

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
FOR THE FIRST QUARTER ENDED 31 MARCH 2008

	Note	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue		2,935,279	3,003,662	2,935,279	3,003,662
Cost of Sales		<u>(1,722,618)</u>	<u>(1,571,193)</u>	<u>(1,722,618)</u>	<u>(1,571,193)</u>
Gross Profit		1,212,661	1,432,469	1,212,661	1,432,469
Other Operating Income		126,208	63,858	126,208	63,858
Discount On Acquisition		-	-	-	-
Selling and Distribution Costs		(51,061)	(34,316)	(51,061)	(34,316)
Administrative Expenses		(218,966)	(95,325)	(218,966)	(95,325)
Other Operating Expenses		(637,416)	(649,645)	(637,416)	(649,645)
Finance Costs		(2,414)	(1,404)	(2,414)	(1,404)
Profit Before Tax		<u>429,012</u>	<u>715,637</u>	<u>429,012</u>	<u>715,637</u>
Income Tax Expense	17	(33,684)	(3,750)	(33,684)	(3,750)
Profit for the period		<u>395,328</u>	<u>711,887</u>	<u>395,328</u>	<u>711,887</u>
Attributable to:					
Equity Holders of the Parent		372,637	712,987	372,637	712,987
Minority Interest		22,691	(1,100)	22,691	(1,100)
		<u>395,328</u>	<u>711,887</u>	<u>395,328</u>	<u>711,887</u>
Basic earnings per share attributable to equity holders of the parent (sen)	29	0.26	0.51	0.26	0.51

This condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 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 2008

	Note	31 March 2008 (Unaudited) RM	31 December 2007 (Audited) RM
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		3,511,441	3,036,545
Investment Property		289,404	289,523
Intangible Assets (R&D, Goodwill)		3,555,667	3,435,239
Other Investment		-	659,400
Deferred Tax Assets		48,232	19,899
		<u>7,404,744</u>	<u>7,440,606</u>
Current Assets			
Inventories		241,584	190,733
Trade Receivables		4,951,043	2,294,604
Deposits & Prepayment		590,830	186,263
Other Receivables		1,867,047	1,340,231
Tax Recoverable		139,361	180,962
Fixed Deposit		9,290,455	9,668,356
Cash and bank balances		2,325,448	3,148,444
		<u>19,405,768</u>	<u>17,009,593</u>
Total Assets		<u>26,810,512</u>	<u>24,450,199</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share Capital		14,543,400	7,271,700
Share Premium		2,335,128	9,606,828
Revaluation Reserve		286	6,817
Retained Earnings		4,605,838	4,233,201
Equity Attributable to shareholders of the parent		<u>21,484,652</u>	<u>21,118,546</u>
Minority Interest		366,479	343,788
Total Equity		<u>21,851,131</u>	<u>21,462,334</u>
Non Current Liabilities			
Discount on acquisition		-	-
Hire purchase liability		186,364	207,073
Deferred tax liabilities		889	952
Total Non Current Liabilities		<u>187,253</u>	<u>208,025</u>
Current Liabilities			
Hire Purchase Creditor		72,014	69,309
Trade & Other Payables		3,403,918	1,431,069
Deferred Revenue		1,267,801	1,251,051
Current Tax Liabilities		28,395	28,411
		<u>4,772,128</u>	<u>2,779,840</u>
Total Equity and Liabilities		<u>26,810,512</u>	<u>24,450,199</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)		14.77	29.04

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 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 2008**

	Note	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Retained Earnings RM	Minority Interests RM	Total RM
At 1 January 2007 (Audited)		6,680,000	1,727,153	24,805	4,018,386	82,718	12,533,062
Issuance of shares		591,700	7,928,780	-	-	-	8,520,480
Share issue and listing expenses		-	(49,105)	-	-	-	(49,105)
Exchange translation reserve		-	-	(17,988)	-	-	(17,988)
Acquisition of subsidiaries		-	-	-	-	165,120	165,120
Net profit for period		-	-	-	1,232,853	95,950	1,328,803
Interim Dividend		-	-	-	(1,018,038)	-	(1,018,038)
At 31 December 2007		<u>7,271,700</u>	<u>9,606,828</u>	<u>6,817</u>	<u>4,233,201</u>	<u>343,788</u>	<u>21,462,334</u>
At 1 January 2008		7,271,700	9,606,828	6,817	4,233,201	343,788	21,462,334
Share issue and listing expenses		7,271,700	(7,271,700)	-	-	-	-
Exchange translation reserve		-	-	(6,531)	-	-	(6,531)
Profit for the period		-	-	-	372,637	22,691	395,328
At 31 March 2008		<u>14,543,400</u>	<u>2,335,128</u>	<u>286</u>	<u>4,605,838</u>	<u>366,479</u>	<u>21,851,131</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 2007 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 2008**

	Note	3 MONTHS ENDED 31 MARCH	
		2008 RM	2007 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		429,012	715,637
Adjustment for:-			
Depreciation		50,309	58,571
Amortisation of development costs		120,632	83,996
Discount on acquisition		-	-
Foreign Exchange Gain		(54,310)	(25,240)
Decrease in provision for bad debts		-	(5,750)
Interest Expense		2,414	1,404
Interest Income		(84,533)	(54,554)
Loss on disposal of fixed asset		-	-
Operating profit before working capital changes		463,524	774,064
(Increase)/Decrease in inventories		139,856	-
(Increase)/Decrease in receivables		(3,369,986)	(2,201,053)
Increase/(Decrease) in payables		1,642,032	1,319,134
Cash generated from operations		(1,124,574)	(107,855)
Tax paid		(33,684)	(3,750)
Interest paid		(2,414)	(1,404)
NET CASH (FOR)/FROM OPERATING ACTIVITIES		(1,160,672)	(113,009)
CASH FLOW FROM INVESTING ACTIVITIES			
Development costs incurred		(241,765)	(129,804)
Purchase of property, plant and equipment		(524,414)	(723,452)
Investment in subsidiaries	11	-	-
Interest received		84,558	54,554
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(681,621)	(798,702)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Public Share Issue		-	-
Listing Expenses		-	-
Dividend Paid		-	-
Repayment of Hire Purchase		(18,004)	240,330
NET CHANGE IN CASH AND BANK BALANCES		(1,860,297)	(671,381)
CASH AND BANK BALANCES AT 1 JANUARY		13,476,200	6,560,656
CASH AND BANK BALANCES AT 31 MARCH		11,615,903	5,889,275
NOTES TO CASH FLOW STATEMENT			
Cash and cash equivalents comprise of:			
Fixed Deposits		9,290,454	5,163,805
Cash and bank balances		2,325,449	725,470
Bank Borrowings		-	-
		11,615,903	5,889,275

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007 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 2007. The 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 2007 as well as those policies adopted from the financial year beginning 1 January 2008 as disclosed therein.

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

Save as disclosed below, 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:-

The Company had allotted and issued 72,717,000 new ordinary shares of RM0.10 each (“Ygl Shares”) pursuant to the bonus issue of one (1) new Ygl Share for every one (1) existing Ygl Share held at an entitlement date to be determined. The Ygl Shares were listed on the MESDAQ Market of Bursa Securities on 15 February 2008.

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 2008**

8. Segmental Information

Segmental information by operations in Malaysia and Asia Pacific region are as follows:-

	3 months ended 31 March		Cumulative 3 months ended 31 March	
	2008	2007	2008	2007
<u>Segment Revenue</u>				
Revenue from operations:				
Malaysia	1,439,864	1,368,685	1,439,864	1,368,685
Asia Pacific	1,517,848	1,641,476	1,517,848	1,641,476
Total revenue	2,957,712	3,010,161	2,957,712	3,010,161
Elimination	(22,433)	(6,499)	(22,433)	(6,499)
Total	2,935,279	3,003,662	2,935,279	3,003,662

	3 months ended 31 March		Cumulative 3 months ended 31 March	
	2008	2007	2008	2007
<u>Segment Results</u>				
Results from operations:				
Malaysia	566,412	779,923	566,412	779,923
Asia Pacific	(193,775)	(66,936)	(193,775)	(66,936)
Total results	372,637	712,987	372,637	712,987
Elimination	-	-	-	-
Total	372,637	712,987	372,637	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 2007.

10. Material Events subsequent to the Balance Sheet date

Save as disclosed below, there were no material events subsequent to the end of the current financial quarter under review to the date of this announcement:-

Proposed shareholding spread

On 18 April 2008, Bursa Securities has approved an extension of time until 1 July 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”).

Based on the Company’s record of depositors as at 23 May 2008, the Company has 42.56% of its total issued and paid-up share in the hands of 797 public shareholders holding not less than 100 ordinary shares of RM0.10 each. As such, Ygl has yet to meet the Required Shareholding Spread.

11. Changes in the Composition of the Group

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

12. Changes in Contingent Liabilities

There is no contingent liability as at 23 May 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 first quarter ended 31 March 2008 (“1Q2008”), the Ygl Group recorded a revenue of RM2,935,279 representing a slight decrease compared to a revenue of RM3,003,662 achieved in the same quarter last year (“1Q2007”). Gross profit decreased by 15% to RM1,212,661 in 1Q2008 from RM1,432,469 in 1Q2007. This is mainly due to the increase in salary cost resulting from the hiring of more professional staff.

14. Material Changes in Profit Before Tax Against Preceding Quarter

Profit before taxation (“PBT”) of RM429,012 for 1Q2008 is higher than the preceding fourth quarter ended 31 December 2007 (“4Q2007”) of RM22,744. This was mainly due to better performance achieved from the overseas businesses in the current quarter.

15. Corporate Proposals

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

Proposed joint venture with Vista Investment Management Limited

On 18 March 2008, the Company announced the proposed joint venture with Vista Investment Management Limited (“VIML”) for the establishment of a joint venture company incorporated in Malaysia under the proposed name of “Ygl iBay International Sdn. Bhd.” (“Ygl iBay”).

The joint venture will be involved in the business of providing professional advisory on consulting, procurement and outsourcing, software development and marketing and renting of software, acquiring master agency and developing and marketing eProcurement IT solutions.

16. Prospects for 2008

2008 is expected to be a year of moderate growth for the information technology sector in the world and the Asia region. Ygl has the advantage of possessing the in-depth know how of business applications development and deployment. The Board expects 2008 to be the year for Ygl to invest in and expand on the management team in the South East Asia and Greater China region. Coupled with the contacts established in these regions, Ygl is expected to be well positioned as the dominant business application provider which is line with its strategic expansion framework.

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)
Quarterly report for the first quarter ended 31 March 2008**

17. Taxation

	Current Quarter 31 Mar 2008	Cumulative Quarter 31 Mar 2008
	RM	RM
Current tax expense	33,684	33,684

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 Proceeds

Private Placement

Pursuant to the recent private placement exercise undertaken by the Company, the Company had raised approximately RM8.482 million which is entirely earmarked for working capital purposes. As at 31 March 2008, the proceeds have not been utilised.

21. Cash and cash equivalents

	31 Mar 2008 RM'000
Fixed deposit	9,291
Cash and bank balances	2,325
	<u>11,616</u>

22. Company Borrowings and Debt Securities

	As at 31 Mar 2008 RM
Unsecured	
<u>Payable within 12 months</u>	
Hire purchase liability	186,364
<u>Payable after 12 months</u>	
Hire purchase liability	72,014
Total	<u>258,378</u>

The Group does not have any foreign currency borrowings.

23. Capital Commitment

As at 23 May 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 23 May 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 first quarter ended 31 March 2008, 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 23 May 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 and preceding year corresponding financial quarter.

29. Earnings Per Share

The basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders for the period by the weighted average number of ordinary shares.

	3 months ended 31 March		Cumulative 3 months ended 31 March	
	2008	2007	2008	2007
Profits for the period attributable to shareholders (RM)	372,637	712,987	372,637	712,987
Weighted average number of ordinary shares in issue	145,434,000	139,517,000	145,434,000	139,517,000
Basic earnings per share (sen)	0.26	0.51	0.26	0.51