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## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Second (2nd) Annual General Meeting of Ygl Convergence Berhad ("Ygl" or "the Company") will be held at The Gurney Hotel, 18 Persiaran Gurney, 10250 Penang on Friday, 23 June 2006 at 10.00 a.m. for the following purposes:-

### As Ordinary Business:-

1. To receive the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2005 together with the Auditors' Report thereon. **Resolution 1**
2. To approve the payment of Directors' fees of RM32,000 for the financial year ended 31 December 2005. **Resolution 2**
3. To re-elect the following Directors who are retiring in accordance with Article 29.6 of the Company's Articles of Association and are offering themselves for re-election:
  - a. Mr. Yeap Kong Chean **Resolution 3**
  - b. Mr. Yeap Kong Tai **Resolution 4**
  - c. YBhg Dato' Muhammad Farid bin Haji Ahmad Ridhwan **Resolution 5**
  - d. Mr. Chong Kai Min **Resolution 6**
4. To re-appoint Messrs. Moores Rowland as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 7**

### As Special Business:-

5. To consider and if thought fit, to pass with or without amendments, the following resolution as an Ordinary Resolution:-

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

"That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approval of the relevant governmental/regulatory authorities, the Directors of the Company be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965 to issue and allot ordinary shares in the Company at any time until the conclusion of the next Annual General Meeting and at such price upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided always that the aggregate number of shares to be issued does not exceed ten (10) per centum of the issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad."

**Resolution 8**

By Order of the Board

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

Penang  
1 June 2006

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

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

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

*The Ordinary Resolution proposed under item 5 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 a proxy or more 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 two or more 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 Industry (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 (where Members are to be given an opportunity to instruct the proxy how to vote) be in any form approved by the Directors which enables the Members to determine how their votes are to be cast on each of the resolutions comprised in the business of the meeting for which it is to be used.*
- 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 Directors standing for re-election at the 2nd Annual General Meeting of the Company to be held at The Gurney Hotel, 18 Persiaran Gurney, 10250 Penang on Friday, 23 June 2006 at 10.00 a.m. are as follows:-

<b>Name of Directors</b>	<b>Details of attendance at Board Meetings held in the financial year ended 31 December 2005</b>	<b>Details of individual Directors and other disclosure requirements</b>
Mr. Yeap Kong Chean	Attended all the two (2) Board Meetings	Refer to page 6, 7 and 57 of the Annual Report
Mr. Yeap Kong Tai	Attended all the two (2) Board Meetings	Refer to page 6, 7 and 57 of the Annual Report
YBhg Dato' Muhammad Farid bin Haji Ahmad Ridhwan	Attended all the two (2) Board Meetings	Refer to page 6, 7 and 57 of the Annual Report
Mr. Chong Kai Min	Attended all the two (2) Board Meetings	Refer to page 7 and 57 of the Annual Report

## Corporate Information

### BOARD OF DIRECTORS

Yeap Kong Chean, *Chief Executive Officer*  
Yeap Kong Tai, *Chief Operating Officer*  
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  
(Co. No. 36869-T)  
Suite 18.05, MWE Plaza  
No. 8, Lebuhr Farquhar, 10200 Penang  
Tel: 04-2631 966 / 2614 680  
Fax: 04-2628 544

### SPONSOR

K&N Kenanga Bhd (Co. No. 15678-H)  
801, 8th Floor, Kenanga International  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel: 03-2164 6689  
Fax: 03- 2164 6690

### AUDITORS

Moore Rowland (AF 0539)  
Chartered Accountants

### PRINCIPAL BANKERS

Hong Leong Bank Berhad  
No. 1, Light Street, Georgetown  
10200 Penang  
Tel: 04-2615 022  
Fax: 04-2626 360

Southern 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.ygl.com.my](http://www.ygl.com.my)

## Profile of Directors

### **YEAP KONG CHEAN**

*Chief Executive Officer  
Aged 44, Malaysian*

Yeap Kong Chean was appointed to the Board on 1 June 2005. He is presently the Chief Executive Officer of the Company and is also a director of Ygl's subsidiary companies, namely Ygl Consulting Sdn Bhd and Ygl Multimedia Sdn Bhd.

He graduated with a Bachelor of Commerce degree 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 & the Malaysian Institute of Accountants.

He commenced his career in 1985 with Ernst & Young Malaysia and spent seven (7) years 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 Ygl Consulting Sdn Bhd in 1993, assisting Ygl Consulting Sdn Bhd in business re-engineering and ERP deployment work.

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### **YEAP KONG TAI**

*Chief Operating Officer  
Aged 43, Malaysian*

Yeap Kong Tai was appointed to the Board on 1 June 2005. He is presently the Chief Operating Officer of the Company. He is a member of the Audit Committee of the Company. He is also a director of Ygl's subsidiary companies namely Ygl Consulting Sdn Bhd and Ygl Multimedia Sdn Bhd.

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 & the Malaysian Institute of Accountants.

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 Ygl Consulting Sdn Bhd in 1993 as a Director, initially overseeing the Consulting business, and thereafter directing the Group's own software development and deployment.

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

*Independent Non-Executive Director  
Aged 50, Malaysian*

Dato' Muhammad Farid Bin Haji Ahmad Ridhwan was appointed to the Board on 1 June 2005. He is also the Chairman of the Audit Committee of the Company.

He graduated as a mechanical engineer with a marketing degree from the University of Bristol, United Kingdom. Dato' Farid is the founder and director of Farid Associates Group Sdn Bhd. The said company comprises of several subsidiaries that is involved in a variety of industries, amongst others, telecommunications, advertising and airport services. 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 and PIKOM Computimes ICT Award "Product of the Year 2004" for Ezeephone, the first line-powered prepaid fixed line telephone in the world.

## Profile of Directors (cont'd)

### **CHONG KAI MIN**

*Independent Non-Executive Director  
Aged 41, 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 of Investment in OptixLab, a Malaysian venture capital company before assuming his current position as Principal of Korean TechnoAllianz Sdn Bhd.

Notes:

#### **i. Family Relationships and Major Shareholders**

Directors	Relationship	Major Shareholder
Yeap Kong Chean	Brother of Yeap Kong Tai, a major shareholder of the Company	Yes
Yeap Kong Tai	Brother of Yeap Kong Chean, a major shareholder of the Company	Yes

Save as disclosed above, none of the other Directors has family relationship with any other Directors or major 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 the 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	No. of Board Meetings attended by Directors	No. of Board Meetings held in financial year ended 31 December 2005	% of attendance
Yeap Kong Chean	2	2	100
Yeap Kong Tai	2	2	100
Dato' Muhammad Farid bin Haji Ahmad Ridhwan	2	2	100
Chong Kai Min	2	2	100



## Chief Executive Officer's Statement

### Introduction

Year 2005 has been a significant milestone year for Ygl Convergence Berhad ("Ygl"), during which Ygl transformed into a public listed company.

Since the inception of its business in 1993, Ygl has been a very serious and committed player in the enterprise solution space, servicing a variety of clients in the private sector from SMEs to public companies and MNCs, and working very closely with world class ERP, CRM and BI principals such as Sage, Microsoft, and SSA.

The successful listing is not only a testimony to Ygl's achievements in the last ten years, but also strengthened the trust that Ygl's clients have placed with Ygl. In addition, Ygl is able to further grow relationships with its principals to greater heights, covering more products and territories. These have provided a more exciting playing field for Ygl's management and staff to excel, upgrade and share in the success of the group.

Looking forward, Ygl is well positioned in its core competency of enterprise solution development and consulting, and will strive towards realizing our vision to be the leading enterprise solutions developer and consultant in Asia.

### Financial overview

For the financial year 2005, Ygl Group has achieved a proforma revenue of RM4,476,257, and net profit after tax of RM2,322,485 before the elimination of pre-acquisition results of Ygl Consulting Sdn Bhd (YGLC) and Ygl Multimedia Resources Sdn Bhd (YGLM) from 1 January 2005 to 31 May 2005 since the said acquisitions were only completed on 31 May 2005.

This represents a slight decrease in revenue of 0.9% and increase in profit after tax of 11.7% respectively, as compared with similar results achieved by YGLC and YGLM in the preceding financial year.

The performance was attributable to the higher contribution of Ygl's proprietary products, which captured a higher profit margin in 2005

### Corporate development

On 14 June 2005, Ygl entered into a Solution Provider Agreement with Microsoft. This agreement has extended Ygl partnership with Microsoft as the reseller of Microsoft enterprise solutions in Malaysia to other parts of the world.

On 23 November 2005, Ygl launched Ygl Timeshare and Vacation System with Sage Asia. This is a vertical solution developed by Ygl to compliment the Sage Accpac enterprise solution core modules. Under the partnership with Sage, Ygl was able to market Ygl Timeshare and Vacation System alongside Sage Accpac modules through Sage distribution channels in Asia.



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



On 16 December 2005, Ygl entered into a conditional sale and purchase agreement with the existing shareholders of Elitus Asia Pacific Pte Ltd (Elitus), a Singapore-based Tier-1 ERP consulting company, to acquire 192,000 shares representing 60 per cent stake for RM1.3 million to be satisfied in cash. This enabled Ygl to expand the consulting capacity and enlarge the customer base in Singapore and China. The acquisition also paved way for Ygl to market and sell Ygl proprietary solutions to Elitus current and future customer base in Singapore and China. The acquisition was completed on 11 May 2006.

Internally, as part of the on-going process by Ygl to incorporate best and transparent practices within the organization, Ygl has signed up for Capability Maturity Model Integration (CMMI) Maturity Level 3. This certification is under Software Engineering Institute, which was sponsored by the U.S. Department of Defense and operated by Carnegie Mellon University, USA. Ygl would be able to increase value for clients through faster project timelines, better quality deliverables, and expand the scope and visibility of Ygl proprietary product life cycle to ensure meeting clients expectations.

### **Research and Development (“R&D”)**

Ygl's R&D strategies have always been based on niche business solutions which are commercially viable. Ygl's proprietary solutions have been developed with the incorporation of best business practices and process flows, in order to provide the return of investments for the commercial users.

In year 2005, Ygl has invested RM639,874 in the R&D of both Ygl ServiceERP and Value-added ERP proprietary product such as Taxcom and Timeshare solutions.

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

### Proceeds utilization

As at 31 December 2005, Ygl Group has utilised approximately 30% of the proceeds raised from its initial public offering in July 2005. The remaining amount will be utilised in due course, in accordance with the disclosures in the company's prospectus. The details of the utilisation of the gross listing proceeds as at 31 December 2005 are as follows:-

Description	Proposed Utilization RM	Actual Utilization RM	Balance RM	Timeframe for Utilization RM
Future business expansion and capital expenditure	4,130,000	764,689	3,365,311	End 2007
R&D expenditure	1,320,000	-	1,320,000	End 2007
Working Capital	610,000	-	610,000	End 2006
Estimated Listing Expenses	1,500,000	1,500,000	-	Mid 2005
<b>Total</b>	<b>7,560,000</b>	<b>2,264,689</b>	<b>5,295,311</b>	

### Prospects

In line with the global demand for usage of computers by both developed and under developed countries, spurred by the increase in connectivity and the use of Internet, the outlook for Ygl's proprietary product and consulting services is bright.

Ygl's focus is on niche commercial applications, which are a necessity for business, and will grow in line with the world demand for computers.

With the core competency in the enterprise solutions market, accumulated over more than 10 years of commitments, Ygl is well placed with clients, principals and employees, both present and potential.

Ygl will continue the growth in product, services and territorial penetration to become one of the largest enterprise solution providers in Asia.

### Appreciation

I would like to take this opportunity to extend my appreciation to:

- our valued clients for their loyalty and support, which have grown Ygl from a small company to a public company;
- our business partners for sharing with Ygl commitments to provide value solutions at good prices;
- our Directors for their invaluable contribution and our employees for their dedication and commitment to the Group; and
- our shareholders who have trusted their investments with Ygl, particularly during certain parts of 2005, when the Malaysian stock market was not performing to certain expectations.

**Yeap Kong Chean**  
*Chief Executive Officer*

## Audit Committee Report

### MEMBERSHIP

The Audit Committee comprises the following members:

#### Chairman

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

#### Members

Chong Kai Min (Independent Non-Executive Director)

Yeap Kong Tai (Chief Operating Officer, Executive Director)

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### 1. COMPOSITION

1.1 The Committee members shall be appointed by the Board of Directors with at least three members, of which the majority shall comprise Independent Directors. The Chief Executive Officer shall not be a member of the Audit Committee.

The definition of "Independent Directors" shall have the meaning given in Chapter 1.1 of the Listing Requirements of Bursa Malaysia Securities Berhad for MESDAQ Market.

1.2 The members of the Committee shall select a Chairman from among its members who shall be an Independent Director. In the event that the elected Chairman is not able to attend a meeting, a member of the Committee shall be nominated as Chairman for the Meeting.

1.3 If a member of the 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 Committee is empowered by the Board to investigate any activity within its terms of reference. The Committee shall:-

- (i) have explicit authority to investigate any matters within its term of reference;
- (ii) have the resources which it needs to perform its duties;
- (iii) have full access to any information which it requires in the course of performing its duties;
- (iv) have unrestricted access to the chief executive officer and chief financial officer;
- (v) have direct communication channels with the external auditors and internal auditors (if any);
- (vi) be able to obtain independent professional or other advice in the performance of its duties at the costs of the Company; and
- (vii) be able to invite outsiders with relevant experience to attend its meetings if necessary.

## 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 To duties of the Audit Committee shall include a review of:

- i) the nomination of external auditors;
- ii) the adequacy of the existing external audit arrangement, with particular emphasis on the scope and quality of the audit;
- iii) the effectiveness of the internal audit function (if any);
- iv) the effectiveness of the internal control and management information systems;
- v) the financial statements of the Company with both the external auditors and management;
- vi) the external auditors' audit report;
- vii) any management letter sent by the external auditors to the Company and the management's response to such letter;
- viii) any letter of resignation from the Company's external auditors;
- ix) the assistance given by the Company's officers to the external auditors;
- x) all areas of significant financial risk and the arrangement in place to contain those risks to acceptable levels;
- xi) 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;
- xii) the allocation of employees' share option scheme ("ESOS") to ensure its compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any and to make such statement to be included on the annual report of the Company in relation to a share scheme for the employees; and
- xiii) any other functions as may be delegated by the Board of Directors.

### 4. MEETINGS & QUORUM

4.1 A minimum of two members shall form the quorum.

4.2 The Company Secretaries shall be the secretaries of the Committee.

4.3 The presence of the external auditors will be requested if required.

### 5. REPORTING PROCEDURES

5.1 The Chairman of the Committee shall report on each meeting to the Board of Directors.

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

### **NUMBER OF MEETINGS AND DETAILS OF ATTENDANCE**

Since the Audit Committee was only established on 1 June 2005, the Committee held two (2) meetings during the financial year 2005 with full attendance by the Committee members.

### **SUMMARY OF ACTIVITIES**

During the financial year 2005, the Audit Committee carried out the following activities in the discharge of its functions and duties:-

1. Reviewed the unaudited interim financial results of the Company and the Group before recommending to the Board for approval;
2. Reviewed the related party transactions of the Company; and
3. Reviewed the progress for CMMI Maturity Level 3 Certification, ie. the quality standards for software industry.

### **INTERNAL AUDIT**

The Internal Audit department assists the Audit Committee in ensuring the adequacy and effectiveness of the internal control system of the Group.

The activities of the Internal Audit department during the financial year ended 31 December 2005 was mainly focusing in monitoring the the progress of achieving the CMMI Maturity Level 3 Certification, i.e. the quality standards for software industry.

## Statement on Corporate Governance

The Board of Ygl Convergence Berhad recognizes and fully subscribes to 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 shareholders’ value and the performance of the Group. With this in mind, the Board has taken relevant steps to introduce various measures prior to and since Ygl’s listing on the MESDAQ Market of the Bursa Malaysia Securities Berhad (“MESDAQ Market”) on 13 July 2005.

### 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.

#### Board Balance

The Board consists of four (4) Directors, comprising two (2) Executive Directors and two (2) 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 6 to 7 of this Annual Report.

The Board complies with paragraph 13.2 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ Market which states that a listed company must at least have two (2) Independent Directors. Both the Independent Directors of Ygl are sufficient caliber and experience to bring objectivity, balance and independent judgments to the Board decision.

#### Meetings and Supply of Information

The Board meetings are held at quarterly intervals and additional meetings are held should the need arise. For the financial year ended 31 December 2005, the Board had since the listing of the Company on the MESDAQ Market on 13 July 2005, held two meetings which was attended by the following Directors of the Company:-

<b>Directors</b>	<b>No. of Meetings Attended</b>	<b>Total No. of Meetings held</b>	<b>%</b>
Yeap Kong Chean	2	2	100
Yeap Kong Tai	2	2	100
Dato’ Muhammad Farid Bin Haji Ahmad Ridhwan	2	2	100
Chong Kai Min	2	2	100
Sarina binti A. Karim <i>(resigned on 13 December 2005)</i>	1	2	50

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

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.

## Statement on Corporate Governance *(cont'd)*

### **Duties and Responsibilities**

The Board's principal responsibilities are to chart the strategic direction, development and control of the Company's business and to monitor whether the business is being managed properly.

The Executive Directors are responsible for the Board's effectiveness and conduct as well as overall management and development of strategic direction of the Group.

The presence of the Independent Non-Executive Directors is to provide unbiased and independent views, advice and judgment as well as safeguarding the interests of other parties, e.g. minority interests

### **Directors' Training**

During the financial year ended 31 December 2005, all Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") as required by Bursa Securities on all Directors of listed companies.

The Board believes that the Directors should receive continuous training on a timely basis, particularly in view of changing laws, regulations and business environment in which the Group operates.

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

### **Appointment of the Board and Re-election**

In accordance with Article 29.1 of the Company's Articles of Association, an election of the Directors shall take place each year. At the first Annual General Meeting ("AGM"), all the Directors shall retire from office, and at every subsequent 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 the age 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' Remuneration**

The Board as a whole determines the remuneration of Executive Directors. The individual Directors concerned have 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.



## Statement on Corporate Governance (cont'd)

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

The details of the Directors' remuneration for the financial year ended 31 December 2005 are as follows:-

Directors	Company			Group		
	Salaries RM	Bonus RM	Fee RM	Salaries RM	Bonus RM	Fee RM
Executive	-	-	-	67,750	-	-
Non-Executive	-	-	32,000	-	-	-
Total	-	-	32,000	67,750	-	-

The number of Directors whose remuneration fall within the following band are as follows:-

<u>Range</u>	<u>Executive</u>	<u>Non-Executive</u>
Below RM50,000	2	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 Financial Statements, Research Reports and various announcement made to Bursa Securities.

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 Annual 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 date fixed for the AGM. The notice of the AGM will also be advertised 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.

On other general meetings, a circular to shareholders together with a notice of meeting will be despatched to shareholders within the period prescribed by the Company's Articles of Association. The notice of meeting will also be advertised in widely circulated newspapers.

## Statement on Corporate Governance *(cont'd)*

### **ACCOUNTABILITY AND AUDIT**

#### **Financial Reporting**

The annual financial statements and quarterly announcements are presented to give a fair assessment of the Group's financial position and prospects to the shareholders and to regulatory authorities.

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 reviewed 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 performance.

#### **Relationship with the External Auditors**

The Board maintains a formal and good working relationship with the external auditors, Moores Rowland.

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 AGM. The external auditors shall report to the Audit Committee on all matters relating to the financial audit of the Group. They may also be invited to attend the Audit Committee Meetings as and when necessary.

#### **Internal Control**

The Board has the responsibility to maintain a sound system of internal control to safeguard shareholders' investment and the 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 continuously 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 report of the Audit Committee is separately set out on pages 11 to 13 of this Annual Report while the scope and results of the internal control review by the Audit Committee are detailed in the Statement of Internal Control on page 18 of this Annual Report.

#### **Compliance With The Best Practices Of The Code**

Save for the exceptions set out above, the Group is in substantial compliance through the financial year with the principles and best practices of the Code.

This statement is made in accordance with a resolution of the Board of Directors dated 25 May 2006.

## Statement on Internal Control

### 1. Board Responsibilities

The Board has overall responsibilities to safeguard shareholders' investment and the Group's assets, and for reviewing the adequacy and integrity of the 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 to achieve the desired business objectives. As such, the system can only provide reasonable but not absolute assurance against material misstatement, fraud or losses.

### 2. Internal Control

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 to ensure competent personnel are employed for the operating units to function efficiently

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.

The existing system or internal control is viewed by the Board as sound and adequate at the current level of operations. There were no significant problems or material 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 25 May 2006.

## 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 2005, the Directors have:-

- adopted the appropriate accounting policies, which are consistently applied;
- made judgements and estimates that are reasonable and prudent;
- ensured that 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 the 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 25 May 2006.

## Additional Compliance Information

### **SHARE BUY-BACK**

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

### **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

The Company did not issue any options, warrants or 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.

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

There were no material variations between the audited results for the financial year ended 31 December 2005 and the unaudited results for the quarter ended 31 December 2005 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 the interests of the Directors' and substantial shareholders.

### **REVALUATION POLICY**

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

# REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2005

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## Directors' Report for the year ended 31 December 2005

The directors have pleasure in submitting their report and the audited financial statements of the Company and of the Group for the financial year ended 31 December 2005.

### PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are indicated in Note 3 to the financial statements.

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

### RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Net profit for the year	<u>1,342,189</u>	<u>1,082,644</u>

### DIVIDEND

Dividend paid or declared by the Company since the end of the previous financial period was as follows:

In respect of the year ended 31 December 2005	
- Interim dividend of 15% tax exempt paid on 28 December 2005	<u>RM1,002,000</u>

The directors do not recommend the payment of any further dividend for the current financial year.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its authorised share capital from RM100,000 to RM10,000,000 by the creation of additional 99,000,000 new ordinary shares of RM0.10 each. The Company also increased its issued and fully paid-up share capital from RM2 to RM6,680,000 credited as fully paid-up through the following share issues:

- (a) 21,999,980 new ordinary shares of RM0.10 each as purchase consideration for the acquisition of Ygl Consulting Sdn Bhd.
- (b) 3,000,000 new ordinary shares of RM0.10 each as purchase consideration for the acquisition of Ygl Multimedia Resources Sdn Bhd.
- (c) Public issue of 8,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.90 each.

## Directors' Report for the year ended 31 December 2005 (cont'd)

- (d) Bonus issue of 33,400,000 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 through the capitalisation of RM3,340,000 from the share premium account of the Company after (a), (b) and (c) above.

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

### DIRECTORS

The directors in office since the date of incorporation are:

Yeap Kong Chean	(appointed on 1-6-2005)
Yeap Kong Tai	(appointed on 1-6-2005)
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan	(appointed on 1-6-2005)
Chong Kai Min	(appointed on 1-6-2005)
Sarina Bt A. Karim	(appointed on 1-6-2005 and resigned on 13-12-2005)
Lim Chew Lan	(resigned on 1-6-2005)
Koh Gek Sim	(resigned on 1-6-2005)

In accordance with the Company's Articles of Association, all the directors who were appointed to the board subsequent to the date of the last annual general meeting, retire 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, the interests in shares of the directors who held office at the end of the financial year in the Company were as follows:

	Number of ordinary shares of RM0.10 each				At 31-12-2005
	At 1-1-2005	Bought	Bonus issue	Sold	
Yeap Kong Chean	-	11,666,667	11,666,667	-	23,333,334
Yeap Kong Tai	-	11,666,666	11,666,666	-	23,333,332
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan	-	20,000	20,000	-	40,000
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 the subsidiary companies to the extent the Company has an interest.



## Directors' Report for the year ended 31 December 2005 (cont'd)

### DIRECTORS' BENEFITS

Since the end of the previous financial period, 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 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.

### OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Company and of the Group 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 there were no known bad debts but 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 Company and of the Group 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 it necessary to write off any debt or the amount of allowance for doubtful debts in the financial statements of the Company and of the Group inadequate to any substantial extent, or
  - (ii) which would render the values attributed to the current assets in the financial statements of the Company and of the Group misleading, or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company and of the Group 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 subsidiary companies 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 subsidiary companies which has arisen since the end of the financial year.
- (d) No contingent or other liability of the Company or its subsidiary companies 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 subsidiary companies to meet their obligations as and when they fall due.

## Directors' Report for the year ended 31 December 2005 *(cont'd)*

- (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 Company and of the Group 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 Company and of the Group during 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 Company and of the Group for the financial year in which this report is made except for events as disclosed in Note 22 to the financial statements.

### AUDITORS

The auditors, Moores Rowland, Chartered Accountants, have expressed their willingness to continue in office.

Signed on behalf of the directors in accordance  
with a resolution of the directors

**YEAP KONG CHEAN**  
Director

**YEAP KONG TAI**  
Director

Dated: 27 April 2006

## Report of the Auditors to the Members

We have audited the financial statements of the Company set out on pages 27 to 53. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards issued by the Malaysian Institute of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as an evaluation of the overall presentation of the financial statements. We believe our audit has provided us with a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Company and of the Group at 31 December 2005 and of their results and cash flows for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company and of the Group; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report of Ygi Multimedia Resources Sdn Bhd, being the subsidiary of which we have not acted as auditors.

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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification, did not include any comment made under Section 174 (3) of the Act.

**MOORES ROWLAND**  
No. AF: 0539  
Chartered Accountants

**GAN MORN GHUAT**  
No. 1499/5/07 (J)  
Partner

Dated: 27 April 2006

Balance Sheets - 31 December 2005

	Note	Group 2005 RM	2005 RM	Company 2004 RM
<b>PROPERTY, PLANT AND EQUIPMENT</b>	2	1,208,840	-	-
<b>SUBSIDIARY COMPANIES</b>	3	-	2,500,000	-
<b>ASSOCIATED COMPANY</b>	4	-	-	-
<b>SOFTWARE DEVELOPMENT COSTS</b>	5	639,874	-	-
<b>DEFERRED TAX ASSET</b>	6	46,222	-	-
<b>CURRENT ASSETS</b>				
Inventories		196,695	-	-
Trade and other receivables	7	1,068,782	-	-
Amount owing by a subsidiary company	3	-	98,000	-
Amount owing by an associated company	4	146,457	-	-
Tax recoverable		201,484	-	-
Fixed deposits	8	5,860,821	5,860,821	-
Cash and bank balances		1,464,986	135,003	2
		8,939,225	6,093,824	2
Less:				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	9	227,356	39,134	5,420
Amount owing to a subsidiary company	3	-	41,361	-
Hire purchase liability	10	20,216	-	-
Tax payable		18,650	18,650	-
		266,222	99,145	5,420
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>8,673,003</b>	<b>5,994,679</b>	<b>(5,418)</b>
		<b>10,567,939</b>	<b>8,494,679</b>	<b>(5,418)</b>

Balance Sheets - 31 December 2005 (cont'd)

	Note	Group 2005 RM	2005 RM	Company 2004 RM
Financed by:				
<b>SHARE CAPITAL</b>	11	<b>6,680,000</b>	<b>6,680,000</b>	2
<b>SHARE PREMIUM</b> , non-distributable		<b>1,739,455</b>	<b>1,739,455</b>	-
<b>UNAPPROPRIATED PROFIT/ (ACCUMULATED LOSS)</b>		<b>334,769</b>	<b>75,224</b>	(5,420)
<b>SHAREHOLDERS' EQUITY</b>		<b>8,754,224</b>	<b>8,494,679</b>	(5,418)
<b>LONG TERM LIABILITIES</b>				
Discount on acquisition	12	<b>1,728,826</b>	-	-
Hire purchase liability	10	<b>84,889</b>	-	-
		<b>1,813,715</b>	-	-
		<b>10,567,939</b>	<b>8,494,679</b>	(5,418)

Notes to and forming part of the financial statements are set out on pages 33 to 53

## Income Statements for the year ended 31 December 2005

	Note	Group 2005 RM	Company 2005 RM	Company 2004 RM
Gross revenue	13	2,475,194	1,100,000	-
Cost of sales		(737,904)	-	-
Gross profit		1,737,290	1,100,000	-
Other operating income		90,705	67,474	-
Selling and distribution expenses		(64,714)	-	-
Administrative and general expenses		(183,792)	(66,180)	(5,420)
Other operating expenses		(158,551)	-	-
Profit/(Loss) from operations		1,420,938	1,101,294	(5,420)
Finance costs		(1,265)	-	-
Share of results in associated company		(10)	-	-
Profit/(Loss) before tax	14	1,419,663	1,101,294	(5,420)
Tax expense	15	(77,474)	(18,650)	-
Net profit/(loss) for the year		1,342,189	1,082,644	(5,420)
Net dividend per share (sen)		1.5	1.5	-
Earnings per share (sen)	16	3.60		

Notes to and forming part of the financial statements are set out on pages 33 to 53

## Statements of Changes in Equity for the year ended 31 December 2005

Group	Share capital RM	Share premium RM	(Accumulated loss)/ Unappropriated profit RM	Total RM
At 1 January 2005	2	-	(5,420)	(5,418)
Issue of share capital				
- acquisition of subsidiary companies	2,499,998	-	-	2,499,998
- public issue	840,000	6,720,000	-	7,560,000
- bonus issue of 1 : 1	3,340,000	(3,340,000)	-	-
Share issue and listing expenses	-	(1,640,545)	-	(1,640,545)
Net profit for the year	-	-	1,342,189	1,342,189
Interim dividend paid of 15% tax exempt	-	-	(1,002,000)	(1,002,000)
At 31 December 2005	<b>6,680,000</b>	<b>1,739,455</b>	<b>334,769</b>	<b>8,754,224</b>
<b>Company</b>				
At 1 January 2004	2	-	-	2
Net loss for the period	-	-	(5,420)	(5,420)
At 31 December 2004	2	-	(5,420)	(5,418)
Issue of share capital				
- acquisition of subsidiary companies	2,499,998	-	-	2,499,998
- public issue	840,000	6,720,000	-	7,560,000
- bonus issue of 1 : 1	3,340,000	(3,340,000)	-	-
Share issue and listing expenses	-	(1,640,545)	-	(1,640,545)
Net profit for the year	-	-	1,082,644	1,082,644
Interim dividend paid of 15% tax exempt	-	-	(1,002,000)	(1,002,000)
At 31 December 2005	<b>6,680,000</b>	<b>1,739,455</b>	<b>75,224</b>	<b>8,494,679</b>

Notes to and forming part of the financial statements are set out on pages 33 to 53

## Cashflow Statements for the year ended 31 December 2005

	Group 2005 RM	2005 RM	Company 2004 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax	1,419,663	1,101,294	(5,420)
Adjustments for :			
Depreciation	79,854	-	-
Amortisation of software development costs	109,217	-	-
Share of results in associated company	10	-	-
Dividend income	-	(1,100,000)	-
Interest income	(68,960)	(67,474)	-
Interest expenses	834	-	-
Hire purchase term charges	1,256	-	-
Operating profit/(loss) before working capital changes	1,541,874	(66,180)	(5,420)
Changes in software development costs	(226,537)	-	-
Changes in inventories	(62,005)	-	-
Changes in receivables	1,310,085	-	-
Changes in payables	(92,560)	33,714	5,420
Cash generated from operations	2,470,857	(32,466)	-
Interest received	68,960	67,474	-
Interest paid	(834)	-	-
Tax paid	(351,160)	-	-
Net cash from operating activities	2,187,823	35,008	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(103,084)	-	-
Purchase of investments in subsidiary companies, net of cash (Note 17)	476,219	(2)	-
Dividend received from subsidiary company	-	1,100,000	-
Advances to a subsidiary company	-	(98,000)	-
Advances to an associated company	(146,457)	-	-
Net cash from investing activities	226,678	1,001,998	-



Cashflow Statements for the year ended 31 December 2005 (cont'd)

	<b>Group 2005 RM</b>	<b>2005 RM</b>	<b>Company 2004 RM</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	5,919,455	5,919,455	2
Advances from a subsidiary company	-	41,361	-
Dividend paid	(1,002,000)	(1,002,000)	-
Payment of hire purchase instalments	(4,895)	-	-
Hire purchase term charges paid	(1,256)	-	-
Net cash from financing activities	<u>4,911,304</u>	<u>4,958,816</u>	<u>2</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>7,325,805</b>	<b>5,995,822</b>	<b>2</b>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<b>2</b>	<b>2</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<u><b>7,325,807</b></u>	<u><b>5,995,824</b></u>	<u><b>2</b></u>
Represented by:			
FIXED DEPOSITS	5,860,821	5,860,821	-
CASH AND BANK BALANCES	1,464,986	135,003	2
	<u>7,325,807</u>	<u>5,995,824</u>	<u>2</u>

During the financial year, the Group acquired property, plant and equipment amounting to RM213,084 of which RM110,000 was financed under hire purchase and the balance of RM103,084 was paid by cash.

## Notes to and forming part of The Financial Statements for the year ended 31 December 2005

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial statements comply with applicable approved accounting standards issued or adopted by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965.

The measurement bases applied in the preparation of the financial statements include cost, amortised 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.

#### (b) Subsidiary companies

A subsidiary company is a company in which the Company has the power to control the financial and operating policies so as to obtain benefits from its activities.

The Company's interests in subsidiary companies are stated at cost less accumulated impairment loss. The investments are written down when there is an impairment loss on the value of such investments. The impairment loss is charged to the income statement.

#### (c) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiary companies made up to the end of the financial year. All material inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised gains on transactions are eliminated in full and unrealised losses are also eliminated in full unless cost cannot be recovered. The financial statements of the subsidiary companies are consolidated on the acquisition method of accounting and the results of the subsidiary companies acquired or disposed of are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

At the date of acquisition, the fair values of the net assets of the subsidiary companies are determined and these values are reflected in the consolidated financial statements.

#### (d) Associated company

An associated company is a company in which the Group holds a long-term equity interest, has representation on the board of directors and is in a position to exercise significant influence in their management, but not control, over the financial and operating policies.

The Group's interest in the associated company is stated at cost less accumulated impairment loss. The investment is written down when there is an impairment loss on the value of such investment. The impairment loss is charged to income statement.

The Group's share of the results of the associated company is accounted for in the consolidated income statement using the equity method of accounting in place of dividends received. On the consolidated balance sheet, the Group's share of post-acquisition results and reserves of the associated company is added to the cost of investment which reflects the Group's share of the net assets of the associated company.

## Notes to and forming part of The Financial Statements for the year ended 31 December 2005 (cont'd)

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

#### (d) Associated company (cont'd)

Equity accounting is discontinued when the carrying amount of the investment in the associated company diminishes by virtue of losses to zero, unless the Group has incurred or guaranteed obligations in respect of the associated company.

Unrealised gain on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transactions provided evidence of impairment of the asset transferred. When necessary, in applying the equity method, adjustments are made to the financial statements of the associated company to ensure consistency of accounting policies with the Group.

The post-acquisition results and reserves of the associated company accounted for are based on its latest management financial statements made up to the end of the financial year.

#### (e) Goodwill or discount on acquisition

The difference between the acquisition cost and the fair values of attributable net assets acquired is reflected in the financial statements as either goodwill or discount on acquisition. Discount on acquisition is retained in the consolidated balance sheet and will be credited to the income statement over a suitable period decided in relation to the particular circumstances which give rise to it. Where goodwill is considered to be capable of generating future economic benefits, it is capitalised in the financial statements. Goodwill is stated at cost less accumulated impairment loss. The carrying amount is reviewed annually, and goodwill is written down when its value had deteriorated or when it ceases to have a useful life. The policy for the recognition and measurement of impairment loss is in accordance with Note 1(l).

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

##### (i) Measurement basis

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

##### (ii) Depreciation

###### Freehold land is not amortised

Depreciation is calculated to write off the cost of other property, plant and equipment on the straight line basis over their expected useful lives at the following annual rates:

Office lot	2% - 5%
Motor vehicle	20%
Computer	50%
Furniture, fittings and office equipment	20%

## Notes to and forming part of The Financial Statements for the year ended 31 December 2005 (cont'd)

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

#### (g) Assets acquired under hire-purchase

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.

#### (h) Computer software development costs

Computer software development costs are stated at cost less accumulated amortisation and accumulated impairment loss.

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 amortised on the 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(l).

#### (i) 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 invoiced value of goods purchased.

#### (j) Receivables

Receivables are stated at their nominal values and an allowance is made for any receivables considered to be doubtful of collection. Known bad debts are written off.

#### (k) Payables

Payables are stated at their nominal values which are the fair values of the consideration to be paid in the future for goods and services received.

## Notes to and forming part of The Financial Statements for the year ended 31 December 2005 (cont'd)

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

#### (l) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of the asset. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of the estimated net selling price of the asset and its value in use. Value in use is measured using the discounted future cash flows expected to be generated from continuing use of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it belongs exceeds its recoverable amount. The impairment loss, if any, is charged to the income statement.

Any subsequent increase in the 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.

#### (m) 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.

#### (n) Foreign currencies

Transactions in foreign currencies during the financial year are converted to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the closing rates. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated to Ringgit Malaysia at the rates of exchange ruling at the date of the transactions.

The closing rates used in translation is US Dollar 1 to RM3.80 (2004 : Nil).

## Notes to and forming part of The Financial Statements for the year ended 31 December 2005 (cont'd)

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

#### (o) 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 recognised when significant risks and rewards of ownership have been transferred to the customers.

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

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

##### (iii) Dividend income

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

##### (iv) Interest income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

##### (v) Rental income

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

#### (p) Employees benefits

##### (i) Short term benefits

Salaries, bonuses, allowances 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

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 for the year ended 31 December 2005 (cont'd)

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

#### (p) 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.

#### (q) Borrowing costs

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.

#### (r) Tax expense

The tax expense in the income statement comprises current tax and deferred tax. Current tax is an estimate of tax payable at current tax rate based on profit earned during the year. Deferred taxation 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 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 expected to apply to the period when the asset is realised or the liability is settled. Current and deferred tax is recognised as an income or an expense in the income statement.

#### (s) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits held on call with banks 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.

#### (t) Financial instruments

The recognised financial instruments of the Group comprise cash and cash equivalents, receivables, payables, hire purchase liability 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.

**Notes to and forming part of The Financial Statements**  
for the year ended 31 December 2005 (cont'd)

**2. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Freehold land and office lot</b>	<b>Motor vehicle</b>	<b>Computer</b>	<b>Furniture, fittings and office equipment</b>	<b>Total</b>
<b>Cost</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At 1 January	-	-	-	-	-
Acquisition of subsidiary companies	1,038,825	-	184,119	220,779	1,443,723
Additions	-	164,390	31,515	17,179	213,084
Disposal	-	-	-	-	-
<b>At 31 December</b>	<b>1,038,825</b>	<b>164,390</b>	<b>215,634</b>	<b>237,958</b>	<b>1,656,807</b>
<b>Accumulated depreciation</b>					
At 1 January	-	-	-	-	-
Acquisition of subsidiary companies	11,286	-	177,926	178,901	368,113
Charge for the year	3,762	32,878	20,519	22,695	79,854
<b>At 31 December</b>	<b>15,048</b>	<b>32,878</b>	<b>198,445</b>	<b>201,596</b>	<b>447,967</b>
<b>Net book value at 31 December</b>	<b>1,023,777</b>	<b>131,512</b>	<b>17,189</b>	<b>36,362</b>	<b>1,208,840</b>

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

The above motor vehicle stated at net book value of RM131,512 is acquired under hire purchase.



## Notes to and forming part of The Financial Statements for the year ended 31 December 2005 (cont'd)

### 3. SUBSIDIARY COMPANIES

	Company	
	2005 RM	2004 RM
Unquoted shares, at cost	<u>2,500,000</u>	<u>2,500,000</u>

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

The subsidiary companies, both incorporated in Malaysia, are as follows:

	Gross equity interest		Principal activities
	2005	2004	
Ygl Consulting Sdn Bhd	100%	-	Marketing and distribution of computer software and hardware and the provision of professional services
Ygl Multimedia Resources Sdn Bhd	100%	-	Developing and selling of software systems

### 4. ASSOCIATED COMPANY

	Group 2005 RM
Unquoted shares, at cost	10
Group's share of post-acquisition results	<u>(10)</u>
	-
Represented by:	
Share of net assets of associated company	<u>-</u>

The share of loss in the associated company has been discontinued as the share of loss has exceeded the carrying amount of the investment. The share of loss not recognised during the year is RM2,089.

The associated company is Ygl Consulting (Thailand) Co. Ltd, a company incorporated in Thailand, in which the subsidiary company, Ygl Consulting Sdn Bhd holds 39% (2004 : 39%) of its issued and paid-up share capital. The principal activities of the associated company are marketing and distribution of computer software and the provision of related services.

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

Notes to and forming part of The Financial Statements  
for the year ended 31 December 2005 (cont'd)

5. SOFTWARE DEVELOPMENT COSTS

	Group 2005 RM
Cost	
At 1 January	-
Acquisition of a subsidiary company	709,608
Addition	226,537
	936,145
Less:	
Accumulated amortisation	
At 1 January	-
Acquisition of a subsidiary company	187,054
Amortisation for the year	109,217
	296,271
At 31 December	296,271
Net book value at 31 December	639,874

6. DEFERRED TAX ASSET

	Group 2005 RM
At 1 January	-
Acquisition of a subsidiary company	55,450
Transfer to income statement	(9,228)
	46,222
At 31 December	46,222

The deferred tax asset comprises:

	Group 2005 RM
Deductible temporary differences between net book value and tax written down value of property, plant and equipment	19,264
Other deductible temporary differences	26,958
	46,222

**Notes to and forming part of The Financial Statements**  
for the year ended 31 December 2005 (cont'd)

**7. TRADE AND OTHER RECEIVABLES**

	<b>Group 2005 RM</b>
Gross trade receivables	<b>1,153,191</b>
Less:	
Allowance for doubtful debts	<b>134,790</b>
	<hr/>
Other receivables	<b>1,018,401</b>
Deposits	<b>46,373</b>
Prepayments	<b>3,670</b>
	<hr/>
	<b>338</b>
	<hr/>
	<b>1,068,782</b>

Trade receivables represent amounts receivable from sale of computer software and hardware and services rendered to customers. All trade receivables are granted credit periods of 30 to 90 days. Other receivables, deposits and prepayments are from the normal business transactions of the Group.

**8. FIXED DEPOSITS**

The fixed deposits of the Company are placed with licensed banks and earn an effective interest rate of 3.9% per annum. All the fixed deposits have maturity periods of less than one year.

Notes to and forming part of The Financial Statements  
for the year ended 31 December 2005 (cont'd)

9. TRADE AND OTHER PAYABLES

	Group 2005 RM	2005 RM	Company 2004 RM
Trade payables	18,059	-	-
Other payables	91,670	28,684	4,420
Deposits	5,000	-	-
Accruals	112,627	10,450	1,000
	<u>227,356</u>	<u>39,134</u>	<u>5,420</u>

Group  
2005  
RM

The currency exposure profiles of trade payables are as follows:

Ringgit Malaysia	305
US Dollar	17,754
	<u>18,059</u>

Trade payables represent amounts outstanding from trade purchases. Other payables, deposits and accruals are from the normal business transactions of the Group. The normal credit periods granted by trade suppliers are between 30 and 90 days.

Included in other payables is an amount of RM33,791 and RM13,791 (2004 : Nil) for the Group and Company respectively, owing to a company in which a director of the Company has substantial financial interest.

**Notes to and forming part of The Financial Statements**  
for the year ended 31 December 2005 (cont'd)

**10. HIRE PURCHASE LIABILITY**

	<b>Group 2005 RM</b>
Outstanding hire purchase instalments due:	
- not later than one year	<b>24,600</b>
- later than one year and not later than five years	<b>92,230</b>
	<b>116,830</b>
Less:	
Unexpired term charges	<b>11,725</b>
Outstanding principal amount due	<b>105,105</b>
Less:	
Outstanding principal amount due not later than one year (included in current liabilities)	<b>20,216</b>
Outstanding principal amount due later than one year and not later than five years	<b>84,889</b>

The effective interest rate of the hire purchase liability is 2.36% per annum.

**11. SHARE CAPITAL**

	<b>2005</b>		<b>2004</b>	
	<b>Number of shares</b>	<b>Nominal value RM</b>	<b>Number of shares</b>	<b>Nominal value RM</b>
Authorised				
At 1 January/date of incorporation				
- shares of RM0.10 (2004 : RM1.00) each	<b>1,000,000</b>	<b>100,000</b>	100,000	100,000
Effect of subdivision of shares	-	-	900,000	-
Created during the year	<b>99,000,000</b>	<b>9,900,000</b>	-	-
At 31 December				
- shares of RM0.10 each	<b>100,000,000</b>	<b>10,000,000</b>	1,000,000	100,000

**Notes to and forming part of The Financial Statements**  
for the year ended 31 December 2005 (cont'd)

**11. SHARE CAPITAL** (cont'd)

	2005		2004	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Issued and fully paid				
At 1 January/date of incorporation				
- ordinary shares of RM0.10 (2004 : RM1.00) each	20	2	2	2
Effect of subdivision of shares	-	-	18	-
Shares issue by way of				
- acquisition of subsidiary companies	24,999,980	2,499,998	-	-
- public issue	8,400,000	840,000	-	-
- bonus issue of 1 : 1	33,400,000	3,340,000	-	-
	<u>66,799,980</u>	<u>6,679,998</u>	-	-
At 31 December				
- ordinary shares of RM0.10 each	<u>66,800,000</u>	<u>6,680,000</u>	<u>20</u>	<u>2</u>

**12. DISCOUNT ON ACQUISITION**

	Group 2005 RM
At 1 January	-
Acquisition of subsidiary companies	1,728,826
At 31 December	<u>1,728,826</u>

**13. GROSS REVENUE**

Gross revenue represents the invoiced value of sale of computer software and hardware and services rendered, net of sales taxes and discounts.

**Notes to and forming part of The Financial Statements**  
for the year ended 31 December 2005 (cont'd)

**14. PROFIT/(LOSS) BEFORE TAX**

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

	<b>Group 2005 RM</b>	<b>Company 2005 RM</b>	<b>2004 RM</b>
Amortisation of software development costs	109,217	-	-
Auditors' remuneration	18,000	8,000	-
Depreciation	79,854	-	-
Directors' remuneration			
- fees	32,000	32,000	-
- other emoluments	67,750	-	-
Finance costs			
- interest expenses	834	-	-
- hire purchase term charges	1,256	-	-
Rental of premises	7,000	-	-
Rental of office equipment	652	-	-
	<hr/>	<hr/>	<hr/>
and crediting:			
Gross dividend income from a subsidiary company	-	1,100,000	-
Interest income	68,960	67,474	-
Rental income from property	16,000	-	-
	<hr/>	<hr/>	<hr/>

**15. TAX EXPENSE**

	<b>Group 2005 RM</b>	<b>Company 2005 RM</b>	<b>2004 RM</b>
Current tax expense			
- current year	68,663	18,650	-
- overestimated in prior year	(417)	-	-
	<hr/>	<hr/>	<hr/>
	68,246	18,650	-
Deferred tax expense relating to origination and reversal of temporary differences during the year	9,228	-	-
	<hr/>	<hr/>	<hr/>
	77,474	18,650	-
	<hr/>	<hr/>	<hr/>

## Notes to and forming part of The Financial Statements

for the year ended 31 December 2005 (cont'd)

### 15. TAX EXPENSE (cont'd)

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

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Accounting profit/(loss) (excluding share of results in associated company)	<u>1,419,673</u>	<u>1,101,294</u>	<u>(5,420)</u>
Tax at the average tax rate of 22.5% for the Group and 28% (2004 : 28%) for the Company	319,426	308,362	-
Add:			
Tax effect of expenses not deductible in determining taxable profit:			
Depreciation of non-qualifying assets	5,101	-	-
Other non-deductible expenses	<u>46,698</u>	<u>18,288</u>	-
	371,225	326,650	-
Less:			
Tax effect of income not taxable in determining taxable profit	<u>293,334</u>	<u>308,000</u>	-
	77,891	18,650	-
Less:			
Current tax expense overestimated in prior years	<u>417</u>	-	-
Tax expense for the year	<u>77,474</u>	<u>18,650</u>	-

The Company does not have any Section 108 tax credit balance to frank the payment of dividend out of its unappropriated profit at the end of the financial year. Any distribution of dividends out of its unappropriated profit is subject to income tax of 28%.



## Notes to and forming part of The Financial Statements for the year ended 31 December 2005 (cont'd)

### 16. EARNINGS PER SHARE

The earnings per share is calculated based on the consolidated net profit for the year of RM1,342,189 and on 36,866,683 weighted average number of ordinary shares in issue during the financial year as follows:

	<b>2005 RM</b>
Number of ordinary shares at 1 January	<b>20</b>
Effects of shares issue from:	
- acquisition of subsidiary companies	<b>14,583,322</b>
- public issue	<b>3,850,000</b>
- bonus issue	<b>18,433,342</b>
	<hr/> <b>36,866,683</b> <hr/>

### 17. ANALYSIS OF ACQUISITION OF SUBSIDIARY COMPANIES

On 31 May 2005, the Company acquired the following subsidiary companies:

#### (a) Ygl Consulting Sdn Bhd

The Company acquired 300,000 ordinary shares of RM1 each, representing 100% equity interest in Ygl Consulting Sdn Bhd, at a consideration of RM2,199,998 through the issuance of 21,999,980 new ordinary shares of RM0.10 each in the Company. The acquisition was accounted for using the acquisition method of accounting and the discount arising from the acquisition is RM564,509.

#### (b) Ygl Multimedia Resources Sdn Bhd

The Company acquired 2 ordinary shares of RM1 each, representing 100% equity interest in Ygl Multimedia Resources Sdn Bhd, at a consideration of RM300,000 through the issuance of 3,000,000 new ordinary shares of RM0.10 each in the Company. The acquisition was accounted for using the acquisition method of accounting and the discount arising from the acquisition is RM1,164,317.

**Notes to and forming part of The Financial Statements**  
for the year ended 31 December 2005 (*cont'd*)

**17. ANALYSIS OF ACQUISITION OF SUBSIDIARY COMPANIES** (*cont'd*)

**(c) Ygl Multimedia Resources Sdn Bhd** (*cont'd*)

The effects of acquisition of subsidiary companies 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**

	<b>2005 RM</b>
Gross revenue	<u>2,475,194</u>
Cost of sales	<u>(737,904)</u>
Profit from operations	<b>1,419,644</b>
Finance costs	<b>(1,265)</b>
Profit before tax	<b>1,418,379</b>
Tax expense	<b>(58,824)</b>
Increase in Group's net profit	<u><b>1,359,555</b></u>

**(b) Effect on consolidated financial position**

	<b>2005 RM</b>
Non-current assets	<b>1,894,946</b>
Current assets	<b>3,208,190</b>
Non-current liabilities	<b>(84,889)</b>
Current liabilities	<b>(529,866)</b>
Increase in Group's share of net assets	<u><b>4,488,381</b></u>

Notes to and forming part of The Financial Statements  
for the year ended 31 December 2005 (cont'd)

17. ANALYSIS OF ACQUISITION OF SUBSIDIARY COMPANIES (cont'd)

(c) Effect on consolidated cash flow statement

	2005 RM
Net assets acquired	
Property, plant and equipment	1,075,610
Non-current assets	578,014
Current assets	3,011,198
Current liabilities	(435,996)
Discount on acquisition	(1,728,826)
	<hr/>
Total purchase consideration	2,500,000
Less:	
Purchase consideration discharged by issue of shares in the Company	(2,499,998)
Cash and cash equivalents acquired	(476,221)
	<hr/>
Net cash flows on acquisition	(476,219)

18. EMPLOYEES INFORMATION

	Group 2005 RM	2005 RM	Company 2004 RM
Staff costs			
Salaries, allowances and bonuses	986,601	-	-
Defined contribution plan			
- EPF contributions	116,109	-	-
Social security costs			
- SOCSO contributions	12,063	-	-
Other related expenses	54,423	-	-
	<hr/>	<hr/>	<hr/>
	1,169,196	-	-
	<hr/>	<hr/>	<hr/>
Number of employees including 2 full time directors of the Group	31	-	-
	<hr/>	<hr/>	<hr/>

## Notes to and forming part of The Financial Statements for the year ended 31 December 2005 (cont'd)

### 19. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group has controlling related party relationship with its subsidiary companies.

The Group also has related party transactions with the following related parties:

- (a) Associated company of Ygl Consulting Sdn Bhd
  - Ygl Consulting (Thailand) Pte Ltd
- (b) A company in which a director of the Company, Yeap Kong Tai has a substantial financial interest
  - Yeap Kong Tai & Co.

Transaction with a related party during the financial year is as follows:

	<b>Group 2005 RM</b>	<b>Company 2005 RM</b>	<b>Company 2004 RM</b>
Sale of software to Ygl Consulting (Thailand) Pte Ltd	<b>62,719</b>	-	-

The directors of the Company are of the opinion that the above transaction has been entered into in the normal course of business.

Non-trade balances with related parties at the end of the financial year are as follows:

	<b>Group 2005 RM</b>	<b>Company 2005 RM</b>	<b>Company 2004 RM</b>
Outstanding advances owing by Ygl Multimedia Resources Sdn Bhd	-	<b>98,000</b>	-
Outstanding advances owing by Ygl Consulting (Thailand) Pte Ltd	<b>146,457</b>	-	-
Outstanding advances owing to Ygl Consulting Sdn Bhd	-	<b>41,361</b>	-
Outstanding advances owing to Yeap Kong Tai & Co	<b>33,791</b>	<b>13,791</b>	-

### 20. SEGMENT ANALYSIS

No segment analysis is prepared as the Group is involved in a single industry segment relating to software solutions in Malaysia.

## Notes to and forming part of The Financial Statements for the year ended 31 December 2005 (cont'd)

### 21. FINANCIAL INSTRUMENTS

#### (a) 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 and bank borrowings. 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 fixed deposits which are placed with licensed banks in Malaysia. The Company's exposure to credit risk is monitored on an ongoing basis. The risk is managed through the application of the Group's extensive 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. Concentration of credit risk with respect to trade receivables is limited due to a wide spread of customers.

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.

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

#### (ii) Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of transactions denominated in US Dollar 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 this foreign currency exposure as the currency fluctuation of Ringgit Malaysia to US Dollar is minimal.

## Notes to and forming part of The Financial Statements for the year ended 31 December 2005 (cont'd)

### 21. FINANCIAL INSTRUMENTS (cont'd)

#### (a) Financial risk management objectives and policies (cont'd)

##### (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 fixed deposits and hire purchase liability.

Interest rate risk arising from fixed deposits 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 considers interest rate risk on hire purchase financing to be insignificant as the interest rate and repayment terms are fixed at inception.

The effective interest rates for the interest earning financial asset and interest bearing financial liability at balance sheet date are disclosed in the respective notes to the financial statements.

#### (b) Fair values

The carrying amounts of the financial assets and liabilities of the Company and of the Group at 31 December 2005 approximated their fair values.

### 22. SUBSEQUENT EVENTS

(a) On 16 December 2005, the Company entered into a conditional share sale agreement with third parties for the acquisition of 192,000 ordinary shares of SGD1.00 each, representing 60% equity interest in Elitus Asia Pacific Pte Ltd ("Elitus"), a company incorporated in the Republic of Singapore, at a total cash consideration of RM1,300,000. The principal activities of Elitus are the provision of software consultancy and computer systems integration services.

(b) On 21 April 2006, the Company entered into a conditional share sale agreement with third parties for the acquisition of 44,677,220 ordinary shares of HKD1.00 each, representing the entire issued and paid-up share capital of SCS Information Technology (HK) Limited ("SCS"), a company incorporated in Hong Kong SAR, at a total cash consideration of SGD 200,000 (RM456,000). The principal activities of SCS are service provider and outsourcer for enterprise solutions.

### 23. COMPARATIVE FIGURES

There are no comparative figures for the consolidated financial statements as this is the first financial year in which they are being prepared.

### 24. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements of the Company and of the Group were authorised for issue by the directors on 27 April 2006.

## Statement by Directors

In the opinion of the directors, the financial statements set out on pages 22 to 53 are drawn up:

- (a) so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2005 and of their results and cash flows for the year ended; and
- (b) in accordance with applicable approved accounting standards and the provisions of the Companies Act, 1965.

Signed on behalf of the directors in accordance  
with a resolution of the directors

**YEAP KONG CHEAN**  
Director

**YEAP KONG TAI**  
Director

Dated: 27 April 2006

## Statutory Declaration

I, Yeap Kong Chean, being the director primarily responsible for the financial management of YGL Convergence Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 22 to 53 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 27 April 2006

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**YEAP KONG CHEAN**

Before me:  
Abas Bin Hasan (W392)

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	8	1,023,777



## Analysis of Shareholdings as at 28 April 2006

Authorised Capital	: RM10,000,000.00
Issued and Fully Paid-up Capital	: RM6,680,000.00 comprising 66,800,000 Ordinary Shares of RM0.10 each
Class of Equity Securities	: Ordinary Shares of RM0.10 each
Voting Rights	: One vote per share

### Distribution Schedule of Shareholders

No. of Holders	Size of shareholdings	No. of shares	%
2	Less than 100	100	*
74	100 - 1,000	66,000	0.10
206	1,001 - 10,000	1,130,700	1.69
118	10,001 - 100,000	4,673,000	7.00
35	100,001 to less than 5% of issued shares	14,263,534	21.35
6	5% and above of issued shares	46,666,666	69.86
<b>441</b>	<b>Total</b>	<b>66,800,000</b>	<b>100.00</b>

\* Negligible

### 30 Largest Securities Account Holders

No.	Name	No. of shares held	%
1.	Yeap Kong Chean	16,393,334	24.54
2.	Yeap Kong Tai	16,393,332	24.54
3.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Yeap Kong Chean	3,600,000	5.39
4.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Yeap Kong Tai	3,600,000	5.39
5.	Southern Nominees (Tempatan) Sdn Bhd Pledged securities account for Yeap Kong Chean	3,340,000	5.00
6.	Southern Nominees (Tempatan) Sdn Bhd Pledged securities account for Yeap Kong Tai	3,340,000	5.00
7.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Yeap Kong Yeow	3,019,400	4.52
8.	Loh Seong Hooi	1,252,500	1.88
9.	Koay Seng Seong	968,200	1.45
10.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Ramli bin Hussien	913,600	1.37
11.	Sarina binti A. Karim	565,934	0.85
12.	Yeap Chor Beng & Sons Sdn Bhd	500,000	0.75

## Analysis of Shareholdings as at 28 April 2006 (cont'd)

No. Name	No. of shares held	%
13. Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Leow Hooi Khim	444,000	0.66
14. M & A Nominee (Tempatan) Sdn Bhd Pledged securities account for Tan Hong Guan	441,100	0.66
15. M & A Nominee (Tempatan) Sdn Bhd Pledged securities account for Tan Yi Lim	425,300	0.64
16. Thong Nyok Seen	400,000	0.60
17. Yeap Eng Hooi	400,000	0.60
18. DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG London	303,000	0.45
19. Paramasivam a/l Venugopal	302,300	0.45
20. Ng Cheng Guan	300,000	0.45
21. Visage Reserves Sdn Bhd	284,800	0.43
22. Yeap King Jin	280,000	0.42
23. M & A Nominee (Tempatan) Sdn Bhd Pledged securities account for Yeap Mar Cheng	271,800	0.41
24. Yeoh Siew Kim	252,000	0.38
25. Foo Chee Boon	250,000	0.37
26. Ho Beng Chuan	250,000	0.37
27. Goh Hooi Li	241,900	0.36
28. Ho Siew Bee	223,000	0.33
29. Teoh Cheng Siang	200,000	0.30
30. Tan Chin Hwa	197,400	0.30

### Substantial Shareholders' Shareholding

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

No. Name of Substantial Shareholders	No. of ordinary shares of RM0.10 each beneficially held			
	Direct Interest	%	Indirect Interest	%
1. Yeap Kong Chean	23,333,334	34.93	-	-
2. Yeap Kong Tai	23,333,332	34.93	-	-

### Directors' Shareholdings

No. Name of Directors	No. of ordinary shares of RM0.10 each beneficially held			
	Direct Interest	%	Indirect Interest	%
1. Yeap Kong Chean	23,333,334	34.93	-	-
2. Yeap Kong Tai	23,333,332	34.93	-	-
3. Dato' Muhammad Farid bin Haji Ahmad Ridhwan	40,000	0.06	-	-
4. Chong Kai Min	10,000	0.01	-	-

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## Proxy Form

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

of, \_\_\_\_\_  
(FULL ADDRESS)

being a member/members of Ygl 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 Second (2nd) Annual General Meeting of the Company to be held at The Gurney Hotel, 18 Persiaran Gurney, 10250 Penang on Friday, 23 June 2006 at 10.00 a.m. and at any adjournment thereof.

\*My / Our proxy is to vote as indicated below:

RESOLUTIONS	For	Against
<b>Ordinary Business:-</b>		
1. To receive the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2005 together with the Auditors' Report thereon		
2. To approve the payment of Directors' fees for the financial year ended 31 December 2005		
3. To re-elect Mr. Yeap Kong Chean who is retiring in accordance with Article 29.6 of the Company's Articles of Association		
4. To re-elect Mr. Yeap Kong Tai who is retiring in accordance with Article 29.6 of the Company's Articles of Association		
5. To re-elect YBhg Dato' Muhammad Farid bin Haji Ahmad Ridhwan who is retiring in accordance with Article 29.6 of the Company's Articles of Association		
6. To re-elect Mr. Chong Kai Min who is retiring in accordance with Article 29.6 of the Company's Articles of Association		
7. To re-appoint Messrs. Moores Rowland as Auditors		
<b>Special Business:-</b>		
8. 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*

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

As witness \*my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

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

### Notes:-

1. A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or more 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 two or more 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 Industry (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 (where Members are to be given an opportunity to instruct the proxy how to vote) be in any form approved by the Directors which enables the Members to determine how their votes are to be cast on each of the resolutions comprised in the business of the meeting for which it is to be used.
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.
5. Any alteration in this form must be initialed.



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Affix Stamp

To:

The Company Secretaries

**Ygl Convergence Berhad** (649013-W)

10 China Street

10200 Penang

Malaysia

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