

YGL CONVERGENCE BERHAD (649013-W)

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

| | Note | 31 December 2007 (Unaudited) RM | 31 December 2006 (Audited) RM |
|--|------|---------------------------------------|-------------------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, Plant and Equipment | | 3,310,107 | 1,324,215 |
| Intangible Assets (R&D, Goodwill) | | 3,434,534 | 2,179,133 |
| Deferred Tax Assets | | 35,328 | 33,373 |
| | | 6,779,969 | 3,536,721 |
| Current Assets | | | |
| Inventories | | 275,924 | 196,695 |
| Trade Receivables | | 2,431,509 | 3,220,464 |
| Deposits & Prepayment | | 70,498 | 932,669 |
| Other Receivables | | 1,524,935 | 943,227 |
| Tax Recoverable | | 195,374 | 275,012 |
| Fixed Deposit | | 10,318,838 | 5,416,902 |
| Cash and bank balances | | 3,083,949 | 1,173,011 |
| | | 17,901,027 | 12,157,980 |
| Total Assets | | 24,680,996 | 15,694,701 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the parent | | | |
| Share Capital | | 7,271,700 | 6,680,000 |
| Share Premium | | 9,606,827 | 1,727,153 |
| Exchange Translation Reserve | | (64,312) | 24,805 |
| Retained Earnings | | 4,332,888 | 4,018,386 |
| Equity Attributable to shareholders of the parent | | 21,147,103 | 12,450,344 |
| Minority Interest | | 345,232 | 82,718 |
| Total Equity | | 21,492,335 | 12,533,062 |
| Non Current Liabilities | | | |
| Hire purchase liability | | 199,196 | 63,651 |
| Deferred tax liabilities | | 449 | 1,661 |
| Total Non Current Liabilities | | 199,645 | 65,312 |
| Current Liabilities | | | |
| Hire Purchase liability | | 72,014 | 21,238 |
| Trade & Other Payables | | 2,917,002 | 3,016,831 |
| Current Tax Liabilities | | - | 58,258 |
| | | 2,989,016 | 3,096,327 |
| Total Equity and Liabilities | | 24,680,996 | 15,694,701 |
| Net assets per share attributable to ordinary equity holders of the parent (sen) | | 29.08 | 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 FOURTH QUARTER ENDED 31 DECEMBER 2007**

| | Note | Individual Quarter 3 months ended 31 December | | Cumulative Quarter 12 months ended 31 December | |
|---|------|---|-------------------------|--|-------------------------|
| | | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Revenue | | 3,001,305 | 4,720,116 | 12,045,760 | 10,903,782 |
| Cost of Sales | | <u>(1,984,221)</u> | <u>(2,675,014)</u> | <u>(7,013,632)</u> | <u>(5,890,644)</u> |
| Gross Profit | | 1,017,084 | 2,045,102 | 5,032,128 | 5,013,138 |
| Other Operating Income | | 113,531 | 33,585 | 423,099 | 375,727 |
| Selling and Distribution Costs | | (59,073) | (48,457) | (211,839) | (163,258) |
| Administrative Expenses | | (256,572) | (272,019) | (741,572) | (982,521) |
| Other Operating Expenses | | (789,772) | (746,356) | (2,933,231) | (1,078,272) |
| Finance Costs | | (2,454) | (2,442) | (8,803) | (5,241) |
| Profit Before Tax | | <u>22,744</u> | <u>1,009,413</u> | <u>1,559,782</u> | <u>3,159,573</u> |
| Income Tax Expense | 17 | (116,235) | (96,679) | (136,171) | (105,986) |
| Profit After Tax | | <u>(93,491)</u> | <u>912,734</u> | <u>1,423,611</u> | <u>3,053,587</u> |
| Attributable to: | | | | | |
| Equity Holders of the Parent | | (129,516) | 886,988 | 1,325,906 | 3,023,591 |
| Minority Interest | | 36,025 | 25,746 | 97,705 | 29,996 |
| | | <u>(93,491)</u> | <u>912,734</u> | <u>1,423,611</u> | <u>3,053,587</u> |
| Basic earnings per share attributable to equity holders of the parent (sen) | 29 | -0.18 | 1.33 | 1.87 | 4.53 |

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 months has been incorporated in this condensed consolidated income statement for this quarter.

YGL CONVERGENCE BERHAD (649013-W)

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

| Note | Share Capital RM | Share Premium RM | Exchange Translation 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) |
| Exchange translation reserve | - | - | 24,805 | - | - | 24,805 |
| Acquisition of subsidiaries | - | - | - | - | 52,722 | 52,722 |
| Net profit for the year | - | - | - | 3,023,591 | 29,996 | 3,053,587 |
| Interim Dividend | - | - | - | (1,068,800) | - | (1,068,800) |
| At 31 December 2006 | 6,680,000 | 1,727,153 | 24,805 | 4,018,386 | 82,718 | 12,533,062 |
| 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 | 7,879,675 | - | - | - | 8,471,375 |
| Exchange translation reserve | - | - | (89,117) | - | - | (89,117) |
| Acquisition of subsidiary | - | - | - | 6,634 | 164,808 | 171,442 |
| Net profit for the year | - | - | - | 1,325,906 | 97,705 | 1,423,611 |
| Interim Dividend | - | - | - | (1,018,038) | - | (1,018,038) |
| At 31 December 2007 | 7,271,700 | 9,606,828 | (64,312) | 4,332,888 | 345,231 | 21,492,335 |

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 FOURTH QUARTER ENDED 31 DECEMBER 2007**

| | 12 MONTHS ENDED 31 DECEMBER | |
|---|------------------------------------|---------------------------|
| | Note | 2006 |
| | 2007 | 2006 |
| | RM | RM |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 1,559,782 | 3,159,573 |
| Adjustment for:- | | |
| Depreciation | 257,630 | 117,703 |
| Amortisation of development costs | 402,795 | 310,021 |
| Negative Goodwill | - | (94,795) |
| Foreign Exchange Gain | (49,579) | (41,081) |
| Decrease in provision for bad debts | (5,648) | 0 |
| Interest Expense | 8,919 | 5,241 |
| Interest Income | (329,906) | (218,685) |
| Loss on disposal of fixed asset | - | 2,285 |
| Operating profit before working capital changes | <u>1,843,993</u> | <u>3,240,262</u> |
| | | |
| (Increase)/Decrease in inventories | (2,703) | (253,328) |
| (Increase)/Decrease in receivables | 1,453,219 | (1,553,000) |
| Increase/(Decrease) in payables | (167,511) | 114,276 |
| | | |
| Cash generated from operations | <u>3,126,998</u> | <u>1,548,210</u> |
| Tax paid | (136,171) | (125,396) |
| Interest paid | (8,919) | (858) |
| NET CASH (FOR)/FROM OPERATING ACTIVITIES | <u><u>2,981,908</u></u> | <u><u>1,421,956</u></u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Development costs incurred | (620,777) | (613,960) |
| Purchase of property, plant and equipment | (2,232,015) | (190,932) |
| Investment in subsidiaries | 11 (1,285,805) | (465,942) |
| Interest received | 329,906 | 218,685 |
| NET CASH (FOR)/FROM INVESTING ACTIVITIES | <u><u>(3,808,691)</u></u> | <u><u>(1,052,149)</u></u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Public Share Issue | 8,471,374 | - |
| Listing Expenses | - | (12,302) |
| Dividend Paid | (1,018,038) | (1,068,800) |
| Repayment of Hire Purchase | 186,321 | (24,599) |
| NET CASH (FOR)/FROM FINANCING ACTIVITIES | <u><u>7,639,657</u></u> | <u><u>(1,105,701)</u></u> |
| NET CHANGE IN CASH AND BANK BALANCES | <u><u>6,812,874</u></u> | <u><u>(735,894)</u></u> |
| | | |
| CASH AND BANK BALANCES AT 1 JANUARY | 6,589,913 | 7,325,807 |
| | | |
| CASH AND BANK BALANCES AT 31 DECEMBER | <u><u>13,402,787</u></u> | <u><u>6,589,913</u></u> |
| NOTES TO CASH FLOW STATEMENT | | |
| Cash and cash equivalents comprise of: | | |
| Fixed Deposit | 10,318,838 | 5,416,902 |
| Cash and bank balances | 3,083,949 | 1,173,011 |
| Bank Borrowings | - | - |
| | <u><u>13,402,787</u></u> | <u><u>6,589,913</u></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, 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

No dividends were paid in the current quarter under review.

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

8. Segmental Information

Segmental information was provided for the operation in Malaysia and Asia Pacific region.

| | 3 months ended 31 December | | Cumulative 12 months ended 31 December | |
|---|-------------------------------|-----------|---|------------|
| | 2007 | 2006 | 2007 | 2006 |
| <u>Segment Revenue</u> | | | | |
| Revenue from operations: | | | | |
| Malaysia | 1,273,714 | 1,840,919 | 5,226,756 | 5,234,880 |
| Asia Pacific | 1,730,302 | 2,883,772 | 6,850,293 | 5,678,902 |
| Total revenue including inter-segment sales | 3,004,016 | 4,724,691 | 12,077,049 | 10,913,782 |
| Elimination of inter-segment sales | (2,711) | (4,575) | (31,289) | (10,000) |
| Total | 3,001,305 | 4,720,116 | 12,045,760 | 10,903,782 |

| | 3 months ended 31 December | | Cumulative 12 months ended 31 December | |
|--------------------------|-------------------------------|---------|---|-----------|
| | 2007 | 2006 | 2007 | 2006 |
| <u>Segment Results</u> | | | | |
| Results from operations: | | | | |
| Malaysia | 170,541 | 765,847 | 2,023,558 | 2,740,565 |
| Asia Pacific | (300,057) | 121,141 | (697,652) | 283,026 |
| Total results | (129,516) | 886,988 | 1,325,906 | 3,023,591 |
| Elimination | - | - | - | - |
| Total | (129,516) | 886,988 | 1,325,906 | 3,023,591 |

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 to the date of this announcement save as disclosed below:

Proposed shareholding spread

On 9 January 2008, Bursa Securities has approved Ygl an extension of time until 01 April 2008 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 record of depositors as at 31 December 2007, the Company has 41.90% of its total issued and paid-up share in the hands of 342 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 Company had convened an Extraordinary General Meeting (“EGM”) to obtain approval for the proposed bonus issue and proposed increase in authorised share capital on 18 January 2008. Arising thereto, the authorised share capital of the Company was increased from RM10,000,000 comprising 100,000,000 Ygl shares to RM20,000,000 comprising 200,000,00 Ygl shares on 18 January 2008.

Subsequently, the Company had on 25 January 2008 announced that the shareholders of Ygl will be entitled for the proposed bonus issue at the entitlement date of 14 February 2008. Thereafter, the new shares issued and allotted in respect of the proposed bonus issue was listed and quoted on the MESDAQ Market of Bursa Malaysia Securities Berhad on 15 February 2008.

11. Changes in the Composition of the Group

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

12. Changes in Contingent Liabilities

There is no contingent liability as at 21 February 2008 (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 fourth quarter ended 31 December 2007 (“4Q2007”), the Ygl Group recorded a revenue of RM3,001,305 representing a decrease of 36% compared to a revenue of RM4,720,116 achieved in the same quarter last year (“4Q2006”). Gross profit decreased by 50% to RM1,017,084 in 4Q2007 from RM2,045,102 in 4Q2006. The decrease in revenue is due to the delay in the closing and execution of certain projects particularly overseas. Gross profit is in line with the decrease in revenue.

For the financial year ended 31 December 2007 (“FYE07”), the Ygl Group recorded a revenue of RM12.046 million, which represented an increase of 10% as compared to a revenue of RM10.904 million achieved in the financial year ended 31 December 2006 (“FYE06”). However, the profit before tax for the FYE07 decreased to RM1.560 million from RM3.160 million recorded in FYE06. This is attributable to Ygl gearing up operation overseas through recruitments of additional managerial and professional staff in line with more growth expected in the Greater China region.

14. Material Changes in Profit Before Tax Against Preceding Quarter

Profit before taxation (“PBT”) of RM22,744 for 4Q2007 is lower than the preceding third quarter ended 30 September 2007 (“3Q2007”) of RM99,646 by 77%. This was mainly due to Ygl HK registering a loss of RM354,096 for 4Q2007.

15. Corporate Proposals

Save as disclosed below, there are no other corporate proposals that are pending implementation as at the date of announcement:-

Proposed Joint Venture between Ygl and Parker Randall

On 21 December 2007, Ygl announced the signing of a joint venture agreement with Parker Randall (AF1565). Parker Randall is a worldwide network of independent chartered accountants and business advisory firms.

A joint venture company incorporated in Malaysia, will be set up under this joint venture. The joint venture company will provide enterprise solutions and professional consultancy services to mainly the SMEs in Malaysia and other Asia countries.

16. Prospects for 2008

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 initiative 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 and corporate infrastructure for more business coverage in the Greater China region in the foreseeable future.

17. Taxation

| | Current Quarter | Cumulative Quarter |
|---------------------|------------------------|---------------------------|
| | 31 Dec 2007 | 31 Dec 2007 |
| | RM | RM |
| Current tax expense | 116,235 | 136,171 |

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 and the financial year to date.

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 Company has completed the utilisation of its listing proceeds as at 31 December 2007 as follows:-

| Description | Proposed Utilisation RM | Actual Utilisation RM | Balance RM | Timeframe for Utilisation |
|---|-------------------------|-----------------------|------------|---------------------------|
| Future business expansion and capital expenditure | 4,130,000 | 4,130,000 | - | 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 | 7,560,000 | - | |

Private placement proceeds

A net amount of RM8,481,874 was raised through the private placement of 5,917,000 ordinary shares at RM1.44 per share after deducting listing and placement expenses of RM38,606. The proceeds raised from the private placement was for working capital purpose. As at 31 December 2007, Ygl has not utilised this fund yet.

21. Cash and cash equivalents

| | |
|------------------------|----------------------|
| | 31 Dec 2007 |
| | RM'000 |
| Fixed deposit | 10,319 |
| Cash and bank balances | 3,084 |
| | <u>13,403</u> |

22. Company Borrowings and Debt Securities

| | |
|---------------------------------|-----------------------|
| | As at |
| | 31 Dec 2007 |
| | RM'000 |
| Unsecured | |
| <u>Payable within 12 months</u> | |
| Hire purchase liability | 199,196 |
| <u>Payable after 12 months</u> | |
| Hire purchase liability | 72,014 |
| Total | <u>271,210</u> |

The Group does not have any foreign currency borrowings.

23. Capital Commitment

As at 21 February 2008 (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 February 2008 (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 fourth quarter ended 31 December 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 February 2008 (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.

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 December | | Cumulative 12 months ended 31 December | |
|--|-------------------------------|------------|---|------------|
| | 2007 | 2006 | 2007 | 2006 |
| Profits for the period attributable to shareholders (RM) | (129,516) | 886,988 | 1,325,906 | 3,023,591 |
| Weighted average number of ordinary shares in issue | 72,717,000 | 66,800,000 | 70,744,000 | 66,800,000 |
| Basic earnings per share (sen) | -0.18 | 1.33 | 1.87 | 4.53 |