

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)  
AS AT 30 SEPTEMBER 2007

	Note	30 September 2007 (Unaudited) RM	31 December 2006 (Audited) RM
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment		1,992,851	1,324,215
Intangible Assets (R&D, Goodwill)		3,346,652	2,179,133
Deferred Tax Assets		35,328	33,373
		5,374,831	3,536,721
<b>Current Assets</b>			
Inventories		276,071	196,695
Trade Receivables		3,867,210	3,220,464
Deposits & Prepayment		143,711	932,669
Other Receivables		1,559,046	943,227
Tax Recoverable		249,475	275,012
Fixed Deposit		11,850,825	5,416,902
Cash and bank balances		1,253,111	1,173,011
		19,199,449	12,157,980
<b>Total Assets</b>		24,574,280	15,694,701
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share Capital		7,271,700	6,680,000
Share Premium		9,649,684	1,727,153
Revaluation Reserve		(6,130)	24,805
Retained Earnings		4,462,312	4,018,386
<b>Equity Attributable to shareholders of the parent</b>		21,377,566	12,450,344
Minority Interest		309,206	82,718
<b>Total Equity</b>		21,686,772	12,533,062
<b>Non Current Liabilities</b>			
Discount on acquisition		-	-
Hire purchase liability		217,199	63,651
Deferred tax liabilities		1,654	1,661
<b>Total Non Current Liabilities</b>		218,853	65,312
<b>Current Liabilities</b>			
Hire Purchase Creditor		72,014	21,238
Trade & Other Payables		2,596,641	3,016,831
Current Tax Liabilities		-	58,258
		2,668,655	3,096,327
<b>Total Equity and Liabilities</b>		24,574,280	15,694,701
Net assets per share attributable to ordinary equity holders of the parent (sen)		29.40	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.

The condensed consolidated balance sheet for this quarter has incorporated the financial position of Ygl Convergence (China) Limited.

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007

	Note	Individual Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue		3,076,593	2,688,817	9,044,455	6,183,666
Cost of Sales		<u>(1,983,084)</u>	<u>(1,462,407)</u>	<u>(5,029,411)</u>	<u>(3,215,630)</u>
Gross Profit		1,093,509	1,226,410	4,015,044	2,968,036
Other Operating Income		119,810	89,785	309,568	191,109
Discount On Acquisition		-	-	-	151,033
Selling and Distribution Costs		(66,827)	(38,516)	(152,766)	(114,801)
Administrative Expenses		(211,462)	(116,809)	(485,000)	(236,165)
Other Operating Expenses		(832,913)	(501,066)	(2,143,459)	(806,253)
Finance Costs		(2,471)	(1,145)	(6,349)	(2,799)
<b>Profit Before Tax</b>		<b>99,646</b>	<b>658,659</b>	<b>1,537,038</b>	<b>2,150,160</b>
Income Tax Expense	17	(12,436)	(1,307)	(19,936)	(9,307)
<b>Profit After Tax</b>		<b>87,210</b>	<b>657,352</b>	<b>1,517,102</b>	<b>2,140,853</b>
Pre-Acquisition Profit		-	-	-	-
<b>Profit for the period</b>		<b>87,210</b>	<b>657,352</b>	<b>1,517,102</b>	<b>2,140,853</b>
Attributable to:					
Equity Holders of the Parent		85,337	655,311	1,455,422	2,136,603
Minority Interest		1,873	2,041	61,680	4,250
		<u>87,210</u>	<u>657,352</u>	<u>1,517,102</u>	<u>2,140,853</u>
Basic earnings per share attributable to equity holders of the parent (sen)	29	0.12	0.98	2.10	3.20

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.

The post acquisition profit attributable to Ygl Convergence (China) Limited for three and six months has been incorporated in this condensed consolidated income statement for the 3 month individual quarter and 9 month cumulative quarter ended 30 September 2007 respectively.

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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		591,700	7,922,531	-	-	-	8,514,231
Exchange translation reserve		-	-	(30,935)	-	-	(30,935)
Acquisition of subsidiary		-	-	-	6,542	164,808	171,350
Profit for the period		-	-	-	1,455,422	61,680	1,517,102
Interim Dividend		-	-	-	(1,018,038)	-	(1,018,038)
At 30 September 2007		<u>7,271,700</u>	<u>9,649,684</u>	<u>(6,130)</u>	<u>4,462,312</u>	<u>309,206</u>	<u>21,686,772</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 THIRD QUARTER ENDED 30 SEPTEMBER 2007**

	<b>9 MONTHS ENDED 30 SEPTEMBER</b>	
	<b>Note</b>	<b>2006</b>
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,537,038	2,150,160
Adjustment for:-		
Depreciation	193,997	79,632
Amortisation of development costs	296,507	202,712
Discount on acquisition	-	(151,033)
Foreign Exchange Gain	11,256	(4,364)
Decrease in provision for bad debts	(5,749)	(44,789)
Interest Expense	6,348	2,799
Interest Income	(237,626)	(161,272)
Loss on disposal of fixed asset	-	-
Operating profit before working capital changes	<u>1,801,771</u>	<u>2,073,845</u>
(Increase)/Decrease in inventories	175,739	(183,630)
(Increase)/Decrease in receivables	(644,151)	(939,534)
Increase/(Decrease) in payables	(132,203)	1,024,576
Cash generated from operations	<u>1,201,156</u>	<u>1,975,257</u>
Tax paid	(19,936)	(131,704)
Interest paid	(6,348)	(2,799)
<b>NET CASH (FOR)/FROM OPERATING ACTIVITIES</b>	<u>1,174,872</u>	<u>1,840,754</u>
 <b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Development costs incurred	(426,608)	(403,616)
Purchase of property, plant and equipment	(857,128)	(129,618)
Investment in subsidiaries	11 (1,285,805)	(470,005)
Interest received	237,433	161,272
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>	<u>(2,332,108)</u>	<u>(841,967)</u>
 <b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Public Share Issue	8,514,230	-
Listing Expenses	-	-
Dividend Paid	(1,018,038)	(1,068,800)
Repayment of Hire Purchase	204,324	(16,503)
<b>NET CHANGE IN CASH AND BANK BALANCES</b>	<u>6,543,280</u>	<u>(86,516)</u>
<b>CASH AND BANK BALANCES AT 1 JANUARY</b>	6,560,656	7,325,807
<b>CASH AND BANK BALANCES AT 31 SEPTEMBER</b>	<u>13,103,936</u>	<u>7,239,291</u>
 <b>NOTES TO CASH FLOW STATEMENT</b>		
Cash and cash equivalents comprise of:		
Fixed Deposit	11,850,825	4,870,753
Cash and bank balances	1,253,111	2,368,538
Bank Borrowings	-	-
	<u>13,103,936</u>	<u>7,239,291</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 FINANCIAL REPORTING STANDARDS  
 (“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 2007. 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, cancellation, repurchase, resale 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 under review.

**7. Dividend Paid**

A tax-exempt interim dividend of 14% per ordinary share of RM0.10 each was paid on 21 September 2007 for the financial year ending 31 December 2007.

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)  
Quarterly report for the third quarter ended 30 September 2007**

**8. Segmental Information**

Segmental information was not available for comparative previous year period because the Group was involved in a single industry relating to software solution principally carried out in Malaysia.

	3 months ended 30 September		Cumulative 9 months ended 30 September	
	2007	2006	2007	2006
<u>Segment Revenue</u>				
Revenue from operations:				
Malaysia	1,193,613	-	3,953,042	-
Asia Pacific	1,897,518	-	5,119,991	-
Total revenue including inter-segment sales	3,091,131	-	9,073,033	-
Elimination of inter-segment sales	(14,538)	-	(28,578)	-
Total	3,076,593	-	9,044,455	-
	3 months ended 30 September		Cumulative 9 months ended 30 September	
	2007	2006	2007	2006
<u>Segment Results</u>				
Results from operations:				
Malaysia	457,234	-	1,853,017	-
Asia Pacific	(371,897)	-	(397,595)	-
Total results	85,337	-	1,455,422	-
Elimination	-	-	-	-
Total	85,337	-	1,455,422	-

**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 FRS116 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 to the date of this announcement save as disclosed below:

Proposed shareholding spread

On 22 October 2007, Bursa Securities has approved an extension of time until 1 January 2008 for Ygl to meet the public shareholding spread pursuant to Rule 8.15(1) of the MESDAQ Market Listing Requirements whereby listed companies must ensure that their public shareholding spread complies with the minimum spread requirements of 25% and a minimum of 1,000 public shareholders holding not less than 100 shares each (“Required Shareholding Spread”).

As at the date of this announcement, Ygl has yet to meet the Required Shareholding Spread. Based on the Company’s latest available record of depositors as at 16 November 2007, the Company has 41.20% of its total issued and paid-up share in the hands of 309 public shareholders.

Proposed bonus issue and proposed increase in authorised share capital

On 8 August 2007, the Company announced the proposed bonus issue of up to 73,480,000 new ordinary shares of RM0.10 each (“Share”) in Ygl to be issued and credited as fully paid-up on the basis of one (1) new Ygl Share for every one (1) existing Ygl Share held at an entitlement date to be determined. The Company also announced the proposed increase in authorised share capital of the Company from RM10,000,000 comprising 100,000,000 Ygl Shares to RM20,000,000 comprising 200,000,00 Ygl Shares.

The 73,480,000 new Ygl Shares to be issued takes into consideration the remaining balance of new Ygl Shares that may be issued pursuant to a private placement undertaken by the Company of up to 6,680,000 Ygl Shares representing 10% of the issued and paid-up share capital YGL (“Private Placement”). As announced on 12 October 2007, the approval of the Securities Commission, vide its letter dated 11 April 2007, for the Private Placement had lapsed on 10 October 2007.

Accordingly, on 12 October 2007, the Company announced that the number of new Ygl Shares to be issued pursuant to the Proposed Bonus Issue is 72,717,000 Ygl Shares, representing the issued and paid-up share capital of Ygl as at to date.

On 23 November 2007, the Company had issued a circular to the shareholders of YGL to convene an Extraordinary General Meeting (“EGM”) to obtain approval for the proposed bonus issue and proposed increase in authorised share capital. The EGM will be held on Friday, 18 January 2008 at 11.00 a.m.

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

Proposed Joint Venture between Ygl and Carterton Group Limited, a subsidiary of Kingdee Software (China) Co. Ltd.

On 4 September 2007, Ygl announced the signing of a joint venture agreement with Carterton Group Limited, a subsidiary of Kingdee Software (China) Co. Ltd. (“Kingdee China”). Kingdee China is a wholly owned subsidiary company of Kingdee International Software Group Company Limited (“Kingdee International”). Kingdee International is a leading provider of enterprise management software and e-commerce application solutions in the Asia Pacific region.

A joint venture company incorporated in Malaysia, under the name of Kingdee Southeast Asia Software Group Sdn. Bhd. (“Kingdee SEA”) will ensue from this joint venture. Kingdee SEA will be involved in the localization development, promotion, marketing and distribution of Kingdee K/3 products and relevant ERP products in the ASEAN markets on an exclusive basis. Kingdee SEA will develop, customize and sell the enterprise management software as well as provides the relevant technical support and services.

The joint venture is still pending for completion as at the date of announcement.

**12. Changes in Contingent Liabilities**

There is no contingent liability as at 21 November 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 third quarter ended 30 September 2007 (“3Q2007”), the Ygl Group recorded a revenue of RM3,076,593 representing a growth of 14% compared to a revenue of RM2,688,817 achieved in the same quarter last year (“3Q2006”). Gross profit decreased by 11% to RM1,093,509 in 3Q2007 from RM1,226,410 in 3Q2006. Other operating expenses increased by 66% to RM832,913 in 3Q2007 from RM501,066 in 3Q2006.

This is attributable mainly to Ygl’s Hong Kong operations where investment in additional managerial and professional staff was necessary to gear up the operations in the Greater China region. The Company expects revenue and profit performance to improve over the coming year.

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

Profit before taxation (“PBT”) of RM99,646 for 3Q2007 is lower than the preceding second quarter ended 30 June 2007 (“2Q2007”) of RM721,755 by 88%. The lower PBT is attributable mainly to Ygl Hong Kong’s increase in overheads where managerial and professional staffs were added to gear up the operations in the Greater China region.

**15. Corporate Proposals**

Save as disclosed in note 10 and 11 above, there are no other corporate proposals that are pending implementation as at the date of announcement.

**16. Prospects for 2007**

Ygl Group is now represented in five countries through six offices in the Asia region. The recent joint venture with the Kingdee International has enabled Ygl Group to upgrade its consulting operation from reselling third-party principals’ software to the distribution of part-owned software. The Kingdee initiation will enable Ygl Group to further enhance its presence in the South East Asia region.

With the additional investment in Ygl Hong Kong, Ygl Group intend to increase its exposure in customer coverage in the Greater China region. The year 2007 is thus a challenging year for Ygl Group to prepare its operation for more business opportunities in the year to come.

**17. Taxation**

	<b>Current Quarter 30 Sep 2007</b>	<b>Cumulative Quarter 30 Sep 2007</b>
	<b>RM</b>	<b>RM</b>
Current tax expense	12,436	19,936

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 Proceeds**

The details of the utilisation of proceeds as at 30 September 2007 are as below.

Listing proceeds

Description	Proposed Utilisation RM	Actual Utilisation RM	Balance RM	Timeframe for Utilisation
Future business expansion and capital expenditure	4,130,000	3,895,473	234,527	End 2007
R&D expenditure	1,320,000	1,291,171	28,829	End 2007
Working Capital	610,000	610,000	-	End 2006
Estimated Listing Expenses	1,500,000	1,500,000	-	Mid 2005
<b>Total</b>	<b>7,560,000</b>	<b>7,296,644</b>	<b>263,356</b>	

Private placement proceeds

An amount of RM8,520,480 was raised through the private placement of 5,917,000 ordinary shares at RM1.44 per share on 4 May 2007. The estimated listing expenses were RM6,250. The private placement was raised for working capital purpose. Ygl has not utilised this fund yet as at 30 September 2007.

**21. Cash and cash equivalents**

	<b>30 Sep 2007</b>
	<b>RM'000</b>
Fixed deposit	11,851
Cash and bank balances	1,253
	<u><b>13,104</b></u>

**22. Company Borrowings and Debt Securities**

As at 30 September 2007, Ygl has an outstanding balance of RM289,213 on the hire purchase facility.

The Group does not have any foreign currency borrowings.

**23. Capital Commitment**

As at 21 November 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 November 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 third quarter ended 30 September 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 November 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 did not declare any dividend payments for the current financial quarter under review. On 21 September 2007, the Company paid a first interim tax exempt dividend of 14% per ordinary share of RM0.10 each for the financial year ending 31 December 2007 amounting to RM1,018,038 (Ringgit Malaysia One Million and Eighteen Thousand and Thirty Eight Only).

**29. Earnings Per Share**

The basic earnings per share of the Group are 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	
	2007	2006	2007	2006
Profits for the period attributable to shareholders (RM)	85,337	655,311	1,455,422	2,136,603
Weighted average number of ordinary shares in issue	72,717,000	66,800,000	69,429,778	66,800,000
Basic earnings per share (sen)	0.12	0.98	2.10	3.20