling and Distribution Costs		(34,316)	(43,750)	(34,316)	(43,750)
Administrative Expenses		(95,325)	(56,259)	(95,325)	(56,259)
Other Operating Expenses		(649,645)	(88,289)	(649,645)	(88,289)
Finance Costs		(1,404)	(649)	(1,404)	(649)
Profit Before Tax		715,637	586,162	715,637	586,162
Income Tax Expense	17	(3,750)	(8,000)	(3,750)	(8,000)
Profit After Tax		711,887	578,162	711,887	578,162
Pre-Acquisition Profit		-	-	-	-
Profit for the period		711,887	578,162	711,887	578,162
Attributable to:					
Equity Holders of the Parent		712,987	578,162	712,987	578,162
Minority Interest		(1,100)	-	(1,100)	-
		<u>711,887</u>	<u>578,162</u>	<u>711,887</u>	<u>578,162</u>
Basic earnings per share attributable to equity holders of the parent (sen)	29	1.07	0.87	1.07	0.87

This condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to this interim financial report.

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 31 MARCH 2007

	Note	31 March 2007 (Unaudited) RM	31 December 2006 (Audited) RM
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		1,989,496	1,324,215
Intangible Assets (R&D, Goodwill)		2,223,768	2,179,133
Deferred Tax Assets		35,328	33,373
		4,248,592	3,536,721
Current Assets			
Inventories		276,459	196,695
Trade Receivables		4,138,884	3,220,464
Deposits & Prepayment		1,474,782	932,669
Other Receivables		1,620,464	943,227
Tax Recoverable		248,273	275,012
Fixed Deposit		5,163,805	5,416,902
Cash and bank balances		725,470	1,173,011
		13,648,137	12,157,980
Total Assets		17,896,729	15,694,701
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share Capital		6,680,000	6,680,000
Share Premium		1,727,153	1,727,153
Revaluation Reserve		25,521	24,805
Retained Earnings		4,731,373	4,018,386
Equity Attributable to shareholders of the parent		13,164,047	12,450,344
Minority Interest		81,618	82,718
Total Equity		13,245,665	12,533,062
Non Current Liabilities			
Discount on acquisition		-	-
Hire purchase liability		253,206	63,651
Deferred tax liabilities		1,204	1,661
Total Non Current Liabilities		254,410	65,312
Current Liabilities			
Hire Purchase Creditor		72,014	21,238
Trade & Other Payables		4,324,640	3,016,831
Current Tax Liabilities		-	58,258
		4,396,654	3,096,327
Total Equity and Liabilities		17,896,729	15,694,701
Net assets per share attributable to ordinary equity holders of the parent (sen)		19.71	18.64

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to this interim financial report.

YGL CONVERGENCE BERHAD (649013-W)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

	Note	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Retained Earnings RM	Minority Interests RM	Total RM
At 1 January 2006		6,680,000	1,739,455	-	2,063,595	-	10,483,050
Issuance of shares		-	(12,302)	-	-	-	(12,302)
Share Premium		-	-	-	-	-	-
Exchange translation reserve		-	-	24,805	-	-	24,805
Acquisition of subsidiaries		-	-	-	-	52,722	52,722
Net profit for period		-	-	-	3,023,591	29,996	3,053,587
Interim Dividend		-	-	-	(1,068,800)	-	(1,068,800)
At 31 December 2006		<u>6,680,000</u>	<u>1,727,153</u>	<u>24,805</u>	<u>4,018,386</u>	<u>82,718</u>	<u>12,533,062</u>
At 1 January 2007		6,680,000	1,727,153	24,805	4,018,386	82,718	12,533,062
Share issue and listing expenses		-	-	-	-	-	-
Exchange translation reserve		-	-	716	-	-	716
Profit for the period		-	-	-	712,987	(1,100)	711,887
At 31 March 2007		<u>6,680,000</u>	<u>1,727,153</u>	<u>25,521</u>	<u>4,731,373</u>	<u>81,618</u>	<u>13,245,665</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 2006 and the accompanying explanatory notes attached to this interim report

YGL CONVERGENCE BERHAD (649013-W)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

	3 MONTHS ENDED 31 MARCH	
	Note	2006
	2007	2006
	RM	RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	715,637	586,162
Adjustment for:-		
Depreciation	58,571	18,576
Amortisation of development costs	83,996	52,325
Discount on acquisition	-	-
Foreign Exchange Gain	(25,240)	-
Decrease in provision for bad debts	(5,750)	-
Interest Expense	1,404	649
Interest Income	(54,554)	(47,490)
Loss on disposal of fixed asset	-	-
Operating profit before working capital changes	<u>774,064</u>	<u>610,222</u>
(Increase)/Decrease in inventories	-	-
(Increase)/Decrease in receivables	(2,201,053)	(784,640)
Increase/(Decrease) in payables	1,319,134	(109,493)
Cash generated from operations	<u>(107,855)</u>	<u>-283,911</u>
Tax paid	(3,750)	(62,499)
Interest paid	(1,404)	(649)
NET CASH (FOR)/FROM OPERATING ACTIVITIES	<u>(113,009)</u>	<u>(347,059)</u>
 CASH FLOW FROM INVESTING ACTIVITIES		
Development costs incurred	(129,804)	(110,353)
Purchase of property, plant and equipment	(723,452)	-
Investment in subsidiaries	11 -	-
Interest received	54,554	47,490
NET CASH (FOR)/FROM INVESTING ACTIVITIES	<u>(798,702)</u>	<u>(62,863)</u>
 CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Public Share Issue	-	-
Listing Expenses	-	-
Dividend Paid	-	-
Repayment of Hire Purchase	240,330	-
NET CHANGE IN CASH AND BANK BALANCES	<u>(671,381)</u>	<u>(409,922)</u>
CASH AND BANK BALANCES AT 1 JANUARY	6,560,656	7,325,807
CASH AND BANK BALANCES AT 31 MARCH	<u>5,889,275</u>	<u>6,915,885</u>
 NOTES TO CASH FLOW STATEMENT		
Cash and cash equivalents comprise of:		
Fixed Deposit	5,163,805	6,755,278
Cash and bank balances	725,470	160,607
Bank Borrowings	-	-
	<u>5,889,275</u>	<u>6,915,885</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 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 Appendix 9B of 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 2006 and in accordance with the new accounting policies adopted for the financial year ending 31 December 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 2006.

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 2006.

2. Auditors’ Report of Preceding Annual Financial Statements

The auditors’ 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. 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 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

No dividends were paid in the current quarter under review.

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)
Quarterly report for the first quarter ended 31 March 2007**

8. Segmental Information

Segmental information was not available for comparative previous year period because the acquisition of Ygl's foreign subsidiaries took place only after March 2006.

	3 months ended 31 March		Cumulative 3 months ended 31 March	
	2007	2006	2007	2006
<u>Segment Revenue</u>				
Revenue from operations:				
Malaysia	1,368,685	-	1,368,685	-
Asia Pacific	1,641,476	-	1,641,476	-
Total revenue including inter-segment sales	3,010,161	-	3,010,161	-
Elimination of inter-segment sales	(6,499)	-	(6,499)	-
Total	3,003,662	-	3,003,662	-

	3 months ended 31 March		Cumulative 3 months ended 31 March	
	2007	2006	2007	2006
<u>Segment Results</u>				
Results from operations:				
Malaysia	779,923	-	779,923	-
Asia Pacific	(66,936)	-	(66,936)	-
Total results	712,987	-	712,987	-
Elimination	-	-	-	-
Total	712,987	-	712,987	-

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 2006, except for motor vehicle which has been adjusted upward RM12,500 to reflect its market value in compliance with FRS 116 and FRS136.

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

Acquisition of Computer Processing Services Limited (“CPSL”)

On 28 September 2006, Ygl announced the proposed acquisition of 2,760,000 ordinary shares of HKD1.00 each, representing 60% equity interest in CPSL, a Hong Kong based Tier-1 ERP consulting company for a cash consideration of HKD2,730,000. CPSL in turns, own the entire equity interest of King's System (Shanghai) Co. Ltd, an established enterprise solutions provider. The acquisition of CPSL was completed on 3 May 2007.

12. Changes in Contingent Liabilities

There is no contingent liability as at 21 May 2007 (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 first quarter ended 31 March 2007 (“1Q2007”), the Ygl Group recorded a revenue of RM3,003,662 representing a growth of 171% compared to a revenue of RM1,108,992 achieved in the same quarter last year (“1Q2006”). Gross profit increased by 98% to RM1,432,469 in 1Q2007 from RM724,827 in 1Q2006. The increase in revenue was mainly due to contribution from Ygl's foreign subsidiaries.

14. Material Changes in Profit Before Tax Against Preceding Quarter

Profit before taxation (“PBT”) of RM715,637 for 1Q2007 is lower than the preceding fourth quarter ended 31 December 2006 (“4Q2006”) of RM1,016,250 by more than 29%. This was in view of the shorter working period in the first quarter of the year arising from numerous holidays particularly in overseas markets, inter alia, China and Hong Kong, in which Ygl is operating.

15. Corporate Proposals

Change of name of subsidiary company

On 3 May 2007, Ygl announced that CPSL had changed its name to Ygl Convergence (China) Limited.

Private placement

The Company announced on 3 April 2007 that it proposed to undertake a private placement exercise involving the placement of up to 10% of the issued and fully paid-up share capital of Ygl, comprising up to 6,680,000 new ordinary shares of RM0.10 each to investors to be identified (“Private Placement”).

On 12 April 2007, the Company announced that the Securities Commission (“SC”) and the Foreign Investment Committee (via the SC) had, vide SC's letter dated 11 April 2007 approved the Private Placement.

Subsequently, on 4 May 2007, the Company announced that the issue price for the first tranche placement of 5,917,000 Placement Shares to be issued pursuant to the Private Placement has been fixed at RM1.44 per Placement Share. The issue price represents a discount of approximately 8.4% over the 5-day weighted average market price of Ygl's Shares from 25 April 2007 to 3 May 2007 of RM1.572. The First Tranche Shares are currently pending listing and quotation on the Mesdaq Market of Bursa Malaysia Securities Berhad.

16. Prospects for 2007

With the completion of the acquisition of Ygl Convergence (China) Limited (*formerly known as Computer Processing Services Limited*), the Group has gained entrance into the information and communications technology (ICT) industry of China. This will enable Ygl to tap into new customer base within the Shanghai region and beyond in the coming months. The ICT industry in China offers both new challenges and opportunities in term of growth and assimilation of technological skills.

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)
Quarterly report for the first quarter ended 31 March 2007**

For the South East Asian market, Ygl will continue to build new markets by leveraging on the expertise and presence of its regional offices. The Group is optimistic that the year 2007 will bring in the expected business growth as the expansion plan has been duly implemented in Ygl’s efforts to achieve wider regional sales.

17. Taxation

	Current Quarter 31 Mar 2007	Cumulative Quarter 31 Mar 2007
	RM	RM
Current tax expense	3,750	3,750

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.

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.

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 31 March 2007 are as below:-

Description	Proposed Utilisation RM	Actual Utilisation RM	Balance RM	Timeframe for Utilisation
Future business expansion and capital expenditure	4,130,000	3,809,455	320,545	End 2007
R&D expenditure	1,320,000	994,367	325,633	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	6,913,822	646,178	

21. Cash and cash equivalents

	31 March 2007
	RM'000
Fixed deposit	5,164
Cash and bank balances	725
	<u>5,889</u>

22. Company Borrowings and Debt Securities

As at 31 March 2007, Ygl has an outstanding balance of RM325,220 on the hire purchase facility.

The Group does not have any foreign currency borrowings.

23. Capital Commitment

As at 21 May 2007 (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 21 May 2007 (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 first quarter ended 31 March 2007, 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 21 May 2007 (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 has not declared any dividend.

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)
Quarterly report for the first quarter ended 31 March 2007**

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 31 March		Cumulative 3 months ended 31 March	
	2007	2006	2007	2006
Profits for the period attributable to shareholders (RM)	715,637	578,162	715,637	578,162
Weighted average number of ordinary shares in issue	66,800,000	66,800,000	66,800,000	66,800,000
Basic earnings per share (sen)	1.07	0.87	1.07	0.87