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## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Fifth (5th) Annual General Meeting of Ygi Convergence Berhad (or "the Company") will be held at G Hotel, 168-A Persiaran Gurney, 10250 Penang on Tuesday, 16 June 2009 at 11.00 a.m. for the following purposes:-

### As Ordinary Business:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of Directors' fees of RM55,000 for the financial year ended 31 December 2008.
3. To re-elect Y. Bhg. Dato' Muhammad Farid bin Haji Ahmad Ridhwan who is retiring in accordance with Article 29.1 of the Company's Articles of Association and is being eligible, offering himself for re-election.
4. To re-elect Mr. Chong Kai Min who is retiring in accordance with Article 29.1 of the Company's Articles of Association and is being eligible, offering himself for re-election.
5. To re-elect Madam Tan Hoay Leng who is retiring in accordance with Article 29.6 of the Company's Articles of Association and is being eligible, offering herself for re-election.
6. To appoint the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

**Resolution 1**

**Resolution 2**

**Resolution 3**

**Resolution 4**

Notice of Nomination from a shareholder pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked as "Appendix I" has been received by the Company for the nomination of Messrs Mazars who have given their consent to act, for appointment as Auditors in place of the retiring Auditors, Messrs Moores Rowland and of the intention to propose the following Ordinary Resolution:-

**"THAT** Messrs Mazars be and are hereby appointed as Auditors of the Company in place of the retiring auditors, Messrs Moores Rowland and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

**Resolution 5**

### As Special Business:-

7. To consider and if thought fit, to pass the following resolution with or without modification:-

#### Ordinary Resolution:-

#### Authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965

**"THAT** subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; **AND THAT** such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

**Resolution 6**

By Order of the Board

**OUI ENG CHOO (BC/O/102)**  
**THUM SOOK FUN (MAICSA 7025619)**  
Company Secretaries

Penang  
Date: 25 May 2009



## Notice of Annual General Meeting (cont'd)

### **Explanatory Note to Special Business:-**

#### **Resolution 6 - Authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965**

*The Resolution 6 above, if passed, will empower the Directors to issue shares up to 10% of the issued capital of the Company for the time being for such purposes as the Directors may consider to be in the interest of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or the expiration within which the next Annual General Meeting is required by law to be held, whichever is earlier.*

### **Notes:-**

1. A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint up to 2 proxies to attend and vote in his stead. A proxy may, but need not be a Member and the provision of Section 149(1)(a), (b) and (c) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a Member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy or (in the case of a power of attorney appointing an attorney) such power of attorney or a notarially certified copy of such power of attorney and any authority under which such proxy or power of attorney is executed or a copy of such authority certified notarially or in some other way approved by the Directors shall be deposited at the Registered Office of the Company at No. 10, China Street, 10200 Penang at least 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument or power of attorney proposes to vote.



## Statement Accompanying Notice Of Annual General Meeting

### DIRECTORS STANDING FOR RE-ELECTION

The Director standing for re-election at the 5th Annual General Meeting of the Company to be held at G Hotel, 168-A Persiaran Gurney, 10250 Penang on Tuesday, 16 June 2009 at 11.00 a.m. are as follow:-

Name of Directors	Details of individual Director standing for re-election
Y. Bhg Dato' Muhammad Farid Bin Haji Ahmad Ridhwan	Refer to page ( ) and ( ) of the Annual Report
Mr. Chong Kai Min	Refer to page ( ) and ( ) of the Annual Report
Madam Tan Hoay Leng	Refer to page ( ) and ( ) of the Annual Report



## Notice of Nomination of Auditors

### **YEAP CHOR BENG & SONS SDN. BHD.** (122818-U)

Registered Office: 2-1-25A Harbour Trade Centre, No. 2 Gat Lebu Macallum, 10300 Penang.

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Date: 27 April 2009

The Board of Directors  
YGL CONVERGENCE BERHAD  
Suite 18.05, MWE Plaza,  
No. 8, Lebu Farquhar,  
10200 Penang.

Dear Sirs,

#### **NOTICE OF NOMINATION OF MESSRS. MAZARS AS AUDITORS**

Pursuant to Section 172 (11) of the Companies Act 1965, We, being a shareholder Ygl Convergence Bhd ("the Company"), hereby give notice of our nomination of Messrs Mazars for appointment as Auditors of the Company in place of the retiring auditors, Messrs Moores Rowland and of our intention to propose the following resolution as an Ordinary Resolution at the forthcoming Fifth Annual General Meeting of the Company:

**"THAT** Messrs Mazars be and are hereby appointed as Auditors of the Company in place of the retiring auditors, Messrs Moores Rowland and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

Yours faithfully,  
for and on behalf of  
Yeap Chor Beng & Sons Sdn Bhd

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Director



## Corporate Information

### BOARD OF DIRECTORS

#### **Yeap Kong Chean**

*Chief Executive Officer*

#### **Yeap Kong Tai (Deceased on 27 April 2009)**

*Chief Operating Officer*

#### **Tan Hoay Leng**

*Executive Director*

#### **Lim Hoo Teck**

*Independent Non-Executive Director*

#### **Dato' Muhammad Farid bin Haji Ahmad Ridhwan**

*Independent Non-Executive Director*

#### **Chong Kai Min**

*Independent Non-Executive Director*

### COMPANY SECRETARIES

Ooi Eng Choo (BC/O/102)

Thum Sook Fun (MAICSA 7025619)

### REGISTERED OFFICE

No. 10 China Street

10200 Penang

Tel: 04-2610 619

Fax: 04-2625 599

### SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd

Suite 18.05, MWE Plaza

No. 8, Lebuhr Farquhar, 10200 Penang

Tel: 04-2631 966

Fax: 04-2628 544

### SPONSOR

Kenanga Investment Bank Berhad

801, 8th Floor, Kenanga International

Jalan Sultan Ismail

50250 Kuala Lumpur

Tel: 03-2164 6689

Fax: 03- 2164 6690

### AUDITORS

Moores Rowland (AF 0539)

Wisma Selangor Dredging

7th Floor, South Block

142-A Jalan Ampang

50450 Kuala Lumpur

### PRINCIPAL BANKERS

Malayan Banking Berhad

Ground Floor, MWE Plaza

No. 8, Lebuhr Farquhar

10200 Penang

Tel: 04-2636 685

Fax: 04-2636 645

Hong Leong Bank Berhad

No. 1, Light Street, Georgetown

10200 Penang

Tel: 04-2615 022

Fax: 04-2626 360

CIMB Bank Berhad

43, Lebuhr Pantai, 10300 Penang

Tel: 04-2407 868

Fax: 04-2267 822

### STOCK EXCHANGE LISTING

The MESDAQ Market of

Bursa Malaysia Securities Berhad

Stock Name: YGL

Stock Code: 0086

### WEBSITE

[www.yglworld.com](http://www.yglworld.com)



## Profile of Directors

### **YEAP KONG CHEAN**

*Chief Executive Officer*

*Aged 47, Malaysian*

Yeap Kong Chean was appointed to the Board on 1 June 2005. He is presently the Chief Executive Officer of the Company and also sit on the Board of all the subsidiaries of Ygi except for Ygi Convergence (Asia Pacific) Pte Ltd.

He graduated with a Bachelor's degree in Commerce from University of Melbourne in 1984, with a double major in Accounting and Computer Science. He is an Associate member of the Institute of Chartered Accountant in Australia and the Malaysian Institute of Accountants.

He commenced his career in 1985 with Ernst & Young Malaysia, and had spent seven (7) years in serving Ernst & Young Malaysia and Australia. He had consulted both local and foreign companies of various industries and sizes whilst with Ernst & Young. He was appointed as a consultant on advisory role with Ygi Convergence Malaysia Sdn Bhd in 1993, assisting Ygi Convergence Malaysia Sdn Bhd in business re-engineering and ERP deployment work.

### **YEAP KONG TAI**

*Chief Operating Officer, Malaysian*

Yeap Kong Tai was appointed to the Board on 1 June 2005, and demised on 27 April 2009.

He graduated with a Bachelor of Commerce degree from University of Melbourne in 1985, with a double major in Accounting and Computer Science. He is an Associate member of the Institute of Chartered Accountant in Australia, Malaysian Institute of Accountants and Malaysian Institute of Taxation.

He commenced his career in 1986 with Price Waterhouse Malaysia and was subsequently seconded to Price Waterhouse Australia. Throughout the seven (7) years in Price Waterhouse, he had consulted a number of companies, both local and foreign of various sizes and industries. He joined Ygi Convergence Malaysia Sdn Bhd in 1993 as a Director, initially overseeing the Consulting business, and thereafter directed the Group's own software development and deployment.

### **TAN HOAY LENG**

*Executive Director*

*Aged 42, Malaysian*

Tan Hoay Leng was appointed to the Board on 12 May 2009. She is presently oversees the finance and human resources of Ygi Group.

She graduated with a Bachelor's degree in Commerce from University of Western Australia in 1990. She is a member of the Malaysian Institute of Accountants and the Australian Society of Certified Practising Accountants.

She commenced her career in 1991 with Coopers & Lybrand where she served for three years. Madam Tan Hoay Leng was subsequently involved in public practice, providing consultation services to customers in various industries. She has vast experience in public accounting, taxation, outsourcing and human resource management.



## Profile of Directors (cont'd)

### **LIM HOO TECK**

*Independent Non-Executive Director  
Aged 44, Malaysian*

Lim Hoo Teck was appointed to the Board on 7 April 2008. He was appointed as Chairman of Audit Committee of the Company on 27 August 2008 after he has joined the Audit Committee as its member since 7 April 2008.

He is a member of the Malaysian Institute of Accountants (MIA), Malaysian Institute of Taxation and Malaysian Institute of Certified Public Accountants. He is also a member of the Disciplinary Committee Panel (Lembaga Tatatertib Peguam-Peguam) pursuant to the Legal Profession Act, 1976. He also acts as an Adjudicator for the 2008 National Annual Corporate Report Awards competition and a speaker for the Companies Commission of Malaysia's Corporate Directors' Training Programme.

He commenced his accounting profession in 1984 as an Audit Assistant with Messrs Mustapha Law, where he served for 5 years. In 1989, he joined the international accounting firm of Price Waterhouse (now known as PricewaterhouseCoopers), Kuala Lumpur for about 2 years. He then joined Coopers & Lybrand, Singapore as an Audit Manager in 1991. Currently, he is the Managing Partner of Messrs Steven Lim & Associates. He has more than 18 years experience in public accounting which includes, handling large audits of multinational and public listed companies as well as small and medium-sized audit for companies engaged in trading, manufacturing, banking, plantation, hotel, construction, property holding and service industries. He has also been involved in initial public offer (IPO) assignment, acquisition review and investigation works.

At present, he is an Independent Non-Executive Director and Chairman of Audit Committee of Malaysia Steel Works (KL) Bhd, a company listed on the Main Board of Bursa Malaysia Securities Berhad.

### **DATO' MUHAMMAD FARID BIN HAJI AHMAD RIDHWAN**

*Independent Non-Executive Director  
Aged 53, Malaysian*

Dato' Muhammad Farid Bin Haji Ahmad Ridhwan was appointed to the Board on 1 June 2005. He has been re-designated as member of Audit Committee of the Company with effect from 27 August 2008 after he joined the Audit Committee as its Chairman since 1 June 2005.

He graduated as a mechanical engineer with a marketing degree from the University of Bristol, United Kingdom. He was previously a Director of LB Aluminium Berhad and played a key role in the listing of the company on the then Kuala Lumpur Stock Exchange in 2001. Dato' Farid was awarded the Anugerah "Usahawan Cemerlang 2001" by Bank Pembangunan & Infrastruktur Malaysia Berhad. Dato' Farid is the inventor of the Prefix phone, the world's first line powered chip-card based prepaid fixed line telephone which won PIKOM-Computimes Product of the Year 2004 and which is the first locally developed product with 2 patents already granted. One of his companies, Alif R&D won the MSC-APICTA Award 2006 for Best in Research and Development.

### **CHONG KAI MIN**

*Independent Non-Executive Director  
Aged 44, Malaysian*

Chong Kai Min was appointed to the Board on 1 June 2005. He is also a member of the Audit Committee of the Company.

He holds a Bachelor of Science (Information Technology and Computer Science) from the National University of Singapore. In 1990, he joined Microsoft Singapore Pte Ltd as one of its pioneer employees and was with Microsoft for more than eight (8) years culminating as the Regional Marketing Manager for the Windows Platform. After that, he served as the Vice-President for Investments at OptixLab, a Malaysian venture capital company and he is currently a Director at I-Futures Malaysia Sdn Bhd, a business consulting company.



## Profile of Directors *(cont'd)*

### Notes:

#### i. Family Relationships and Substantial Shareholders

Directors	Relationship	Substantial Shareholder
<b>Yeap Kong Chean</b>	Spouse of Madam Tan Hoay Leng, Executive Director of the Company who was recently appointed to the Board on 12 May 2009.  Brother of Mr. Yeap Kong Tai (deceased), a substantial shareholder of the Company	Yes
<b>Yeap Kong Tai</b> <i>(Deceased)</i>	Brother of Mr. Yeap Kong Chean, a Director and substantial shareholder of the Company.	Yes
<b>Tan Hoay Leng</b> <i>(Appointed with effect from 12 May 2009)</i>	Spouse of Mr. Yeap Kong Chean, Director and substantial shareholder of the Company.	No

Save as the above disclosure, none of the other Directors has family relationship with any other Director or substantial shareholders of the Company.

#### ii. Directors' Shareholdings

Details of the Directors' shareholdings in the Company can be found in the Analysis of Shareholdings section in the Annual Report.

#### iii. No Conflict of Interest

All Directors of the Company do not have any conflict of interest with the Company.

#### iv. Non-conviction of Offences

All the Directors have not been convicted of any offences within the past 10 years.

#### v. Attendance at Board Meetings

Directors	Total No. of Board Meetings held during tenure in office	No. of Board Meetings attended by the Directors	% of Attendance
<b>Yeap Kong Chean</b>	5	5	100
<b>Yeap Kong Tai</b> <i>(Deceased on 27 April 2009)</i>	5	5	100
<b>Lim Hoo Teck</b> <i>(Appointed with effect from 7 April 2008)</i>	4	4	100
<b>Dato' Muhammad Farid bin Haji Ahmad Ridhwan</b>	5	5	100
<b>Chong Kai Min</b>	5	5	100
<b>Tan Hoay Leng</b> <i>(Appointed with effect from 12 May 2009)</i>	N/A	N/A	N/A

### Note:

\* Madam Tan Hoay Leng did not attend any Board Meetings of the Company held in the financial year ended 31 December 2008 as her appointment was made subsequent to the said year end.



## Chief Executive Officer's Statement

On behalf of the Board of Directors and the management team of Ygl Convergence Berhad ("Ygl"), I would like to take this opportunity to present the Annual Report and Financial Statements of the Company and Group for the financial year ended 31 December 2008.

As the world faces financial crisis, the demand for IT solutions has been suppressed. In the market where Ygl Group operates, namely South East Asia and Greater China, the customers are mainly deferring their decision to acquiring technology and focus more on down sizing and consolidation of corporate structure. Accordingly, the business operation of Ygl Group has been affected. There is this challenge for Ygl Group to maintain its human capital resources which have been developed over time across the region, so as to enable Ygl Group to serve a wider range of customers in more diversified capacity in the future. There is also the challenge of continuing with the Research and Development effort into both existing and future product line, that are deemed to have great potential in the Greater China and South East Asia market. With all these efforts that Ygl Group is embarking, I am convinced that when the global market recovers, Ygl is well positioned and distinguished as the premier solutions provider in Asia.

### Financial Overview

Ygl Group recorded a revenue of RM8.448 million for the financial year ended 31 December 2008, this representing a decrease of 32% as compared with the revenue of RM12.410 million for the financial year ended 31 December 2007. Net loss for financial year 2008 was RM4.245 million as compared to net profit after tax of RM1.328 million for financial year 2007. This representing a decrease of 419% from the previous year. Correspondingly, Ygl's earnings per share have decreased from 0.86 sen per share for the year ended 31 December 2007 to net loss per share of 2.85 sen for the year ended 31 December 2008.

The decrease in revenue was in line with the downturn in market demand for enterprise solutions in Asia region and the world. The net loss was mainly due to a RM1.314 million impairment of investment in Ygl Convergence (Asia Pacific) Pte. Ltd. There were also a provision of doubtful debts and inventory write down of RM0.647 million and share of results of associated company amounting to RM0.178 million.

The Board of Ygl had collectively determined that due to the lack of control of Ygl to govern the financial and operating policies of Ygl Convergence (Asia Pacific) Pte Ltd, the results of Ygl Convergence (Asia Pacific) Pte Ltd was not be consolidated in the financial year ended 31 December 2008. As a result, the total cost of investment of Ygl in Ygl Convergence (Asia Pacific) Pte. Ltd. amounting to RM1.314 million had been fully impaired in the financial year ended 31 December 2008.

### Corporate Development

On 20 October 2008, the proposed joint venture between Ygl and Vista Investment Management Limited for the establishment of a joint venture company incorporated in Malaysia under the name of Ygl iBay International Sdn Bhd (Ygl iBay) was completed. Ygl holds 30% equity in Ygl iBay. Ygl iBay is an international procurement setup that embarks on advisory, training, outsourcing, portal development and agency business.

### Research and Development ("R&D")

For financial year 2008, Ygl Group had invested RM1.52 million in the new product development and feature enhancement of Ygl existing proprietary product line. This representing a increase of 15% as compared to the R&D's expenditure of RM1.23 million incurred in financial year 2007.



## Chief Executive Officer's Statement *(cont'd)*

### Prospect

Whilst the global economy is slowing down, and the IT market is affected, the Group sees some opportunities to embark on new business ventures and vertical solutions that compliment and enhance the core competency of Ygl business solutions. The Group also sees the need to preserve our professional workforce, and speed up our research and development efforts, both deemed critical to ensure growth for the future.

I expect our growth path to be in line with our business strategy, which has been charted in accordance with our understanding of the present economic environment. The goal is for Ygl to emerge as the dominating business application provider in the Asia region.

### Appreciation

I wish to take this opportunity to extend my appreciation to:

- our valued customers for believing in Ygl's solutions;
- our business partners for working with us in providing the most effective business solutions;
- my fellow Board members for their wisdom and advice;
- the management team and employees for their dedication and contribution; and
- our shareholders for their confidence in us.

Last but not least, please allow me on behalf of the Yeap family, shareholders and the Board of Directors of Ygl, to record our utmost respect and sincere tribute to our Chief Operating Officer, Mr. Yeap Kong Tai, who passed away in April 2009. He is sadly missed by all who have known him, especially those who had the privilege and opportunity to work with him in Ygl Group.

**Yeap Kong Chean**  
Chief Executive Officer



## Audit Committee Report

### MEMBERSHIP

The Audit Committee comprises the following members:

#### Chairman

**Lim Hoo Teck** (Independent Non-Executive Director)

*(Appointed as Member on 7 April 2008 and subsequently redesignated as Chairman of Audit Committee with effect from 27 August 2008)*

#### Members

**Dato' Muhammad Farid Bin Haji Ahmad Ridhwan** (Independent Non-Executive Director)

*(Redesignated from Chairman to Member of Audit Committee with effect from 27 August 2008)*

**Chong Kai Min** (Independent Non-Executive Director)

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### 1. COMPOSITION

- 1.1 The Audit Committee members shall be appointed by the Board of Directors with at least three members, of which all the Audit Committee members must be non-executive directors, with a majority of them being Independent Directors.

The definition of "Independent Directors" shall have the meaning given in Rule 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for MESDAQ Market.

- 1.2 The members of the Audit Committee shall select a Chairman from among its number who shall be an Independent Director. In the event that the elected Chairman is not able to attend a meeting, a member of the Audit Committee shall be nominated as Chairman for the Meeting.
- 1.3 If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new member as may be required to make up the minimum number of three (3) members.

#### 2. AUTHORITY

- 2.1 The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-
  - a) have explicit authority to investigate any matters within its term of reference;
  - b) have full and unrestricted access to any information it seeks as relevant to its activities from any employee of the Company or the Group and all employees are directed to co-operate with any request by the member of the Audit Committee;
  - c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activities (if any);
  - d) be able to obtain independent professional or other advice in the performance of its duties; and
  - e) where the Audit Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactory resolved resulting in a breach of the Listing Requirements for MESDAQ Market, the Audit Committee shall promptly report such matter to Bursa Securities.



## Audit Committee Report *(cont'd)*

### 3. DUTIES AND RESPONSIBILITIES

- 3.1 The Audit Committee shall assist the Board of Directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and its subsidiaries and the sufficiency of auditing relating thereto.
- 3.2 The duties of the Audit Committee shall include a review of the following and report the same to the Board of Directors of the Company:
- a) with the external auditor, the audit plan and their management letter (if any);
  - b) with the external auditor, their evaluation of the internal controls and management information systems;
  - c) with the external auditor, their audit report and actions to be taken;
  - d) the assistance given by the employees of the Company to the external auditor;
  - e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out the work;
  - f) the internal audit programme, process, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particulars on:
    - i) changes in or implementation of major accounting policy changes
    - ii) significant adjustments arising from the audit;
    - iii) the going concern assumption;
    - iv) significant and unusual events; and
    - v) compliance with accounting standards and other legal requirements;
  - h) any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - i) any letter of resignation from the external auditors of the Company; and
  - j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
- 3.3 to do the following, in relation to the internal audit function:
- a) review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out the work;
  - b) review the internal audit programme, process, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - c) review any appraisal or assessment of the performance of members of the internal audit function;
  - d) approve any appointment or termination of senior staff members of the internal audit function;
  - e) take cognizance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.



## **Audit Committee Report** *(cont'd)*

### **3. DUTIES AND RESPONSIBILITIES** *(cont'd)*

- 3.4 To recommend the nomination of a person or persons as external auditors, the audit fee and any questions of resignation or dismissal.
- 3.5 To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any.
- 3.6 To consider other topics as defined by the Board of Directors; and
- 3.7 To consider and examine such other matters as the Audit Committee considers appropriate.

### **4. MEETINGS & QUORUM**

- 4.1 Meetings shall be held not less than four times a year with a due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In order to form a quorum, a majority of members present whom must be independent directors.
- 4.2 Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.
- 4.3 The present of the external auditors will be requested if required.
- 4.4 The Chairman of the Audit Committee shall engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed to the matters affecting the Company.
- 4.5 The Finance Manager, the head of internal audit and representatives of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee shall meet with the external auditors, the internal auditors or both, without other Board members and management present at least twice a year and whenever deemed necessary.
- 4.6 Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes, the Chairman of the Audit Committee shall have a second or casting vote.

### **5. REPORTING PROCEDURES**

- 5.1 The Chairman of the Audit Committee shall report on each meeting to the Board of Directors.
- 5.2 The Company Secretaries shall be the secretaries of the Audit Committee.
- 5.3 Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board.
- 5.4 The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.



## Audit Committee Report (cont'd)

### NUMBER OF MEETINGS AND DETAILS OF ATTENDANCE

The Audit Committee had held five (5) meetings during the financial year 2008 which were attended by the following Audit Committee members:-

Audit Committee	Total No. of Audit Committee Meetings held during tenure in office	Total No. of Audit Committee Meetings attended by the Director	%
<b>Lim Hoo Teck</b> <i>(Appointed as Member of Audit Committee on 7 April 2008 and subsequently redesignated as Chairman of Audit Committee with effect from 27 August 2008)</i>	4	4	100
<b>Dato' Muhammad Farid Bin Haji Ahmad Ridhwan</b> <i>(Redesignated from Chairman to Member of Audit Committee with effect from 27 August 2008)</i>	5	5	100
<b>Chong Kai Min</b>	5	5	100
<b>Yeap Kong Tai (Deceased)</b> <i>(Resigned as Member of Audit Committee on 7 April 2008)</i>	1	1	100

The non-executive members of the Audit Committee held dialogue sessions with the external auditors on 28 April 2008 and 25 November 2008 for the financial year 2008 that would require discussion without the presence of the Executive Directors.

### SUMMARY OF ACTIVITIES

During the financial year 2008, the Audit Committee carried out the following activities in the discharge of its functions and duties:-

1. Reviewed the quarterly and annual reports of the Group and the Company prior to submission to the Board of Directors for consideration and approval;
2. Reviewed the related party transactions of the Company;
3. Reviewed the audit report prepared by the external auditors for the Group and the Company before recommending to the Board for approval;
4. Reviewed the improvements recommended by the Capability Maturity Model® Integration (CMMI) quality assurance processes which aimed at improving the standard of software implementation;
5. Made recommendation to the Board on the re-appointment of the external auditors;
6. Reviewed the statement of internal control; and
7. Reviewed with the external auditors, their audit planning memorandum, audit approach and reporting requirements prior to the commencement of audit work.



## **Audit Committee Report** *(cont'd)*

### **INTERNAL AUDIT**

The Group has an internal audit function which conducts regular and systematic review of the operations of the business to provide reasonable assurance that functions of internal controls are adequate and compliance with company policies and operational procedures are adhered to. The operational weaknesses identified are effectively conveyed to the Management and implementations are monitored following the recommendations for improvements by the internal audit function.

The activities carried out by the internal audit function include:

1. Reviewing the adequacy of accounting and financial controls;
2. Reviewing the application of operational procedures;
3. Reviewing compliance with established company policies;
4. Ascertaining the extent of compliance with operational procedures; and
5. Recommending improvements to the existing internal control procedures.

This statement is made in accordance with the resolution of the Board of Directors dated 28 April 2009.



## Statement On Corporate Governance

The Board of Directors (“the Board”) of Ygl Convergence Berhad (“Ygl”) recognizes the importance of the principles and best practices set out in the Malaysian Code on Corporate Governance (“the Code”) as a key factor towards achieving an optimal governance framework and enhancing the shareholders’ value and the performance of the Group.

With this in mind, the Board has taken relevant measures to apply the key principles and conform to the best practices as set out in the Code with the exception of certain areas highlighted below. The reasons for such departures are specified therein.

Best Practices	Reasons
i. Appointment of a nomination committee	<ul style="list-style-type: none"> <li>The appointment of new Board members will be a matter for the whole Board to deliberate upon.</li> </ul>
ii. Appointment of a remuneration committee	<ul style="list-style-type: none"> <li>The Director’s remuneration is a matter of the full Board to decide based on market conditions, responsibilities held and the Group’s overall financial performance.</li> </ul>

### BOARD OF DIRECTORS

#### The Board

The Board is entrusted with the proper stewardship of the Company’s resources for the best interest of its shareholders and also to steer the Group towards achieving its maximum economic value.

The Board’s principal focus is the overall strategic direction, development and control of the Group. The Board is responsible for the protection and enhancement of long-term value and returns for the shareholders. The Board also reviews the action plans that are implemented by the Management to achieve business targets, provides corporate direction and reviews financial results of the Group.

#### Board Balance

The Board currently consists of five (5) Directors, comprising two (2) Executive Director and three (3) Independent Non-Executive Directors. Collectively, the composition equips the Board with a mix of industry-specific knowledge and broad business, financial, regulatory and technical experience. A brief profile of each Director is set out on pages [ ] to [ ] of this Annual Report.

The Board complies with Rule 15.02 of Listing Requirement of Bursa Securities for the MESDAQ Market which states that a listed company must have at least 2 directors or 1/3 of the board of directors, whichever is the highest, are independent directors.

The Executive Directors, Mr. Yeap Kong Chean and Madam Tan Hoay Leng, whom primarily is responsible for the implementation of the Board’s policies and decisions and keep the Board informed of the overall operations of the Group. The presence of Independent Non-Executive Directors, Dato’ Muhammad Farid bin Haji Ahmad Ridhwan, Mr. Chong Kai Min and Mr. Lim Hoo Teck, all of them are of sufficient caliber and experience to bring objectivity, balance and independent judgments to the Board’s decision.



## Statement On Corporate Governance (cont'd)

### Board Meetings

The Board meetings are held at quarterly intervals and additional meetings are held should the need arise. For the financial year ended 31 December 2008, five (5) meetings were held. The following is the record of attendance by the Board members during their tenure in office:-

Directors	Total No. of Board Meetings held during tenure in office	No. of Board Meetings attended by the Directors	%
Yeap Kong Chean	5	5	100
Yeap Kong Tai (Deceased on 27 April 2009)	5	5	100
Lim Hoo Teck (Appointed with effect from 7 April 2008)	4	4	100
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan	5	5	100
Chong Kai Min	5	5	100
Tan Hoay Leng (Appointed with effect from 12 May 2009)	N/A	N/A	N/A

### Supply of and Access to information

The Board is provided with notice of meetings that set out the agenda, which include relevant Board papers prior to board meetings to give them sufficient time to deliberate on issues to be raised at meetings.

The proceedings at all Board meetings are duly minuted. The Minutes of these proceedings are kept at the registered office of the company.

All Directors have direct access to the advice and services of the Company Secretaries, the Sponsor and senior management in carrying out their duties. The Directors may obtain independent professional advice in the event such services are required.

### Appointment to the Board and Re-election

In accordance with Articles 29.1 of the Company's Articles of Association, an election of the Directors shall take place each year. At every Annual General Meeting ("AGM"), one-third of the Directors who are subject to retirement by rotation or, if their number is not 3 or multiple of 3, the number nearest to one-third shall retire from office, and if there is only 1 Director who is subject to retirement by rotation, he shall retire provided always that all Directors shall retire from office once at least in each 3 years but shall be eligible for re-election.

Article 29.6 of the Company's Articles of Associations also provides that a newly appointed Director shall hold office only until the next AGM and shall then be eligible for re-election, and shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

Directors over 70 years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

### Directors' Training

All the Directors have attended the Mandatory Accreditation Programme as required by Bursa Securities on all Directors of listed companies.

Directors are encouraged to attend talks, seminar, workshop, conferences and other training programmes to update themselves on new developments in the business development.



## Statement On Corporate Governance (cont'd)

Descriptions of the type of training(s) attended by the Directors for financial year ended 31 December 2008 are as follows:-

TITLE OF SEMINAR/WORKSHOP/CONFERENCE	MODE OF TRAINING	NO. OF HOURS/DAYS SPENT
<b>Yeap Kong Chean</b> <ul style="list-style-type: none"> <li>Practitioners Update</li> <li>Tax Planning of Current Tax Issues</li> <li>Persidangan Cukai Malaysia 2008</li> <li>National Seminar on Taxation 2008</li> <li>2009 Budget Seminar</li> </ul>	Workshop Workshop Seminar Seminar Seminar	1 Day 1 Day 2 Days 2 Days 2 Days
<b>Yeap Kong Tai (Deceased)</b> <ul style="list-style-type: none"> <li>National Seminar on Taxation 2008</li> <li>National Seminar on Taxation 2008</li> <li>2009 Budget Seminar</li> <li>Crossborder Transactions</li> <li>Tax Implication on New and Revised FRSs</li> </ul>	Seminar Seminar Seminar Workshop Seminar	1 Day 1 Day 2 Days 1 Day 1 Day
<b>Dato' Muhammad Farid Bin Haji Ahmad Ridhwan</b> <ul style="list-style-type: none"> <li>Directorship : Independent VS Executive</li> </ul>	Seminar	½ Day
<b>Chong Kai Min</b> <ul style="list-style-type: none"> <li>Directorship : Independent VS Executive</li> </ul>	Seminar	½ Day
<b>Lim Hoo Teck</b> <ul style="list-style-type: none"> <li>Controversies of Financial Reporting Practices in Malaysia</li> </ul>	Seminar	1 Day

### Directors' Remuneration

The Board as a whole determines the remuneration of Executive Directors. The individual Director concerned is abstained from decisions in respect of their own remuneration package.

In accordance with the Company's Articles of Association, the fees of the Directors shall from time to time to be determined by the Company in general meeting.

In general, the remuneration is structured so as to link rewards to corporate and individual performance, as in the case of the Executive Directors.

As for the Non-Executive Directors, the level of remunerations reflects the experience and level of responsibilities undertaken individually by the Director concerned.



## Statement On Corporate Governance (cont'd)

The summary of the Directors' remuneration in the Company and of its subsidiaries for the financial year ended 31 December 2008 is as follows:-

Directors	Company			Group		
	Salaries RM	Bonus RM	Fee RM	Salaries RM	Bonus RM	Fee RM
Executive	-	-	-	270,040	-	-
Non-Executive	-	-	55,000	-	-	-
Total	-	-	55,000	270,040	-	-

The Directors whose remuneration falls within the following bands are as follows:-

Range	Executive	Non-Executive
Below RM50,000	-	3
RM50,001 – RM100,000	-	-
RM100,001-RM150,000	2	-

## SHAREHOLDERS

### Investors' Relations and Shareholders' Communication

The Group values the importance of high-level accountability and corporate transparency between the Group and its investors. As such, communications are made through proper, timely and adequate dissemination of information on the Group's performance and other development. The communication with its shareholders and investors are made through AGM, Annual Report, Quarterly Results, Research Reports and various announcements made to Bursa Malaysia.

At the AGM, shareholders are encouraged to participate and to raise questions pertaining to resolutions proposed and future prospects of the Group in general.

### COMPANY'S AGM AND EXTRAORDINARY GENERAL MEETING

The Company's AGM serves as a principal forum for dialogue between the Directors and Sponsors with the shareholders. At each AGM, notice of AGM and annual reports will be sent to the shareholders at least twenty-one (21) days before the AGM. The notice of the AGM is also published in widely circulated newspapers.

Each item of special business included in the Notice of the meeting will be accompanied by an explanatory statement for the effects of a proposed resolution to facilitate full understanding and evaluation of issues involved.

At the AGM, shareholders are encouraged to participate in the question-and-answer session on the resolutions being proposed or to share viewpoints and acquire information on issues relevant to the Group business operation in general.

An Extraordinary General Meeting is held as and when the shareholders' approvals are required on specified matters.



## Statement On Corporate Governance (cont'd)

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Directors are aware of their responsibilities to present a balance and understandable assessment of the Group's financial performance and prospect.

In this respect, the Audit Committee assists the Board to scrutinize information for disclosure to ensure accuracy, adequacy and completeness of the financial information to be disclosed. The financial reports will be review by the Audit Committee prior to tabling them to the Board of Directors for approval and subsequent release to Bursa Securities.

In addition, the Group has adopted the appropriate accounting policies that have been consistently applied in the preparation of its accounting records to present a true and fair view of its financial performances.

The report of the Audit Committee is separately set out on pages [ ] to [ ] of this Annual Report.

#### Internal Control

The Board has the responsibility to maintain a sound system of internal control to safeguard shareholders' investment and Group's assets. Proper internal control systems are designed to manage and mitigate the risks to which the Group is exposed.

The Board, through the Audit Committee, will continually review the adequacy and integrity of the Group's internal control systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Statement on Internal Control is set out on pages [ ] and [ ] of this Annual Report.

#### Relationship with the External Auditors

The Board maintains a formal and good working relationship with the external auditors, Messrs Moores Rowland in seeking their professional advice and towards ensuring compliance with the accounting standards through Audit Committee.

The Independent Non-Executive Directors also met with the external auditors without the presence of Management on 28 April 2008 and 25 November 2008 respectively during the financial year 2008 in compliance with the Best Practices of the Code.

The external auditors have continued to report to the members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements.

The Audit Committee recommends the appointment of the external auditors. The appointment of the external auditors is subject to the approval of the shareholders at the AGMs. The external auditors shall report to the Audit Committee on all matters relating to the financial audit of the Group. They are also invited to attend the Audit Committee Meetings as and when necessary.

#### Compliance with the Best Practices of the Code

Save for the exceptions set out above, the Group is in compliance throughout the financial year with the Code.

This statement is made in accordance with a resolution of the Board of Directors dated 28 April 2009.



## Statement On Internal Control

### 1. Board Responsibilities

The Board acknowledges its responsibilities for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets, and for reviewing the adequacy and integrity of the internal control system.

These are the desired business objectives to be achieved in establishing the internal control systems:-

- Effectiveness and efficiency of operations
- Reliability, accuracy, and timely financial reporting
- Compliance with applicable laws, regulations, rules, directives and guidelines

However, the internal control systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. As such, the system can only provide reasonable but not absolute assurance against material misstatement, fraud or losses.

### 2. Key Elements of Internal Control

#### Risk Management

Risk management is recognized as an integral part of good business practice. The Board has the responsibility to structure a sound risk management framework in the company policies to communicate the necessary information to enable the management team to evaluate the principal risks and related financial and operational issues. Monitoring of the Group's operations and performance at its board meeting provides for alignment of the Group's business direction with the expectation of the Board.

#### Control Structure

The Group has a well defined organizational structure with clear lines of accountability and documented delegation of authority that sets out the decisions that need to be taken and the appropriate authority levels for major capital expenditure projects, acquisitions and disposals of businesses and other significant transactions that require Board approval as follows:-

- Dissemination of comprehensive financial reports to the Board and Audit Committee on a quarterly basis for review to formulate action plans to address any areas of concern
- Involvement of the Executive Directors in the weekly operational meetings attended by respective senior management to highlight significant matters arising on a timely basis
- Maintain a demanding recruitment standards and employee competency programmes to ensure competent personnel are employed for the operating units to function efficiently
- Adopting the Capability Maturity Model® Integration (CMMI) quality assurance processes to appraise the development of software development and implementation.
- Constant monitoring of work performance by an effective reporting system



## Statement On Internal Control *(cont'd)*

### Internal Audit

The Board has engaged an Internal Auditor to review the work processes of the Group to ensure its effectiveness and efficiencies. The Audit Committee meetings were held quarterly to discuss significant issue found and make necessary recommendations to the Board. From year 2009 onwards, the Management will outsource the internal audit function to an independent, qualified third party to review the internal control system of the Group.

### Effectiveness of Internal Control System

The internal control mechanisms in place are viewed by the Board to provide reasonable assurance that the internal controls are suitable at the current level of operations. The Board is committed to continuously improve the internal control system to support the requirements of the Group. Albeit some minor internal control weaknesses which are being addressed, there were no significant weaknesses in the internal control procedures that had arisen during the financial year.

This statement is made in accordance with a resolution of the Board of Directors dated 28 April 2009.



## Directors' Responsibilities Statement On Financial Statements

In accordance with the Companies Act, 1965, the Directors of the Company are required to prepare financial statements for each financial year which shall give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit and loss of the Company and of the Group for the financial year.

The Directors are responsible to ensure that the Company and the Group keep proper accounting records to enable the Company to disclose, with reasonable accuracy and without any material misstatement in the financial statements, the financial position and the profit and loss of the Company and the Group. The Directors are also responsible to ensure that the financial statements comply with the Companies Act, 1965 and the relevant accounting standards.

In preparing the financial statements for the financial year ended 31 December 2008, the Directors have:-

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured applicable accounting standards have been followed, subject to any material departures which will be disclosed and explained in the financial statements; and
- prepared the financial statements on the assumption that the Company and the Group will operate as a going concern.

The Directors have provided the auditors with every opportunity to take all steps, undertake all inspections and seek all explanations they considered to be appropriate for the purpose of enabling them to give their audit report on the financial statements.

This statement is made in accordance with a resolution of the Board of Directors dated 28 April 2009.



## Additional Compliance Information

### PRIVATE PLACEMENT

The Company's private placement exercise ("Private Placement") approved by the Securities Commission ("SC") and the Foreign Investment Committee ("FIC") on 11 April 2007 involved the placement of up to 10% of the issued and fully paid-up share capital of Ygi, comprising up to 6,680,000 new ordinary shares of RM0.10 each ("Ygi Shares") to investors to be identified.

The Company had completed implementation of the first tranche of the Private Placement as set out below:

Date of announcement	Placement tranche	No. of Ygi Shares allotted	Issue price	Date of allotment
4 May 2007	First tranche	5,917,000	RM1.44	24 May 2007

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 were for working capital purpose.

The Company had further made an announcement to Bursa Securities on 12 October 2007 stated that the approval granted by SC and FIC for the Private Placement had lapsed on 10 October 2007 and consequently, the remaining 763,000 Ygi Shares under the Private Placement will not be placed out.

As at 31 December 2008, Ygi has utilised approximately RM3.35 million of the fund raised through the Private Placement.

### SHARE BUY-BACK

During the financial year, there was no share buy-back made by the Company.

### OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants and convertible securities during the financial year.

### AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

During the financial year, the Company did not sponsor any ADR or GDR Programme.

### IMPOSITION OF SANCTIONS AND PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies during the financial year.

### NON-AUDIT FEES

There were no non-audit fees paid to the external auditors by the Group and by the Company for the financial year ended 31 December 2008.



## **Additional Compliance Information** *(cont'd)*

### **VARIATION OF ACTUAL PROFIT FROM THE UNAUDITED RESULTS**

There were no material variations between the audited results for the financial year ended 31 December 2008 and the unaudited results for the quarter ended 31 December 2008 of the Group as previously announced.

### **PROFIT GUARANTEE**

The Company did not issue any profit guarantee during the financial year.

### **MATERIAL CONTRACTS INVOLVING DIRECTORS**

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders.

### **REVALUATION POLICY**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.



## Corporate Social Responsibility

Customer Days in Penang and Kuala Lumpur were organized to extend appreciation to existing customers for their support given to Ygi all these years.

Ygi's customers' requirements are always top priority and Ygi always committed to provide effective business solutions to its customers.



To strengthen the networking ties with China, Ygi played host at one of the most prestige straits settlement tourist attraction in Penang "Rumah Peranakan Mansion" to a group of business owners and senior executives of prestigious companies from China in March 2008.

Ygi is conscious of its obligation at the market place and believe that a corporation that is responsible will inevitably heighten the awareness of the brand to higher market valuations while simultaneously increasing competitiveness.



Ygi participated in the Career Fair 2008 organized by Multimedia University in April 2008 to foster the participation of the university students in organizing events and at the same time enlighten their career paths.

Ygi plays its roles as a socially responsible citizen in the community whenever the need arises.



More than 50 of the employees of Ygi were sent to participate in Starwalk 2008 held in December 2008. Teamwork is what the Yglians are all about.

Ygi's staff represents a set of values that encourage behaviors such as listening and constructively responding to points of view expressed by others, giving others the benefit of the doubt, providing support to those who need it, and recognizing the interests and achievements of others.





## Corporate Social Responsibility (cont'd)

In April 2008, Ygl signed an Agreement on the development of TAXcom V-Guide with Dr Veerinderjeet. Dr Veerinderjeet, with more than 26 years of experience in the tax profession as a consultant, academian released his latest book, "Veerinder on Taxation". The book consists of two volumes, is a revamped reference book that provides a comprehensive coverage of Malaysian tax matters. It includes current developments such as GST, transfer pricing and electronic commerce. YGL Convergence Bhd (YGL), an IT solutions company, will develop and be the exclusive marketing agent for the digital product, known as TAXcom V-Guide, which is integratable with the current TAXcom software products. Contents of both, the book and its digitized version will be updated by Veerinderjeet at least twice a year.



Dr Veerinderjeet, the late Mr. Yeap Kong Tai and Tan Sri Abdul Rashid Hussain

## WCIT 2008

In May, Ygl was one of the exhibitors at the 'Invest Penang' booth. Held once every two years, the World Congress on Information Technology is a premier global ICT forum that brings together global leaders in business, government and academia. Often billed as the Olympics of ICT, it impacts global economic and social development through the exchange of policies and ideas on technology.

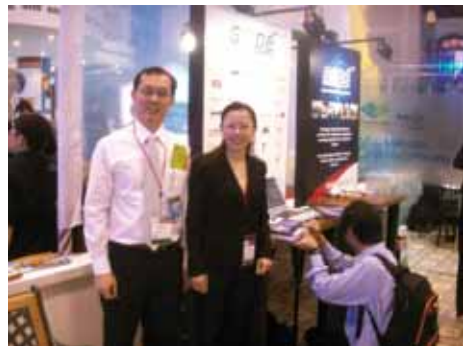
WCIT 2008 was held at the Kuala Lumpur Convention Centre on May 18 – 22, 2008. Themed "The Global Impact of Information and Communications Technology: Enable Businesses, Empower Societies, Enrich Economies", the five-day event drawn more than 2,500 delegates from over 80 countries. Keynote speakers included some of the most respected and admired names in Government and industry.



Penang won the best state award

## R&D Centre

On October 18 2008, Ygl celebrated the official opening of the new Ygl R&D centre located at the Penang Cybercity. The R & D centre is focusing on engineering, operations and IT support functions and is part of our worldwide effort to build and promote research collaboration and development engineering centre in South East Asia. It also allows us to better meet the needs of multinational corporations that are deeply invested in Asia and enhance our level of services.



Humphrey and Eliza at the booth



Ygl R & D Centre  
In Penang Cybercity, Malaysia



## Directors' Report

For The Year Ended 31 December 2008

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

### PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are indicated in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

### RESULTS

	Group RM	Company RM
Net loss for the year	(4,245,413)	(1,272,693)
Attributable to:		
Shareholders of the Company	(4,144,719)	(1,272,693)
Minority interests	(100,694)	-
	<u>(4,245,413)</u>	<u>(1,272,693)</u>

### DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year and the directors do not recommend any dividend for the current financial year.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the financial statements.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased:

- its authorised share capital from RM10,000,000 to RM20,000,000 by the creation of additional 100,000,000 new ordinary shares of RM0.10 each.
- its issued and paid-up share capital from RM7,271,700 to RM14,543,400 by way of bonus issue of 72,717,000 new ordinary shares of RM0.10 each, credited as fully paid-up on the basis of one new ordinary share for every one existing share held. The bonus issue was effected by way of capitalising an amount of RM7,271,700 from the share premium account of the Company.

No debentures were issued by the Company during the financial year under review.



## Directors' Report (cont'd)

For The Year Ended 31 December 2008

### DIRECTORS

The directors in office since the date of last report are:

Yeap Kong Chean  
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan  
Chong Kai Min  
Lim Hoo Teck  
Yeap Kong Tai (deceased on 27-4-2009)

In accordance with the Company's Articles of Association, Dato' Muhammad Farid Bin Haji Ahmad Ridhwan and Chong Kai Min retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

### DIRECTORS' INTERESTS IN SHARES

According to the register of directors' shareholdings required to be kept under Section 134 of the Companies Act 1965, none of the directors who held office at the end of the financial year, held any shares or had any interests in shares in the Company or its related corporations during the financial year except as follows:

The Company	At 1-1-2008	Number of ordinary shares of RM0.10 each			At 31-12-2008
		Bonus issue	Bought	Sold	
Yeap Kong Chean	20,333,334	20,333,334	-	-	40,666,668
Yeap Kong Tai	19,733,332	19,733,332	-	-	39,466,664
Chong Kai Min	5,000	5,000	-	-	10,000

By virtue of their interests in shares in the Company, Yeap Kong Chean and Yeap Kong Tai are deemed to be interested in shares in all the subsidiaries to the extent the Company has an interest.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



## Directors' Report *(cont'd)*

For The Year Ended 31 December 2008

### OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent, or
  - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading, or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Company or its subsidiaries which has arisen since the end of the financial year which secures the liabilities of any other person, or
  - (ii) any contingent liability of the Company or its subsidiaries which has arisen since the end of the financial year.
- (d) No contingent or other liability of the Company or its subsidiaries has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company or its subsidiaries to meet their obligations as and when they fall due.
- (e) At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the directors:
- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.



## **Directors' Report** *(cont'd)*

For The Year Ended 31 December 2008

### **AUDITORS**

The auditors, Moores Rowland, Chartered Accountants, retire at the forthcoming annual general meeting and do not wish to seek re-appointment. The directors have received a nomination to appoint Mazars, Chartered Accountants, as auditors for the ensuing year. Mazars have expressed their willingness to accept nomination as auditors and a motion to resolve their appointment will be tabled at the forthcoming annual general meeting.

Signed on behalf of the directors in accordance  
with a directors' resolution dated  
28 April 2009

**YEAP KONG CHEAN**

Director

**LIM HOO TECK**

Director



## Independent Auditors' Report

to the members of YGL Convergence Berhad

### Report on the Financial Statements

We have audited the financial statements of Ygl Convergence Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 61.

#### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.



## **Independent Auditors' Report** *(cont'd)*

to the members of YGL Convergence Berhad

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statement and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### **MOORES ROWLAND**

No. AF: 0539  
Chartered Accountants

Kuala Lumpur

28 April 2009

#### **GAN MORN GHUAT**

No. 1499/5/09 (J)  
Partner



## Balance Sheets

- 31 December 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	3	4,760,079	3,036,545	3,107,012	1,419,772
Investment property	4	289,046	289,523	-	-
Intangible assets	5	3,062,651	3,435,239	-	-
Investment in subsidiaries	6	-	-	4,270,047	5,584,451
Investment in associates	7	322,220	-	500,000	-
Other investments	8	990,932	659,400	1	-
Deferred tax assets	9	-	19,899	-	-
		<u>9,424,928</u>	<u>7,440,606</u>	<u>7,877,060</u>	<u>7,004,223</u>
<b>CURRENT ASSETS</b>					
Inventories		-	190,733	-	-
Trade and other receivables	10	3,294,027	3,665,192	106,188	52,384
Amount owing by subsidiaries	6	-	-	1,311,630	988,557
Amount owing by associates	7	650,000	155,906	650,000	-
Current tax assets		214,888	180,962	42,251	-
Time deposits	11	5,972,987	9,668,356	5,972,987	9,194,362
Cash and bank balances	12	1,550,122	3,148,444	91,484	115,993
		<u>11,682,024</u>	<u>17,009,593</u>	<u>8,174,540</u>	<u>10,351,296</u>
<b>TOTAL ASSETS</b>		<u>21,106,952</u>	<u>24,450,199</u>	<u>16,051,600</u>	<u>17,355,519</u>



## Balance Sheets (cont'd)

- 31 December 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>EQUITY</b>					
Share capital	13	14,543,400	7,271,700	14,543,400	7,271,700
Share premium, non-distributable		2,335,128	9,606,828	2,335,128	9,606,828
Exchange translation reserve, non-distributable		16,704	6,817	-	-
Unappropriated profit/ (Accumulated loss)		30,438	4,233,201	(1,142,697)	129,996
Equity attributable to shareholders of the Company		16,925,670	21,118,546	15,735,831	17,008,524
Minority interests		151,676	343,788	-	-
<b>TOTAL EQUITY</b>		<b>17,077,346</b>	<b>21,462,334</b>	<b>15,735,831</b>	<b>17,008,524</b>
<b>NON-CURRENT LIABILITIES</b>					
Hire purchase liabilities	14	134,205	207,073	-	-
Deferred tax liabilities	15	15,563	952	15,563	62
		149,768	208,025	15,563	62
<b>CURRENT LIABILITIES</b>					
Trade and other payables	16	2,473,812	1,431,069	50,582	55,181
Amount owing to subsidiaries	6	-	-	249,624	275,252
Hire purchase liabilities	14	72,868	69,309	-	-
Current tax liabilities		14,314	28,411	-	16,500
Deferred revenue	17	1,318,844	1,251,051	-	-
		3,879,838	2,779,840	300,206	346,933
<b>TOTAL LIABILITIES</b>		<b>4,029,606</b>	<b>2,987,865</b>	<b>315,769</b>	<b>346,995</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>21,106,952</b>	<b>24,450,199</b>	<b>16,051,600</b>	<b>17,355,519</b>

Notes to and forming part of the financial statements are set out on pages 17 to 61  
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## Income Statements

for the year ended 31 December 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Gross revenue	18	8,448,611	12,410,726	10,000	1,110,000
Cost of sales		(7,238,141)	(6,990,502)	-	-
Gross profit		1,210,470	5,420,224	10,000	1,110,000
Other operating income		566,809	398,752	258,725	261,060
Selling and distribution expenses		(183,210)	(257,912)	-	-
Administrative and general expenses		(3,024,467)	(990,373)	(1,552,220)	(260,937)
Other operating expenses		(2,599,658)	(3,092,319)	-	-
(Loss)/Profit from operations		(4,030,056)	1,478,372	(1,283,495)	1,110,123
Finance costs		(12,151)	(13,778)	-	-
Share of results of associate		(177,780)	-	-	-
(Loss)/Profit before tax	19	(4,219,987)	1,464,594	(1,283,495)	1,110,123
Tax (expense)/income	20	(25,426)	(135,791)	10,802	(9,452)
Net (loss)/profit for the year		(4,245,413)	1,328,803	(1,272,693)	1,100,671
Attributable to:					
Shareholders of the Company		(4,144,719)	1,232,853	(1,272,693)	1,100,671
Minority interests		(100,694)	95,950	-	-
Net (loss)/profit for the year		(4,245,413)	1,328,803	(1,272,693)	1,100,671
(Loss)/Earnings per share attributable to equity holders of the Company (sen)	21	(2.85)	0.86		
Net dividend per ordinary share (sen)	22	-	1.4	-	1.4

Notes to and forming part of the financial statements are set out on pages 17 to 61  
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## Consolidated Statement of Changes in Equity

for the year ended 31 December 2008

	Attributable to equity holders of the Company						Total equity RM
	Share capital RM	Share premium RM	Exchange translation reserve RM	Unappropriated profit RM	Total RM	Minority interests RM	
At 1 January 2007	6,680,000	1,727,153	24,805	4,018,386	12,450,344	82,718	12,533,062
Issue of share capital - private placement	591,700	7,928,780	-	-	8,520,480	-	8,520,480
Share issue and listing expenses	-	(49,105)	-	-	(49,105)	-	(49,105)
Exchange translation differences	-	-	(17,988)	-	(17,988)	-	(17,988)
Net losses recognised directly in equity	-	-	(17,988)	-	(17,988)	-	(17,988)
Net profit for the year	-	-	-	1,232,853	1,232,853	95,950	1,328,803
Total recognised income and expenses for the year	-	-	(17,988)	1,232,853	1,214,865	95,950	1,310,815
Acquisition of subsidiary	-	-	-	-	-	165,120	165,120
Dividend paid (Note 22)	-	-	-	(1,018,038)	(1,018,038)	-	(1,018,038)
At 31 December 2007	7,271,700	9,606,828	6,817	4,233,201	21,118,546	343,788	21,462,334



## Consolidated Statement of Changes in Equity (cont'd)

for the year ended 31 December 2008

	Attributable to equity holders of the Company						Total equity RM
	Share capital RM	Share premium RM	Exchange translation reserve RM	Unappropriated profit RM	Total RM	Minority interests RM	
At 1 January 2008	7,271,700	9,606,828	6,817	4,233,201	21,118,546	343,788	21,462,334
Issue of share capital - bonus issue of 1 : 1	7,271,700	(7,271,700)	-	-	-	-	-
Exchange translation differences	-	-	10,356	-	10,356	-	10,356
Net profit recognised directly in equity	-	-	10,356	-	10,356	-	10,356
Net loss for the year	-	-	-	(4,144,719)	(4,144,719)	(100,694)	(4,245,413)
Total recognised income and expenses for the year	-	-	10,356	(4,144,719)	(4,134,363)	(100,694)	(4,235,057)
Deconsolidation of subsidiary	-	-	(469)	(58,044)	(58,513)	(91,418)	(149,931)
At 31 December 2008	14,543,400	2,335,128	16,704	30,438	16,925,670	151,676	17,077,346

Notes to and forming part of the financial statements are set out on pages 17 to 61  
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## Statement of Changes in Equity

for the year ended 31 December 2008

	Share capital RM	Share premium RM	Unappropriated profit/(Accumulated loss) RM	Total RM
At 1 January 2007	6,680,000	1,727,153	47,363	8,454,516
Issue of share capital - private placement	591,700	7,928,780	-	8,520,480
Share issue and listing expenses	-	(49,105)	-	(49,105)
Net profit for the year	-	-	1,100,671	1,100,671
Dividend paid (Note 22)	-	-	(1,018,038)	(1,018,038)
At 31 December 2007	<u>7,271,700</u>	<u>9,606,828</u>	<u>129,996</u>	<u>17,008,524</u>
Issue of share capital - bonus issue of 1:1	7,271,700	(7,271,700)	-	-
Net loss for the year	-	-	(1,272,693)	(1,272,693)
At 31 December 2008	<u>14,543,400</u>	<u>2,335,128</u>	<u>(1,142,697)</u>	<u>15,735,831</u>

Notes to and forming part of the financial statements are set out on pages 17 to 61  
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## Cash Flow Statements

for the year ended 31 December 2008

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss)/Profit before tax	(4,219,987)	1,464,594	(1,283,495)	1,110,123
Adjustments for :				
Depreciation of property, plant and equipment	291,754	243,874	5,014	3,942
Depreciation of investment property	477	477	-	-
Amortisation of software development costs	659,610	402,795	-	-
Gain on disposal of property, plant and equipment	-	(160)	-	-
Shares of result of associates	177,780	-	-	-
Inventories written off	178,233	-	-	-
Bad debts written off	254,591	-	-	-
Allowance for doubtful debts	403,657	-	-	-
Allowance for diminution in value of other investment	1,314,403	-	1,314,403	-
Unrealised loss on foreign exchange	4,542	25,171	-	-
Dividend income	-	-	-	(1,100,000)
Interest income	(296,941)	(332,285)	(258,624)	(260,936)
Interest expenses	400	635	-	-
Hire purchase term charges	11,751	13,143	-	-
Operating (loss)/profit before working capital changes	(1,219,730)	1,818,244	(222,702)	(246,871)
Changes in software development costs	(1,522,342)	(620,777)	-	-
Changes in inventories	12,500	5,962	-	-
Changes in receivables	38,900	1,798,983	(48,804)	767,658
Changes in payables	646,911	(1,868,467)	(9,599)	39,667
Changes in deferred revenue	67,793	1,251,051	-	-
Cash (utilised in)/generated from operations	(1,975,968)	2,384,996	(281,105)	560,454
Interest received	296,941	332,285	258,624	260,936
Interest paid	(400)	(635)	-	-
Tax paid	(40,452)	(58,699)	(32,448)	(36,095)
Net cash (used in)/from operating activities	(1,719,879)	2,657,947	(54,929)	785,295



**Cash Flow Statements** (cont'd)  
for the year ended 31 December 2008

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(2,013,788)	(1,692,662)	(1,692,254)	(1,412,251)
Purchase of investment property	-	(290,000)	-	-
Purchase of investment in associate	(500,000)	-	(500,000)	-
Purchase of investment in subsidiaries, net of cash (Note 23)	-	(1,155,700)	-	(1,285,805)
Purchase of other investment	(331,531)	(659,400)	-	-
Proceeds from disposal of property, plant and equipment	-	160	-	-
Deconsolidation of subsidiary, net of cash (Note 24)	(7,320)	-	-	-
Advances to subsidiaries	-	-	(328,073)	(630,933)
(Advances to)/Repayment from associates	(650,000)	2,978	(650,000)	-
Dividend received from subsidiary	-	-	-	1,100,000
Net cash used in investing activities	(3,502,639)	(3,794,624)	(3,170,327)	(2,228,989)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of shares	-	8,520,480	-	8,520,480
(Repayment to)/Advances from subsidiary	-	-	(20,628)	275,252
Dividend paid	-	(1,018,038)	-	(1,018,038)
Payment of hire purchase instalments	(69,309)	(58,507)	-	-
Hire purchase term charges paid	(11,751)	(13,143)	-	-
Payment of share issue and listing expenses	-	(49,105)	-	(49,105)
Net cash (used in)/from financing activities	(81,060)	7,381,687	(20,628)	7,728,589
NET CHANGES IN CASH AND CASH EQUIVALENTS	(5,303,578)	6,245,010	(3,245,884)	6,284,895
EFFECT OF CHANGES IN EXCHANGE RATES	9,887	(18,123)	-	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	12,816,800	6,589,913	9,310,355	3,025,460
CASH AND CASH EQUIVALENTS CARRIED FORWARD	7,523,109	12,816,800	6,064,471	9,310,355
Represented by:				
TIME DEPOSITS	5,972,987	9,668,356	5,972,987	9,194,362
CASH AND BANK BALANCES	1,550,122	3,148,444	91,484	115,993
	7,523,109	12,816,800	6,064,471	9,310,355

In the previous financial year, the Group acquired property, plant and equipment amounting to RM1,942,662 of which RM250,000 was financed under hire purchase and the balance of RM1,692,662 was paid by cash.

Notes to and forming part of the financial statements are set out on pages 17 to 61  
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## Notes to and forming part of The Financial Statements

for the year ended 31 December 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial statements comply with applicable approved Financial Reporting Standards (“FRS”) issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act 1965. The significant accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following revised FRSs which are mandatory and applicable to the Group and the Company for the financial periods beginning on or after 1 July 2007:

FRS 107	Cash Flow Statement
FRS 112	Income Taxes
FRS 118	Revenue
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

In the opinion of the directors, the adoption of these FRSs does not result in significant changes in the accounting policies of the Group and of the Company or has significant impact on the financial statements of the Group and of the Company.

The Group has not opted for early adoption of the following new and revised FRSs and Issues Committee Interpretations (“IC Interpretations”), which are applicable to the Group:

- (i) FRS 8 Operating Segments, which is effective for financial periods beginning on or after 1 July 2009
- (ii) FRS 7 Financial Instruments : Disclosures and FRS 139 Financial Instruments : Recognition and Measurement and IC Interpretation 10 : Interim Financial Reporting and Impairment, which are effective for financial periods beginning on or after 1 January 2010.

#### Measurement basis

The measurement bases applied in the preparation of the financial statements of the Group and of the Company include cost, recoverable value, realisable value and fair value as indicated in the accounting policies set out below. Accounting estimates are used in measuring these values.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia (“RM”) which is also the functional currency of the Company. The financial statements of foreign operations that have a functional currency other than RM have been translated and are presented in RM.

#### (b) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.



## Notes to and forming part of The Financial Statements *(cont'd)*

for the year ended 31 December 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### (b) Use of estimates and judgements *(cont'd)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are in the following notes:

Note 5 : Measurement of the recoverable amount of cash-generating units containing goodwill

Note 6 : Measurement of impairment loss on investment in subsidiaries

Note 10: Allowance for doubtful debts on receivables

There are no significant areas of critical judgement in applying accounting policies that have the most significant effect on the amount recognised in the financial statements.

#### (c) Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's balance sheet, investments in subsidiaries are stated at cost less accumulated impairment losses, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

#### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Uniform accounting policies are adopted for like transactions and events in similar circumstances. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

All subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only. Unrealised profits and losses resulting from intra-group transactions that are recognised in assets are also eliminated in full. The temporary differences arising from the elimination of unrealised profits and losses are recognised in accordance with Note 1(u).



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (d) Basis of consolidation (cont'd)

Acquisition of subsidiaries are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of a business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued, plus any costs directly attributable to the acquisition.

The excess of the cost of a business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities recognised, over the Group's cost of a business combination is recognised immediately in the consolidated income statement after reassessment.

Minority interests represent the portion of profit or loss and net assets of subsidiaries, attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Company. Minority interests are presented separately in the consolidated balance sheet within equity while minority interests in the profit or loss of the Group are separately disclosed in the consolidated income statement.

#### (e) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting unless it is classified as held for sale or included in a disposal group that is classified as held for sale. Under the equity method, the investments in associates are carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of the net profit or loss of the associates is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such change. In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interests in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investments in the associates. The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

Goodwill relating to associates is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the year in which the investments are acquired.



## Notes to and forming part of The Financial Statements *(cont'd)*

for the year ended 31 December 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### (e) Associates *(cont'd)*

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has an obligation or has made payments on behalf of the associate.

In applying the equity method of accounting, the post-acquisition results and reserves of the associates accounted for are based on the most recent available audited financial statements of the associates and where the dates of the audited financial statements used is not coterminous with that of the Group, the share of results is derived from the last audited financial statements available and management financial statements made up to the end of the accounting year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's balance sheet, investments in associates are stated at cost less accumulated impairment losses unless it is classified as held for sale or included in a disposal group that is classified as held for sale.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

#### (f) Intangible assets

##### (i) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### (ii) Computer software development costs

Costs associated with developing computer software programmes that are considered to be capable of generating future economic benefits are capitalised in the financial statements, otherwise they are written off in the income statement. Cost represents staff costs directly incurred in the development of the computer software.

Computer software development costs recognised as assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Computer software development costs, which are regarded to have finite useful lives are amortised on a straight line basis over their estimated useful lives or 5 years, whichever is shorter. The carrying amount of these costs is reviewed annually and will be written down when its value had deteriorated or when it ceases to have any economic useful life. The policy for the recognition and measurement of impairment loss is in accordance with Note 1(m).



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (g) Property, plant and equipment

##### (i) Measurement basis

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

##### (ii) Depreciation

Freehold land and construction work-in-progress are not depreciated. Depreciation is calculated to write off the cost of other property, plant and equipment on a straight line basis to their residual values over their expected economic useful lives at the following annual rates:

Office lot	2% - 5%
Motor vehicle	20%
Computer equipment	20% - 50%
Furniture, fittings and office equipment	20% - 33 1/3%
Renovations	10% - 20%

Construction work-in-progress will only be depreciated when the assets are ready for their intended use.

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

#### (h) Investment property

Investment properties are properties which are held either to earn rentals or for capital appreciation or for both and are measured initially at cost, including transaction costs. Properties that are occupied by the Company and companies in the Group are accounted for as owner-occupied property, plant and equipment rather than as investment properties. Subsequent to initial recognition, the investment properties are stated at cost less accumulated depreciation and impairment losses consistent with the accounting policy for property, plant and equipment as stated in Note 1(g). The investment property is depreciated on the straight line basis to write off the cost of the property over its remaining useful life of 50 years.



## Notes to and forming part of The Financial Statements *(cont'd)*

for the year ended 31 December 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### (h) Investment property *(cont'd)*

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the financial year in which they arise.

#### (i) Other investments

Other investments are stated at cost less any diminution in value of the investments. An allowance for diminution in value is made if the directors are of the opinion that there is a decline in the value of such investments which is other than temporary. The diminution in value if any, is charged to the income statement. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

#### (j) Leases

##### Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases that do not transfer substantially all the risks and rewards are classified as operating leases.

#### (i) Finance Leases - Assets acquired under hire purchase agreements

Assets financed by hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group, are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. On initial recognition, assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present values of the minimum hire purchase payments at the inception of the hire purchase agreements. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

In calculating the present value of the minimum hire purchase payments, the discount rate is the interest rate implicit in the hire purchase agreements, if this is practicable to determine, if not, the Group's incremental borrowing rates are used.

#### (ii) Operating leases

##### The Group as lessee

Lease payments under operating leases are recognised as an expense on a straight line basis over the lease term. The aggregate benefits of incentives provided by the lessors, if any, are recognised as a reduction of rental expense over the lease term on a straight line basis.



## Notes to and forming part of The Financial Statements *(cont'd)*

for the year ended 31 December 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### (j) Leases *(cont'd)*

##### (ii) Operating leases *(cont'd)*

###### The Group as lessor

Assets leased out under operating leases are presented on the balance sheet as investment properties. Rental income from operating leases is recognised on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are included as part of the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

#### (k) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on the first-in first-out basis and represents the landed costs of goods purchased.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (l) Receivables

Receivables are stated at anticipated realisable values. Known bad debts are written off and an estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

#### (m) Impairment of assets

The carrying amounts of assets other than financial assets, other investments, deferred tax assets and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. For goodwill that has an indefinite useful life, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are charged to the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or groups of units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset.



## Notes to and forming part of The Financial Statements *(cont'd)*

for the year ended 31 December 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### (m) Impairment of assets *(cont'd)*

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

Any subsequent increase in recoverable amount of an asset is recognised as reversal of previous impairment loss and should not exceed the carrying amount that would have been determined (net of amortisation or depreciation, if applicable) had no impairment loss been previously recognised for the asset.

#### (n) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the income statement.

Dividends on ordinary shares, when declared or proposed by the directors of the Company are disclosed in the notes to the financial statements. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year in which the dividends are paid.

#### (o) Payables

Payables are stated at cost and are recognised when there is a contractual obligation to deliver cash or another financial asset to settle the obligation.

#### (p) Deferred revenue

Deferred revenue represents technical support income for Infor ERP LN System received in advance from customers. The revenue is recognised in the income statement on a time proportion basis over the contract period.

#### (q) Foreign currencies

##### (i) Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates. The financial statements of each entity within the Group are measured using their respective functional currencies.



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (q) Foreign currencies (cont'd)

##### (ii) Transactions and balances in foreign currencies

Transactions in currencies other than the functional currency ("foreign currencies") are translated to the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary items denominated in foreign currencies at the balance sheet date are translated at foreign exchange rates ruling at that date.

Exchange differences arising on the settlement of monetary items and the translation of monetary items are included in the income statement for the period.

Non-monetary items which are measured at fair value denominated in foreign currencies are translated at the foreign exchange rate ruling at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognised directly in equity, any corresponding exchange gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the income statement, any corresponding exchange gain or loss is recognised in income statement.

##### (iii) Translation of foreign operations

For consolidation purposes, all assets and liabilities of foreign operations that have a functional currency other than RM are translated at the exchange rates ruling at the balance sheet date.

Income and expense items are translated at exchange rates approximating those ruling on transaction dates.

All exchange differences arising from the translation of the financial statements of foreign operations are dealt with through the exchange translation reserve account within equity. On the disposal of a foreign operation, the cumulative exchange translation reserves relating to that foreign operation are recognised in the income statement as part of the gain or loss on disposal.

#### (r) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the revenue can be measured reliably, on the following bases:

##### (i) Sale of computer software and hardware

Sale of computer software and hardware is measured at the fair value of the consideration received or receivable, net of returns and discounts and is recognised in the income statement when significant risks and rewards of ownership have been transferred to the customers.



## Notes to and forming part of The Financial Statements *(cont'd)*

for the year ended 31 December 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### (r) Revenue recognition *(cont'd)*

##### (ii) Provision of consulting services

Revenue from consulting services are recognised on an accrual basis when services are rendered.

##### (iii) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

##### (iv) Rental income

Rental income is recognised on a time proportion basis over the lease term.

##### (v) Management fee

Management fee is recognised on an accrual basis when services are rendered.

##### (vi) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate applicable.

#### (s) Employees benefits

##### (i) Short-term benefits

Salaries, allowances, bonuses and social security contributions are recognised as an expense in the financial year in which the services are rendered by the employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlements to future compensated absences and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Non-monetary benefits such as medical care and other staff related expenses are charged to the income statement as and when incurred.

##### (ii) Defined contribution plan

The Group has various post-employment benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefits are called defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement in the financial year to which they relate.



## Notes to and forming part of The Financial Statements *(cont'd)*

for the year ended 31 December 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### (s) Employees benefits *(cont'd)*

##### (iii) Termination benefits

Employee termination benefits are recognised only either after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy or after individual employees have been advised of the specific terms.

#### (t) Borrowing costs

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs. Finance costs comprise interest paid and payable on borrowings. The interest component of hire purchase payments is charged to the income statement over the hire purchase periods so as to give a constant periodic rate of interest on the remaining hire purchase liabilities.

#### (u) Tax expense

The tax expense in the income statement comprises current tax and deferred tax. Current tax is an estimate of tax payable in respect of taxable profit for the year based on tax rate enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in full, based on the liability method for taxation deferred in respect of all material temporary differences arising from differences between the tax bases of the assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Current and deferred tax is recognised as an income or an expense in the income statement or is credited or charged directly to equity if the tax relates to items that are credited or charged, whether in the same or different period, directly to equity.

#### (v) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, time deposits which exclude those pledged to secure banking facilities and other short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (w) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The recognised financial instruments of the Group comprise cash and cash equivalents, other investments, receivables and payables, hire purchase liabilities as well as ordinary share capital. These financial instruments are recognised when a contractual relationship has been established. All the financial instruments are denominated in Ringgit Malaysia, unless otherwise stated. The accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied, are disclosed above. The information on the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes to the financial statements.

There are no financial instruments not recognised in the balance sheet.

### 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objectives and policies are to ensure that the Group creates value and maximises returns to its shareholders.

Financial risk management is carried out through risk review, internal control systems, benchmarking the industry's best practices and adherence to Group's financial risk management policies.

The Group has been financing its operations mainly from internally generated funds. The Group does not find it necessary to enter into derivative transactions based on its current level of operations.

The main risks arising from the financial instruments of the Group are stated below. The management of the Group monitors the financial position closely with an objective to minimise potential adverse effects on the financial performance of the Group. The management reviews and agrees on policies for managing each of these risks and they are summarised below. These policies have remained unchanged during the financial year.

#### (i) Credit risk

Credit risk arises when sales are made and services are rendered on deferred credit terms.

The entire financial assets of the Group are exposed to credit risk except for cash and bank balances and time deposits which are placed with licensed financial institutions in Malaysia. The Group invests its surplus cash safely and profitably by depositing them with licensed financial institutions.

The Groups exposure to credit risk is monitored on an ongoing basis. The risk is managed through the application of the Group's credit management procedures which include the application of credit approvals whereby credit evaluations are performed on all customers requiring credit over a certain amount and period, adherence to credit limits, regular monitoring and follow up procedures.

The Group does not require collateral in respect of financial assets and considers the risk of material loss from the non-performance on the part of a financial counter-party to be negligible.



## Notes to and forming part of The Financial Statements *(cont'd)*

for the year ended 31 December 2008

### 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

#### (ii) Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of transactions denominated in foreign currencies other than its functional currency entered into by the Group. The Group's exposure to foreign currency exchange risk is monitored on an ongoing basis.

The Group has not hedged against the translation exposure as it does not form a significant proportion of the Group's gross assets.

#### (iii) Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

The Group is exposed to interest rate risk in respect of its time deposits placed with licensed financial institutions and hire purchase liabilities.

Interest rate risk arising from time deposits with licensed financial institutions is managed by sourcing for the highest interest rate in the market from amongst licensed financial institutions after taking into account the duration and availability of surplus funds from the Group's operations.

The Group does not consider interest rate risk arising from hire purchase financing which carries fixed interest rates as having significant impact on the financial statements of the Group as the amounts financed are not significant.

It is the policy of the Group not to trade in interest rate swap agreements.

#### (iv) Market risk

The Group is exposed to market risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market prices.

The Group's exposure to market risk is in respect of its quoted investments. The investments are monitored regularly and subject to periodic review. The investments are assessed for any diminution in the carrying values and allowances are made for such diminution in value which is other than temporary.

The Group does not use derivative instruments to manage the risk as the investments are held for long term strategic purposes.



**Notes to and forming part of The Financial Statements** (cont'd)  
for the year ended 31 December 2008

**3. PROPERTY, PLANT AND EQUIPMENT**

<b>Group 2008 Cost</b>	<b>Freehold land and office lot RM</b>	<b>Motor vehicles RM</b>	<b>Computer equipment RM</b>	<b>Furniture, fittings and office equipment RM</b>	<b>Renovations RM</b>	<b>Construction work-in- progress RM</b>	<b>Total RM</b>
At 1 January	1,038,825	557,780	922,294	507,240	-	1,406,873	4,433,012
Exchange adjustments	-	-	27,876	10,515	-	-	38,391
Additions	-	-	80,848	84,174	161,875	1,686,891	2,013,788
Disposals	-	-	-	-	-	-	-
Write off	-	-	(287,034)	(8,788)	-	-	(295,822)
Deconsolidation of subsidiary	-	-	(12,696)	(7,826)	-	-	(20,522)
At 31 December	1,038,825	557,780	731,288	585,315	161,875	3,093,764	6,168,847
<b>Accumulated depreciation</b>							
At 1 January	25,080	164,812	823,108	383,467	-	-	1,396,467
Exchange adjustments	-	-	21,307	8,869	-	-	30,176
Charge for the year	5,016	111,556	83,698	74,117	17,367	-	291,754
Disposals	-	-	-	-	-	-	-
Write off	-	-	(287,034)	(8,788)	-	-	(295,822)
Deconsolidation of subsidiary	-	-	(10,070)	(3,737)	-	-	(13,807)
At 31 December	30,096	276,368	631,009	453,928	17,367	-	1,408,768
<b>Net carrying amount At 31 December</b>	1,008,729	281,412	100,279	131,387	144,508	3,093,764	4,760,079



**Notes to and forming part of The Financial Statements** (cont'd)  
for the year ended 31 December 2008

**3. PROPERTY, PLANT AND EQUIPMENT** (cont'd)

<b>Group 2007</b>	<b>Freehold land and office lot RM</b>	<b>Motor vehicles RM</b>	<b>Computer equipment RM</b>	<b>Furniture, fittings and office equipment RM</b>	<b>Construction work-in- progress RM</b>	<b>Total RM</b>
<b>Cost</b>						
At 1 January	1,038,825	164,390	926,417	454,842	-	2,584,474
Exchange adjustments	-	-	(44,998)	(13,673)	-	(58,671)
Acquisition of subsidiary	-	-	22,471	2,101	-	24,572
Additions	-	393,390	78,429	63,970	1,406,873	1,942,662
Disposals	-	-	(60,025)	-	-	(60,025)
At 31 December	1,038,825	557,780	922,294	507,240	1,406,873	4,433,012
<b>Accumulated depreciation</b>						
At 1 January	20,064	53,256	861,668	325,271	-	1,260,259
Exchange adjustments	-	-	(41,998)	(6,866)	-	(48,864)
Acquisition of subsidiary	-	-	1,013	210	-	1,223
Charge for the year	5,016	1,111,556	62,450	64,852	-	243,874
Disposals	-	-	(60,025)	-	-	(60,025)
At 31 December	25,080	164,812	823,108	383,467	-	1,396,467
<b>Net carrying amount At 31 December</b>	<b>1,013,745</b>	<b>392,968</b>	<b>99,186</b>	<b>123,773</b>	<b>1,406,873</b>	<b>3,036,545</b>



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company 2008	Computer equipment RM	Furniture and fittings RM	Construction work-in- progress RM	Total RM
<b>Cost</b>				
At 1 January	13,099	6,608	1,406,873	1,426,580
Additions	-	5,363	1,686,891	1,692,254
Disposal	-	-	-	-
At 31 December	13,099	11,971	3,093,764	3,118,834
<b>Accumulated depreciation</b>				
At 1 January	4,640	2,168	-	6,808
Charge for the year	2,620	2,394	-	5,014
At 31 December	7,260	4,562	-	11,822
<b>Net carrying amount At 31 December</b>	<b>5,839</b>	<b>7,409</b>	<b>3,093,764</b>	<b>3,107,012</b>
<b>2007</b>				
<b>Cost</b>				
At 1 January	10,099	4,230	-	14,329
Additions	3,000	2,378	1,406,873	1,412,251
Disposal	-	-	-	-
At 31 December	13,099	6,608	1,406,873	1,426,580
<b>Accumulated depreciation</b>				
At 1 January	2,020	846	-	2,866
Charge for the year	2,620	1,322	-	3,942
At 31 December	4,640	2,168	-	6,808
<b>Net carrying amount At 31 December</b>	<b>8,459</b>	<b>4,440</b>	<b>1,406,873</b>	<b>1,419,772</b>

The freehold land and office lot of a subsidiary are charged to a licensed bank for banking facilities granted to the said subsidiary.

The above motor vehicles of the Group stated at net carrying amount of RM281,412 (2007 : RM392,968) are acquired under hire purchase.



**Notes to and forming part of The Financial Statements** (cont'd)  
for the year ended 31 December 2008

**4. INVESTMENT PROPERTY**

	<b>2008 RM</b>	<b>Group 2007 RM</b>
<b>Office lot Cost</b>		
At 1 January	290,000	-
Addition	-	290,000
Disposal	-	-
At 31 December	<u>290,000</u>	<u>290,000</u>
<b>Accumulated depreciation</b>		
At 1 January	477	-
Charge for the year	477	477
At 31 December	<u>954</u>	<u>477</u>
<b>Net carrying amount At 31 December</b>	<u>289,046</u>	<u>289,523</u>

The fair value of the office lot at the end of the financial year is RM370,000 which was determined by the directors based on a study conducted that reasonably reflects market conditions of similar properties then.



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 5. INTANGIBLE ASSETS

Cost	Group		
	Software development costs RM	Goodwill RM	Total RM
At 1 January 2007	1,550,105	1,235,320	2,785,425
Acquisition of a subsidiary	-	1,038,124	1,038,124
Addition	620,777	-	620,777
At 31 December 2007	2,170,882	2,273,444	4,444,326
Addition	1,522,342	-	1,522,342
Deconsolidation of a subsidiary	-	(1,235,320)	(1,235,320)
<b>At 31 December 2008</b>	<b>3,693,224</b>	<b>1,038,124</b>	<b>4,731,348</b>
<b>Accumulated amortisation and impairment</b>			
At 1 January 2007	606,292	-	606,292
Amortisation for the year	402,795	-	402,795
Impairment loss recognised	-	-	-
At 31 December 2007	1,009,087	-	1,009,087
Amortisation for the year	659,610	-	659,610
Impairment loss recognised	-	-	-
<b>At 31 December 2008</b>	<b>1,668,697</b>	<b>-</b>	<b>1,668,697</b>
<b>Net carrying amount</b>			
<b>At 31 December 2008</b>	<b>2,024,527</b>	<b>1,038,124</b>	<b>3,062,651</b>
Net carrying amount			
At 31 December 2007	1,161,795	2,273,444	3,435,239

#### (a) Impairment test for cash-generating unit ("CGU") containing goodwill.

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions at which the goodwill is monitored.



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 5. INTANGIBLE ASSETS (cont'd)

(b) Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using the approved cash flow projections by the management covering a five year period. Cash flows beyond the five year period are extrapolated using the growth rate stated below. The key assumptions used for value-in-use calculations are as follows:

Gross margin	-	26% - 42%
Growth rate	-	14.50% - 23%
Discount rate	-	22.21%

The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

**(i) Budgeted gross margin**

The budgeted gross margin is based on the margin achieved in the year immediately before the budgeted year and is increased by growth rate to cater for expected improvements in efficiency.

**(ii) Growth rate**

The weighted average growth rate used is consistent with the long-term average growth rate for the industry.

**(iii) Discount rate**

The discount rate used is pre-tax and reflects specific risks relating to the industry.

**(iv) Risk free rate**

The risk free rate used is based on a ten year Malaysian government bond rate at the beginning of the budgeted year.

#### Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, the management believes that no reasonable possible changes in any of the above key assumptions would cause the carrying amounts of respective CGUs to materially exceed their recoverable amounts.



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 6. INVESTMENT IN SUBSIDIARIES

	2008 RM	2007 RM
Unquoted shares, at cost	4,270,047	5,584,451
The amounts owing by subsidiaries are as follows:		
	2008 RM	2007 RM
Trade receivables	-	5,000
Advances	1,311,630	983,557
	1,311,630	988,557
The amounts owing to subsidiaries are as follows:		
	2008 RM	2007 RM
Trade payable	-	5,000
Advances	249,624	270,252
	249,624	275,252

The amounts owing by/to subsidiaries are unsecured and interest free. Trade receivables and trade payable have a normal credit period of 30 days while the advances have no fixed term of repayment.

The subsidiaries are as follows:

Subsidiaries of the Company	Gross equity interest		Country of incorporation	Principal activities
	2008	2007		
Ygi Convergence Malaysia Sdn Bhd	100%	100%	Malaysia	Marketing and distribution of computer software and hardware and the provision of professional services
* Ygi Multimedia Resources Sdn Bhd	100%	100%	Malaysia	Developing and selling of software systems
* Ygi Convergence (HK) Limited	100%	100%	Hong Kong	Trading of computer equipment and software and provision of related services
* Ygi Convergence (China) Limited	60%	60%	Hong Kong	Investment holding
* Ygi Convergence (Asia Pacific) Pte Ltd #	-	60%	Singapore	Provision of software consultancy and computer systems integration services



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 6. INVESTMENT IN SUBSIDIARIES (cont'd)

The subsidiaries are as follows:

	Gross equity interest		Country of incorporation	Principal activities
	2008	2007		
<b>Subsidiary of Ygl Convergence (China) Limited</b>				
* King's System (Shanghai) Co Ltd	100%	100%	The People's Republic of China	Provision of consultancy services and trading of computer equipment and software

\* Subsidiaries not audited by Moores Rowland

# The Company lost control over Ygl Convergence (Asia Pacific) Pte Ltd ("YGLAP") when it ceased to have the power to control the financial and operating policies of YGLAP. Consequently, YGLAP has been deconsolidated from the Group as disclosed in Note 24. The investment in YGLAP has been reclassified under other investment as disclosed in Note 8.

#### (a) Impairment test for investment in subsidiaries

The management reviews the carrying amount of the investment in subsidiaries at each balance sheet date to determine whether there is any indication of impairment. The management's assessment on whether there is an indication is based on external and internal sources of information as well as based on indicative values (value-in-use) calculations. If such indication exists, the recoverable amount of the investment is estimated to determine the impairment loss on the value of such investment.

#### (b) Key assumptions used in indicative values (value-in-use) calculations

The recoverable amount is determined based on value-in-use calculations using the approved cash flow projections by the management. The following describes the key assumptions on which management has based its cash flow projections to undertake impairment tests:

##### (i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is based on past year margins and taking into account expected improvement in efficiency

##### (ii) Budgeted expenses

Expenses are budgeted to increase at inflation rate

##### (iii) Discount rate

The discount rate used is 22.21%

Management believes that no reasonable possible changes in any of the key assumptions would cause the carrying values of the investment in subsidiaries to exceed their recoverable amounts.



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 7. INVESTMENT IN ASSOCIATES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Unquoted shares, at cost	500,010	10	500,000	-
Group's share of post-acquisition results	(177,790)	(10)	-	-
	<b>322,220</b>	<b>-</b>	<b>500,000</b>	<b>-</b>

The amount owing by the associate represents unsecured advances which are interest free and have no fixed terms of repayment.

The associates are as follows:

	Gross equity interest		Country of incorporation	Principal activities
	2008 %	2007 %		
<b>Associate of the Company</b>				
Ygi iBay International Sdn Bhd	30	-	Malaysia	Providing consultancy services, supplier management and business solutions services and trading of computer software
<b>Associate of Ygi Convergence Malaysia Sdn Bhd</b>				
Ygi Consulting (Thailand) Co. Ltd	39	39	Thailand	Marketing and distribution of computer software and provision of related services

The financial year end of the financial statements of the associates are co-terminous with that of the Group.

For the purpose of applying the equity method of accounting, the audited and management financial statements made up to the end of the financial year have been used.

The Group has discontinued the recognition of its share of losses in Ygi Consulting (Thailand) Co. Ltd as the share of losses has exceeded the Group's interest in the said associate. The Group's unrecognised share of losses for the current year and cumulative years is RM4,326 (2007 : RM4,324) and RM10,739 (2007 : RM6,413) respectively.

The Group does not have any share of the associate's contingent liabilities incurred jointly with other investors or any share of contingent liabilities that arises whereby the Group is severally liable for all or part of the liabilities of the associate.



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 7. INVESTMENT IN ASSOCIATES (cont'd)

The summarised financial information of the associates at 31 December 2008 is as follows:

	Group	
	2008 RM	2007 RM
Assets and liabilities		
Non-current assets	1,813,841	127,697
Current assets	519,912	58,235
Total assets	2,333,753	185,932
Non-current liabilities	650,002	-
Current liabilities	437,452	1,816
Total liabilities	1,087,454	1,816
Results		
Revenue	394,943	1,473
Loss for the year	603,693	11,087

### 8. OTHER INVESTMENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Unit trusts quoted in Malaysia, at cost	990,931	659,400	-	-
Unquoted shares, at cost	1,314,404	-	1,314,404	-
Less: Allowance for diminution in value	1,314,403	-	1,314,403	-
	1	-	1	-
	990,932	659,400	1	-
Market value of unit trusts quoted in Malaysia	990,931	659,400	-	-

The unquoted shares represent investment in a subsidiary, Ygi Convergence (Asia Pacific) Pte Ltd ("YGLAP"), in which the Company holds an equity interest of 60%. The reclassification is as explained in Note 6.



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 9. DEFERRED TAX ASSETS

	Group	
	2008 RM	2007 RM
At 1 January	19,899	33,373
Transfer to income statement	(19,899)	(13,474)
At 31 December	-	19,899
The deferred tax assets comprise:		
Taxable temporary differences between net carrying amount and tax written down value of property, plant and equipment	-	(5,929)
Other deductible temporary differences	-	25,828
	-	19,899

### 10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Gross trade receivables	2,242,590	2,423,746	-	-
Less:				
Allowance for doubtful debts	498,826	129,142	-	-
Other receivables	1,743,764	2,294,604	-	-
Deposits	1,320,031	1,184,325	-	-
Prepayments	207,145	171,471	106,188	52,384
	23,087	14,792	-	-
	3,294,027	3,665,192	106,188	52,384





## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 11. TIME DEPOSITS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Time deposits				
- in Ringgit Malaysia placed with licensed banks in Malaysia	5,972,987	9,194,362	5,972,987	9,194,362
- in Hong Kong Dollar placed with foreign bank	-	473,994	-	-
	<u>5,972,987</u>	<u>9,668,356</u>	<u>5,972,987</u>	<u>9,194,362</u>

The effective interest rates of the time deposits are as follows:

	Group		Company	
	2008 RM %	2007 RM %	2008 RM %	2007 RM %
Time deposits placed with				
- licensed banks in Malaysia	4.00	4.00 - 4.05	4.00	4.00 - 4.05
- foreign bank	-	3.75	-	-

All the time deposits have maturity periods of less than one year.

### 12. CASH AND BANK BALANCES

The currency profiles of cash and bank balances are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Ringgit Malaysia	727,779	2,434,352	91,484	115,993
Hong Kong Dollar	810,152	525,214	-	-
Singapore Dollar	-	148,448	-	-
Chinese Renmimbi	12,191	40,430	-	-
	<u>1,550,122</u>	<u>3,148,444</u>	<u>91,484</u>	<u>115,993</u>



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 13. SHARE CAPITAL

	2008		2007	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised				
Ordinary shares of RM0.10 each				
At 1 January	100,000,000	10,000,000	100,000,000	10,000,000
Created during the year	100,000,000	10,000,000	-	-
At 31 December	200,000,000	20,000,000	100,000,000	10,000,000
Issued and fully paid				
Ordinary shares of RM0.10 each				
At 1 January	72,717,000	7,271,700	66,800,000	6,680,000
Share issue by way of				
- private placement	-	-	5,917,000	591,700
- bonus issue of 1 : 1	72,717,000	7,271,700	-	-
At 31 December	145,434,000	14,543,400	72,717,000	7,271,700

During the financial year, the Company increased:

- its authorised share capital from RM10,000,000 to RM20,000,000 by the creation of additional 100,000,000 new ordinary shares of RM0.10 each.
- its issued and paid-up share capital from RM7,271,700 to RM14,543,400 by way of a bonus issue of 72,717,000 new ordinary shares of RM0.10 each, credited as fully paid-up on the basis of one new ordinary share for every one existing share held. The bonus issue was effected by way of capitalising an amount of RM7,271,700 from the share premium account of the Company.

In the previous financial year, the Company issued 5,917,000 new ordinary shares of RM0.10 each at an issue price of RM1.44 per share under a private placement. The purpose of private placement is to raise financing for working capital requirements of the Group.



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 14. HIRE PURCHASE LIABILITIES

	Group	
	2008 RM	2007 RM
Outstanding hire purchase instalments due:		
- not later than one year	81,060	81,060
- later than one year and not later than five years	140,710	221,770
	221,770	302,830
Less:		
Unexpired term charges	14,697	26,448
Outstanding principal amount due	207,073	276,382
Less:		
Outstanding principal amount due not later than one year (included in current liabilities)	72,868	69,309
Outstanding principal amount due later than one year and not later than five years	134,205	207,073

The effective interest rates of the hire purchase liabilities are between 2.36% and 2.58% (2007 : 2.36% and 2.58%) per annum.

### 15. DEFERRED TAX LIABILITIES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At 1 January	952	1,661	62	1,205
Deconsolidation of subsidiary	(890)	-	-	-
Transfer from/(to) income statement	15,501	(709)	15,501	(1,143)
At 31 December	15,563	952	15,563	62

The deferred tax liabilities represent taxable temporary differences between net carrying amount and tax written down value of property, plant and equipment.



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 16. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade payables	1,057,834	167,063	-	-
Other payables	462,827	266,376	3,022	42,000
Accruals	834,047	965,398	47,560	13,181
Deposits	119,104	32,232	-	-
	<b>2,473,812</b>	<b>1,431,069</b>	<b>50,582</b>	<b>55,181</b>
The currency profiles of the payables are as follows:				
Trade payables				
- Ringgit Malaysia	9,000	10,471	-	-
- Hong Kong Dollar	879,953	47,660	-	-
- Chinese Renminbi	114,897	-	-	-
- US Dollar	53,984	91,320	-	-
- Singapore Dollar	-	17,612	-	-
	<b>1,057,834</b>	<b>167,063</b>	<b>-</b>	<b>-</b>
Other payables				
- Ringgit Malaysia	121,774	84,649	3,022	42,000
- Hong Kong Dollar	192,672	105,539	-	-
- Chinese Renminbi	148,381	76,188	-	-
	<b>462,827</b>	<b>266,376</b>	<b>3,022</b>	<b>42,000</b>
Accruals				
- Ringgit Malaysia	179,098	298,937	47,560	13,181
- Hong Kong Dollar	654,949	624,813	-	-
- Singapore Dollar	-	31,462	-	-
- Chinese Renminbi	-	10,186	-	-
	<b>834,047</b>	<b>965,398</b>	<b>47,560</b>	<b>13,181</b>
Deposits				
- Ringgit Malaysia	2,500	5,000	-	-
- Hong Kong Dollar	116,604	27,232	-	-
	<b>119,104</b>	<b>32,232</b>	<b>-</b>	<b>-</b>

Trade payables comprise amounts outstanding from trade purchases. The normal credit periods granted by trade suppliers are between 30 and 90 days.

Other payables, deposits and accruals are from the normal business transactions of the Group.



**Notes to and forming part of The Financial Statements** (cont'd)  
for the year ended 31 December 2008

**17. DEFERRED REVENUE**

Deferred revenue represents technical support income received in advance from customers.

**18. GROSS REVENUE**

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Revenue from sale of computer software and hardware and consulting services	8,448,611	12,410,726	-	-
Dividend income	-	-	-	1,100,000
Management fees	-	-	10,000	10,000
	<u>8,448,611</u>	<u>12,410,726</u>	<u>10,000</u>	<u>1,110,000</u>



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 19. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax is stated after charging:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Allowance for diminution in value of other investment	1,314,403	-	1,314,403	-
Allowance for doubtful debt	403,657	-	-	-
Amortisation of software development costs	659,610	402,795	-	-
Auditors' remuneration				
- current year	43,447	47,029	10,400	7,500
- under/(over)estimated in prior year	5,200	-	2,900	(500)
Bad debts written off	254,591	-	-	-
Depreciation of property, plant and equipment	291,754	243,874	5,014	3,942
Depreciation of investment property	477	477	-	-
Directors' remuneration				
- fees	55,000	40,000	55,000	40,000
- other emoluments	270,040	410,999	-	-
Finance costs				
- interest expenses	400	635	-	-
- hire purchase term charges	11,751	13,143	-	-
Inventories written off	178,233	-	-	-
Loss on foreign exchange				
- realised	11,154	709	-	-
- unrealised	4,542	25,171	-	-
Rental of equipment	13,000	-	-	13,000
Rental of premises	250,349	52,432	-	-
and crediting:				
Gross dividend income from a subsidiary	-	-	-	1,100,000
Interest income	296,941	332,285	258,624	260,936
Rental income	38,439	36,000	-	-
Gain on disposal of property, plant and equipment	-	160	-	-
Realised gain on foreign exchange	995	4,687	-	-



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 20. TAX (EXPENSE)/INCOME

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current tax (expense)/income				
- current year	(8,004)	(145,010)	-	(36,500)
- overestimated in prior year	17,978	21,984	26,303	25,905
	9,974	(123,026)	26,303	(10,595)
Deferred tax (expense)/income relating to origination and reversal of temporary differences during the year				
- current year	(30,891)	(7,860)	(15,413)	48
- (under)/overestimated in prior year	(4,509)	(4,905)	(88)	1,095
	(35,400)	(12,765)	(15,501)	1,143
	(25,426)	(135,791)	10,802	(9,452)

The numerical reconciliations between the tax expense and the product of accounting results multiplied by the applicable tax rates are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Accounting (loss)/profit (excluding share of results of associates)	(4,042,207)	1,464,594	(1,283,495)	1,110,123
Tax at the applicable tax rate of 26% (2007 : 27%)	1,050,974	(395,440)	333,709	(299,733)
Add:				
Tax effect of expenses not deductible in determining taxable profit	(798,360)	(346,229)	(384,209)	(62,151)
Deferred tax income relating to reversal of temporary difference not recognised during the year	(328,290)	-	-	-
Balance carried forward	(75,676)	(741,669)	(50,500)	(361,884)



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 20. TAX (EXPENSE)/INCOME (cont'd)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Balance brought forward	(75,676)	(741,669)	(50,500)	(361,884)
Less:				
Tax effect of income not taxable in determining taxable profit	36,781	549,532	35,087	325,432
Tax effect of different tax rates of subsidiaries	-	39,267	-	-
	(38,895)	(152,870)	(15,413)	(36,452)
Add/(Less):				
Current tax expense overestimated in prior years	17,978	21,984	26,303	25,905
Deferred tax expense (under)/overestimated in prior year	(4,509)	(4,905)	(88)	1,095
Tax (expense)/income for the year	(25,426)	(135,791)	10,802	(9,452)

### 21. (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share is calculated based on the consolidated net loss for the year of RM4,144,719 (2007 : net profit of RM1,232,853) and on 145,434,000 (2007 : 143,461,667) weighted average number of ordinary shares in issue as follows:

	2008 RM	2007 RM
Number of ordinary shares at 1 January	72,717,000	66,800,000
Effects of shares issued pursuant to		
- Bonus issue	72,717,000	72,717,000
- Private placement	-	3,944,667
	145,434,000	143,461,667

The (loss)/earnings per share have been restated retrospectively for the previous financial year as a result of the bonus issue during the current financial year.



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 22. DIVIDEND PAID

	2008 RM	2007 RM
Recognised as distribution to equity holders during the year:		
Interim dividend of 14% tax exempt for the financial year ended 31 December 2007	-	1,018,038
Net dividend per ordinary share (sen)	-	1.4

### 23. ANALYSIS OF ACQUISITION OF A SUBSIDIARY

In the previous financial year, the Company acquired 60% equity interest, representing 2,760,000 ordinary shares of HKD1 each in Ygl Convergence (China) Limited, a company incorporated in Hong Kong, at a total cash consideration, including incidental cost, of HKD 2,730,000 (RM1,285,805).

The effects of the acquisition of subsidiary on the consolidated net profit, the consolidated financial position and consolidated cash flow statement were as follows:

#### (a) Effect on consolidated net profit for the year ended 31 December 2007

	RM
Gross revenue	535,187
Cost of sales	(168,202)
Profit from operations	215,456
Finance costs	56
Profit before tax	215,512
Tax expense	(10,292)
Profit after tax	205,220
Minority interest	(2,581)
Increase in Group's net profit	202,639



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 23. ANALYSIS OF ACQUISITION OF A SUBSIDIARY (cont'd)

#### (b) Effect on consolidated financial position at 31 December 2007

	RM
Non-current assets	43,436
Current assets	778,192
Non-current liabilities	-
Current liabilities	(154,808)
Minority interest	(87,250)
	<hr/>
Increase in Group's share of net assets	579,570
	<hr/>

#### (c) Effect on consolidated cash flow statement for the year ended 31 December 2007

	RM
Net assets acquired	
Non-current assets	23,349
Current assets	525,560
Current liabilities	(136,108)
Goodwill	1,038,124
Negative goodwill	-
Minority interest	(165,120)
	<hr/>
Total purchase consideration	1,285,805
Less:	
Cash and cash equivalents acquired	(130,105)
	<hr/>
Net cash flows on acquisition	1,155,700
	<hr/>

### 24. ANALYSIS OF DECONSOLIDATION OF A SUBSIDIARY

The Company lost control over a subsidiary, Ygi Convergence (Asia Pacific) Pte Ltd during the year.

The effect on consolidated cashflow statement for the year ended 31 December 2008 resulting from the deconsolidation is as follows:

	RM
Net assets deconsolidated:	
Non-current assets	6,715
Current assets	409,980
Non-current liabilities	(890)
Current liabilities	(186,790)
Minority interest	(91,418)
Exchange reserve	(469)
	<hr/>
	137,128
Less:	
Cash and cash equivalents	144,448
	<hr/>
Net cash flows on deconsolidation	(7,320)
	<hr/>



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 25. EMPLOYEES BENEFITS EXPENSE

	Group	
	2008 RM	2007 RM
Salaries, allowances and bonuses		
- Executive directors	240,000	377,561
- Other employees	2,970,851	3,157,194
Defined contribution plan - EPF contributions	307,980	269,240
Social security contributions	47,356	16,053
Other staff related expenses	102,928	82,374
	3,669,115	3,902,422

No staff costs were incurred by the Company as the Company did not have any employees.

### 26. RELATED PARTY DISCLOSURES

- (a) The Group has controlling related party relationship with its subsidiaries referred to in Note 6.
- (b) The Group also has related party relationship with its associates.
- (c) In addition to information disclosed elsewhere in the financial statements, the Group has the following significant related party transactions with related parties during the financial year:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Management fee received from subsidiaries	-	-	10,000	10,000
Advances from subsidiary	-	-	676,847	275,252
Repayment from subsidiaries	-	-	543,927	-
Repayment from associates	-	2,978	-	-
	-	-	872,000	630,933
Advances to subsidiaries	-	-	650,000	-
Advances to associate	650,000	-	697,475	-
Repayment to subsidiaries	-	-	-	-

Information regarding outstanding balances arising from related party transactions at year end are disclosed in Notes 6 and 7.



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 26. RELATED PARTY DISCLOSURES

(d) Compensation of key management personnel

The remuneration of directors and other members of key management personnel of the Group and the Company during the year comprises:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short-term employee benefits	1,125,897	1,352,218	55,000	40,000
Post employment benefits - defined contribution plan	80,632	69,334	-	-
	<u>1,206,529</u>	<u>1,421,552</u>	<u>55,000</u>	<u>40,000</u>

### 27. SEGMENT ANALYSIS

#### Segment reporting

(a) Primary reporting format - geographical segment

The Group operates mainly in Malaysia and other Asia Pacific countries. In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of the assets.

Transactions between segments were entered into in the normal course of business and were established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. The effects of such inter-segment transactions are eliminated.

2008	Malaysia RM	Asia Pacific RM	Group RM
<b>Revenue</b>			
Sales	2,979,311	5,479,300	8,458,611
Less: Inter-segment sales	10,000	-	10,000
External sales	<u>2,969,311</u>	<u>5,479,300</u>	<u>8,448,611</u>



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 27. SEGMENT ANALYSIS (cont'd)

#### Segment reporting (cont'd)

##### (a) Primary reporting format - geographical segment (cont'd)

2008	Malaysia RM	Asia Pacific RM	Group RM
<b>Results</b>			
Segment operating loss	(2,706,317)	(1,323,739)	(4,030,056)
Finance costs			(12,151)
Share of associate's loss			(177,780)
Loss before tax			(4,219,987)
Tax expense			(25,426)
Loss after tax			(4,245,413)
Minority interest			100,694
Net loss attributable to shareholders			(4,144,719)
<b>Other information</b>			
Segment assets	17,159,229	3,947,723	21,106,952
Segment liabilities	588,992	3,440,614	4,029,606
Capital expenditure	1,974,076	39,712	2,013,788
Depreciation and amortisation	863,461	88,380	951,841
<b>2007</b>			
	<b>Malaysia RM</b>	<b>Asia Pacific RM</b>	<b>Group RM</b>
<b>Revenue</b>			
Sales	5,236,756	7,183,970	12,420,726
Less: Inter-segment sales	10,000	-	10,000
External sales	5,226,756	7,183,970	12,410,726



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 27. SEGMENT ANALYSIS (cont'd)

#### Segment reporting (cont'd)

#### (a) Primary reporting format - geographical segment (cont'd)

2007	Malaysia RM	Asia Pacific RM	Group RM
<b>Results</b>			
Segment operating profit/(loss)	2,147,686	(669,314)	1,478,372
Finance costs			(13,778)
Profit before tax			1,464,594
Tax expense			(135,791)
Profit after tax			1,328,803
Minority interest			(95,950)
Net profit attributable to shareholders			1,232,853
<b>Other information</b>			
Segment assets	20,959,353	3,490,846	24,450,199
Segment liabilities	710,751	2,277,114	2,987,865
Capital expenditure	1,882,751	59,911	1,942,662
Depreciation and amortisation	560,854	86,292	647,146

#### (b) Secondary reporting format - business segment

No secondary reporting - business segment is presented as the Group is principally engaged in marketing and distribution of computer software and hardware and the provision of professional service.



## Notes to and forming part of The Financial Statements (cont'd)

for the year ended 31 December 2008

### 28. OPERATING LEASE COMMITMENT

#### The Group as lessee

The Group leases office premises under non-cancellable operating leases for its operations. These leases have an average tenure of 1 to 5 years, with an option to renew the lease after the expiry of the respective dates. Increase in lease payments, if any, after the expiry dates, are negotiated between the Group and the lessors which will normally reflect market rentals. None of the above leases includes contingent rentals.

The future aggregate minimum lease payments under these non-cancellable operating leases are as follows:

	Group	
	2008 RM	2007 RM
Future minimum lease payments		
- payable not later than one year	105,966	206,484
- payable later than one year and not later than five years	-	100,490
	105,966	306,974

### 29. FINANCIAL INSTRUMENTS

#### (a) Credit risk

At balance sheet date, the Group did not have any significant exposure to any individual customer or counter party or any major concentration of credit risk related to any financial assets.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

#### (b) Fair values

The carrying amounts of the financial assets and liabilities of the Group and of the Company at 31 December 2008 approximated their fair values.

### 30. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company were authorised for issue by the directors on 28 April 2009.



## Statement By Directors

In the opinion of the directors, the financial statements set out on pages 9 to 61 are drawn up:

- (a) so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2008 and of their results and cash flows for the year then ended; and
- (b) in accordance with Financial Reporting Standards and the provisions of the Companies Act 1965.

Signed on behalf of the directors in accordance  
with a directors' resolution dated  
28 April 2009

**YEAP KONG CHEAN**

Director

**LIM HOO TECK**

Director

## Statutory Declaration

I, Yeap Kong Chean, being the director primarily responsible for the financial management of Ygi Convergence Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 9 to 61 are correct.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared at )  
Kuala Lumpur in the Federal Territory )  
this 28 April 2009 )  
)  
)  
)  
)

**YEAP KONG CHEAN**

Before me:

**ROBERT LIM HOCK KEE (W092)**

Commissioner for Oaths



## List of Properties

Location	Description and Existing Use	Tenure	Land area / Built-up area (sq ft)	Date of acquisition / Completion	Approximate age of Building (Years)	Net Book Value (RM)
Unit 9-10, 9th Floor, Wisma UOA II, No.21, Jalan Pinang, 50450 Kuala Lumpur	One office unit held under GRN46212 master issue document for title at HS(D) 87450, PT 35, Section 57, Town of Kuala Lumpur, District of Wilayah Persekutuan  Office Use	Freehold	2,508	08/12/2000	9	1,008,730
Unit 5.04, Plaza GM, No.12, Lorong Haji Taib Lima, 50350 Kuala Lumpur	One shop lot held under Geran 54264 Lot 2000 Seksyen 46 (formerly known as H.S (D) 81954 P.T. No. 86, GRN 26997 & 26998 for Lot Nos. 1728 & 1729 all of Seksyen 46) in the town and District of Kuala Lumpur, State of Wilayah Persekutuan  Rented Out	Freehold	238.46	29/01/2008	1	289,046



## Analysis of Shareholdings

as at 24 April 2009

Authorised Capital	:	RM20,000,000.00
Issued and Fully Paid-up Capital	:	RM14,543,400.00 comprising 145,434,000 Ordinary Shares of RM0.10 each
Class of Equity Securities	:	Ordinary Shares of RM0.10 each ("Shares")
Voting Rights	:	One vote per share

### Distribution Schedule of Shareholders

No. of Holders	Size of Shareholdings	No. of Shares	%
-	Less than 100	-	-
486	100 - 1,000	63,500	0.04
221	1,001 - 10,000	1,307,200	0.90
252	10,001 to 100,000 shares	10,452,900	7.19
98	100,001 to less than 5% of issued shares	66,837,068	45.96
2	5% and above of issued shares	66,773,332	45.91
1,059	Total	145,434,000	100

### 30 Largest Securities Account Holders

No.	Name	No. of Shares held	%
1	Yeap Kong Chean	33,986,668	23.37
2	Yeap Kong Tai	32,786,664	22.54
3	Visage Reserves Sdn. Bhd.	7,059,000	4.85
4	CIMB Group Nominees (Tempatan) Sdn Bhd Yeap Geok Lake & Sons Sdn Bhd for Yeap Kong Chean	6,680,000	4.59
5	CIMB Group Nominees (Tempatan) Sdn Bhd Yeap Geok Lake & Sons Sdn Bhd for Yeap Kong Tai	6,680,000	4.59
6	Yeap Chor Beng & Sons Sdn Bhd	4,800,000	3.30
7	Aspire Success Sdn. Bhd.	3,452,000	2.37
8	Yeap Kong Yeow	2,433,000	1.67
9	Ah Kim @ Leong Chai Yoong	1,761,700	1.21
10	Lembaga Tabung Haji	1,733,400	1.19
11	Ng Cheng Guan	1,604,100	1.10
12	Yeap Teik Ee	1,100,000	0.76
13	Cheong Yen Yoon	1,068,300	0.73
14	Sarina Binti A Karim	1,000,068	0.69
15	Angela Gan Yen Ni	1,000,000	0.69
16	Yeap Yen Guan	1,000,000	0.69
17	Yeap King Jin	948,000	0.65
18	Citigroup Nominees (Asing) Sdn Bhd Exempt An for OCBC Securities Private Limited	909,600	0.63
19	Yeap Kong Yeow	868,400	0.60
20	Yap Ean Sin	704,000	0.48



## Analysis of Shareholdings

as at 24 April 2009

### 30 Largest Securities Account Holders (cont'd)

No.	Name	No. of Shares held	%
21	Teoh Cheng Siang	700,000	0.48
22	Yeap Lay Hoon	700,000	0.48
23	Yeap Teck Cheong	700,000	0.48
24	Khoo Yong Ai	670,000	0.46
25	Yeap Geok Lan	660,000	0.45
26	Ho Beng Chuan	600,000	0.41
27	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Yew Meng	600,000	0.41
28	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Thoon Soon Ling	600,000	0.41
29	Thong Nyok Seen	600,000	0.41
30	Foo Chee Boon	590,000	0.41

### Substantial Shareholders

(excluding those who are bare trustees pursuant to Section 69 of the Companies Act, 1965)

#### No. of Shares beneficially held

No.	Name of Substantial Shareholders	Direct Interest	%	Indirect Interest	%
1	Yeap Kong Chean	40,666,668	27.96	-	-
2	Yeap Kong Tai	39,466,664	27.14	-	-

### Directors' Shareholdings

#### No. of Shares beneficially held

No.	Name of Directors	Direct Interest	%	Indirect Interest	%
1	Yeap Kong Chean	40,666,668	27.96	-	-
2	Yeap Kong Tai	39,466,664	27.14	-	-
3	Dato' Muhammad Farid bin Haji Ahmad Ridhwan	-	-	-	-
4	Chong Kai Min	10,000	0.01	-	-
5	Lim Hoo Teck	-	-	-	-



## Form of Proxy

No. of Share held	
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I / We \_\_\_\_\_ NRIC / Passport / Company No. \_\_\_\_\_  
(BLOCK LETTERS)

of, \_\_\_\_\_  
(full address)

being a member/members of **Ygi Convergence Berhad (Company No. 649013-W)** hereby appoint \_\_\_\_\_  
\_\_\_\_\_ NRIC / Passport No. \_\_\_\_\_

of \_\_\_\_\_

or failing him, \_\_\_\_\_ NRIC / Passport No. \_\_\_\_\_

of \_\_\_\_\_

or the Chairman of the Meeting as \*my/our proxy to vote in my/our name(s) on \*my/our behalf at the Fifth (5th) Annual General Meeting of the Company to be held at G Hotel, 168-A Persiaran Gurney, 10250 Penang on Tuesday, 16 June 2009 at 11.00 a.m. and at any adjournment thereof.

Please indicate your vote by 'X' in the respective box of each resolution. Unless voting instructions are indicated in the space below, the proxy will vote or abstain from voting as he/she thinks fit.

AGENDA		
1.	To receive the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2008 together with the Auditors' Report thereon	
Resolutions		For
		Against
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2008	
3.	To re-elect Y. Bhg. Dato' Muhammad Farid bin Haji Ahmad Ridhwan who is retiring in accordance with Article 29.1 of the Company's Articles of Association	
4.	To re-elect Mr. Chong Kai Min who is retiring in accordance with Article 29.1 of the Company's Articles of Association	
5.	To re-elect Madam Tan Hoay Leng who is retiring in accordance with Article 29.6 of the Company's Articles of Association	
6.	To appoint Messrs Mazars as Auditors of the Company in place of the retiring Auditors, Messrs Moores Rowland for the ensuing year and to authorise Directors to fix their remuneration	
Special Business:		
7.	Ordinary Resolution - Authority to the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965	

\* Strike out whichever not applicable

As witness \*my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

\_\_\_\_\_  
Signature of Member / Common Seal

### Notes:-

- A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint up to 2 proxies to attend and vote in his stead. A proxy may, but need not be a Member and the provision of Section 149(1)(a), (b) and (c) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- Where a Member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy or (in the case of a power of attorney appointing an attorney) such power of attorney or a notorially certified copy of such power of attorney and any authority under which such proxy or power of attorney is executed or a copy of such authority certified notorially or in some other way approved by the Directors shall be deposited at the Registered Office of the Company at No. 10, China Street, 10200 Penang at least 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument or power of attorney proposes to vote.
- Any alteration in this form must be initialed.

Affix Stamp

To:

The Company Secretaries  
**Ygi Convergence Berhad** (649013-W)  
10 China Street  
10200 Penang  
Malaysia