YglWORLD

**Ygl Convergence Berhad**

Registration No. 200401010510 (649013-W)

# Annual Report 2023

# CONTENTS


| | |
|---|---|
| Notice of Annual General Meeting | 2 |
| Corporate Information | 8 |
| Profile of Directors | 9 |
| Profile of Key Senior Management | 12 |
| Chief Executive Officer's Statement, Management Discussion & Analysis | 16 |
| Sustainability Statement | 19 |
| Audit and Risk Management Committee Report | 41 |
| Corporate Governance Overview Statement | 46 |
| Statement on Risk Management and Internal Control | 61 |
| Statement of Directors' Responsibility in Relation to The Financial Statements | 64 |
| Additional Compliance Information | 65 |
| Directors' Report | 67 |
| Statement by Directors | 72 |
| Statutory Declaration | 72 |
| Independent Auditors' Report | 78 |
| Statements of Financial Position | 79 |
| Statements of Comprehensive Income | 80 |
| Consolidated Statement of Changes in Equity | 82 |
| Statement of Changes in Equity | 84 |
| Statements of Cash Flows | 85 |
| Notes to the Financial Statements | 87 |
| List of Properties | 154 |
| Analysis of Shareholdings | 155 |
| Form of Proxy | enclosed |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Nineteenth (19th) Annual General Meeting of Ygl Convergence Berhad ("Ygl" or "the Company") will be held at **Louis Armstrong II, Level 8, Jazz Hotel Penang, No. 1, Jalan Seri Tanjung Pinang 1, 10470 Tanjung Tokong, Penang** on **Tuesday, 29 August 2023, 10.30 a.m.** for the following purposes:-

**AGENDA**

**As Ordinary Business:-**

1. To receive the Audited Financial Statements for the financial year ended 31 March 2023 together with the Reports of the Directors and Auditors thereon. *(Please refer to Explanatory Note 1)*

2. To re-elect the following Directors who are due for retirement by rotation in accordance with Clause 76(3) of the Company's Constitution and being eligible, have offered themselves for re-election:-

   (a) Mr. Yeap Kong Chean; and **Ordinary Resolution 1**
   (b) Encik Muhamed Ali Bin Hajah Mydin. **Ordinary Resolution 2**

3. To re-elect Mr. Wan Chia Keong who retires in accordance with Clause 78 of the Company's Constitution and being eligible, has offered himself for re-election. **Ordinary Resolution 3**

4. To approve the payment of Directors' fees of RM75,000.00 for the financial year ended 31 March 2023. **Ordinary Resolution 4**

5. To approve the payment of benefits (excluding Directors' fees) payable to the Directors up to an amount of RM20,000.00 for the period commencing from 30 August 2023 until the next Annual General Meeting ("AGM") of the Company to be held in year 2024. **Ordinary Resolution 5**

6. To re-appoint Messrs. CHENGCO PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

7. To transact any other ordinary business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

**As Special Business:-**

To consider and, if thought fit, with or without any modification, to pass the following resolutions which will be proposed as Ordinary Resolutions:-

8. **Ordinary Resolution:-**
   **Authority to issue shares pursuant to the Companies Act 2016 and waiver of pre-emptive rights** **Ordinary Resolution 7**

   "**THAT** subject always to the Companies Act 2016 (the "Act"), the Company's Constitution, Bursa Malaysia Securities Berhad ("Bursa Securities") ACE

Market Listing Requirements ("AMLR") and any relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed ten per centum (10%) of the total number of issued share of the Company for the time being;

**THAT** pursuant to Section 85 of the Act to be read together with Clause 12(3)(a) of the Constitution of the Company, that approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares arising from any issuance of new shares in the Company pursuant to Sections 75 and 76 of the Act;

**AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities;

**AND FURTHER THAT** such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required to be held, whichever is earlier, unless such authority is revoked or varied by resolution passed by the shareholders in general meeting."

9. **Ordinary Resolution:-**
**Waiver of pre-emptive rights for the allotment of new ordinary shares ("Shares") under the Employees' Share Option Scheme ("ESOS")** **Ordinary Resolution 8**

"**THAT** further to the approval obtained from the shareholders via the Extraordinary General Meeting held on 26 May 2017 for the establishment of the ESOS, extension of the ESOS which will be expiring on 5 November 2027, pursuant to Section 85(1) of the Act and Clause 12(3)(a) of the Company's Constitution, approval be and is hereby given for the waiver of the statutory pre-emptive rights of the shareholders of the Company over all options to be offered pursuant to the ESOS and/or any new Shares to be issued pursuant to the exercise of such options, where such new Shares, when issued, to rank pari passu with the existing Shares."

By Order of the Board,

**YEOW SZE MIN** (SSM PC No. 201908003120, MAICSA 7065735)
**LOW SEOW WEI** (SSM PC No. 202008000437, MAICSA 7053500)
Company Secretaries

Penang
Date: 31 July 2023

**(A) Notes:**

1. For the purpose of determining who shall be entitled to attend the 19th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at **21 August 2023**. Only a depositor whose name appears on this Record of Depositors shall be entitled to attend the 19th AGM or appoint a proxy to attend, speak and vote on his/her/its behalf.

2. A member entitled to attend and vote at the 19th AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.

3. A member of the Company who is entitled to attend and vote at the 19th AGM of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the 19th AGM.

4. Where a member of the Company is an authorised nominee, as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") it may appoint not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

6. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

7. The instrument appointing a proxy must be deposited at the registered office of the Company at No. 35, Scotland Road, 10450 Penang, not less than forty-eight (48) hours before the time fixed for holding the 19th AGM or any adjournment at which the person named in the appointment proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking of the poll. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

8. Pursuant to Rule 8.31A of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), all resolutions set out in the Notice of 19th AGM will be put to vote by way of a poll.

**(B) Explanatory Notes:**

1. Item 1 of the Agenda: Audited Financial Statements for the financial year ended 31 March 2023

   The first agenda of this meeting is meant for discussion only, as Section 340(1) of the Companies Act 2016 ("Act") does not require a formal approval for the Audited Financial Statements from the shareholders. Therefore, this Agenda is not put forward to shareholders for voting.

2. Resolutions 1, 2 and 3: Re-election of Directors

Clause 76(3) of the Company's Constitution states that one-third (1/3) of the Directors shall retire from office and shall be eligible for re-election at each AGM. All Directors shall retire from office at least once in each three (3) years but shall be eligible for re-election.

Mr. Yeap Kong Chean and Encik Muhamed Ali Bin Hajah Mydin, who are due for retirement in accordance with Clause 76(3) of the Company's Constitution, have offered themselves for re-election at the 19th AGM.

Clause 78 of the Company's Constitution states that any Director so appointed under Clause 77 shall hold office only until the next AGM, and shall then be eligible for re-election.

Mr. Wan Chia Keong, who retires in accordance with Clause 78 of the Company's Constitution, has offered himself for re-election at the 19th AGM.

The profiles of the Directors who are standing for re-election are stated in the Company's Annual Report 2023.

In determining the eligibility of the Directors to stand for re-election at the 19th AGM, the Nominating Committee ("NC") has considered the following:-

(i) evaluation on the effectiveness of the Directors in terms of character, experience, integrity, competency and time in discharging their roles as Directors of the Company;
(ii) for Independent and Non-Executive Directors ("INEDs") only, the level of independence demonstrated by the INEDs and their ability to act in the best interest of the Company; and
(iii) their ability to act in the best interest of the Company in decision-making.

The Board endorsed the NC's recommendation for the retiring Directors pursuant to Clause 76(3) and Clause 78 of the Constitution of the Company. All the retiring Directors have consented to their re-election and have abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant NC and Board meetings.

3. Resolutions 4 and 5: Payment of Directors' fee and benefits made payable to the Directors

Clause 93 of the Company's Constitution provides that any fees and benefits payable to Directors shall be subject to annual shareholders' approval at a General Meeting. Pursuant thereto, shareholders' approval is sought for the payment of fees to Directors (Resolution 4) and benefits payable to Directors (Resolution 5).

The proposed Directors' fees of RM75,000.00 to be paid to all Directors (except for the Chief Executive Officer who is also a Director of the Company) for the financial year ended 31 March 2023 are based on the annual fee of RM20,000.00 for each Director.

The benefits payable to the Directors pursuant to Section 230(1)(b) of the Act have been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognises that the benefits payable is in the best interest of the Company for the applicable period from 30 August 2023 up to the conclusion of next AGM. The benefits comprise customary benefits such as business travel and accommodation, communication, medical and insurance coverage and other claimable benefits.

4. Resolution 6: Re-appointment of Auditors

The Audit and Risk Management Committee and the Board have considered the re-appointment of Messrs. CHENGCO PLT as auditors of the Company, are satisfied with the performance, competency, audit approach and independence of Messrs. CHENGCO PLT and viewed that they have met the relevant criteria prescribed by Rule 15.21 of AMLR of Bursa Securities.

5. Resolution 7: Authority to issue shares pursuant to the Companies Act 2016 and waiver of pre-emptive rights

The Ordinary Resolution proposed under Resolution 7 is primarily to seek for renewal of a Previous Mandate (as defined herein) to give flexibility to the Board of Directors to issue and allot shares up to 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being, at any time in its absolute discretion without convening a general meeting (hereinafter referred to as the "General Mandate").

The Company has been granted a general mandate by its shareholders at the last AGM held on 25 August 2022 (hereinafter referred to as the "Previous Mandate"). As at the date of this Notice, the Company did not implement its proposal for a new allotment of shares under the Previous Mandate and hence, no proceeds were raised therefrom.

The General Mandate, upon renewal, will provide flexibility to the Company to undertake any possible fund raising activities, including but not limited to placement of shares, for the purpose of funding Company's future investment projects, working capital, acquisitions and/or such other purposes as the Directors may deem fit, without having to convene a general meeting, provided that the aggregate number of the shares issued pursuant to the General Mandate does not exceed 10% of the total number of issued shares of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company.

The waiver of pre-emptive rights will allow the Board of Directors to issue new ordinary shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer the new shares to all existing shareholders of the Company prior to issuance of new shares in the Company under the General Mandate.

6. Resolution 8: Waiver of pre-emptive rights for the allotment of new ordinary shares ("Shares") under the Employees' Share Option Scheme ("ESOS")

Following the shareholders' approval being obtained at the Extraordinary General Meeting held on 26 May 2017 for the establishment of the ESOS and extension of the ESOS which will be expiring on 5 November 2027, the Company now seeks the waiver of statutory pre-emptive rights of the shareholders pursuant to Section 85 of the Act and Clause 12(3)(a) of the Company's Constitution over all new Shares to be issued pursuant to the exercise of options under the ESOS by the eligible participants.

The proposed Resolution 8, if passed, will allow the Directors to issue new Shares to the eligible participants of the ESOS arising from the exercise of options under the ESOS, without having to offer the new Shares to be issued equally to all existing shareholders of the Company prior to allotment.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 19th AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**
(Pursuant to Rule 8.29(2) of the AMLR of Bursa Securities)

- As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming 19th AGM.

- General Mandate for the issue of securities in accordance with Rule 6.04(3) of the AMLR of Bursa Securities.

Details of the General Mandate to issue securities in the Company pursuant to Sections 75 and 76 of the Act are set out in Note 5 of the Explanatory Notes of the Notice of the 19th AGM.

# CORPORATE INFORMATION

**BOARD OF DIRECTORS**

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

**Tan Hoay Leng**
*Executive Director*

**Wong Khai Meng**
*Independent & Non-Executive Director*

**Muhamed Ali Bin Hajah Mydin**
*Independent & Non-Executive Director*

**Wan Chia Keong**
*Independent & Non-Executive Director*
*(Appointed on 1 October 2022)*

**AUDIT AND RISK MANAGEMENT COMMITTEE**

**Wong Khai Meng**
*Chairman*

**Muhamed Ali Bin Hajah Mydin**

**Wan Chia Keong**
*(Appointed on 1 October 2022)*

**NOMINATING COMMITTEE**

**Muhamed Ali Bin Hajah Mydin**
*Chairman*

**Wong Khai Meng**

**Wan Chia Keong**
*(Appointed on 1 October 2022)*

**REMUNERATION COMMITTEE**

**Muhamed Ali Bin Hajah Mydin**
*Chairman*
*(Re-designated on 1 October 2022)*

**Wong Khai Meng**

**Wan Chia Keong**
*(Appointed on 1 October 2022)*

**COMPANY SECRETARIES**

Yeow Sze Min (MAICSA 7065735)
(SSM PC No. 201908003120)
Low Seow Wei (MAICSA 7053500)
(SSM PC No. 202008000437)

**REGISTERED OFFICE**

No. 35, Scotland Road,
10450 Penang.
Tel: 04-229 0619
Fax: 04-218 9870
Email: yglcorporate@gmail.com

**SHARE REGISTRAR**

Securities Services (Holdings) Sdn. Bhd.
Suite 18.05, MWE Plaza,
No. 8, Lebuh Farquhar,
10200 George Town, Penang.
Tel: 04-263 1966
Fax: 04-262 8544
Email: info@sshsb.com.my

**AUDITORS**

CHENGCO PLT
LLP0017004-LCA & AF0886
No. 8-1, 10-1 & 10-2, Jalan 2/114,
Kuchai Business Centre,
Off Jalan Klang Lama,
58200 Kuala Lumpur.
Tel: 03-7984 8988
Fax: 03-7984 4402
Email: enquiry@chengco.asia

**PRINCIPAL BANKERS**

Malayan Banking Berhad
Ground Floor, MWE Plaza,
No. 8, Lebuh Farquhar,
10200 George Town, Penang.
Tel: 04-263 6685
Fax: 04-263 6645

Aminvestment Bank Berhad
Level 3, No. 37, Jalan Sultan Ahmad Shah,
10050 George Town, Penang.
Tel: 04-226 1818
Fax: 04-226 7324

**STOCK EXCHANGE LISTING**

ACE Market of Bursa Malaysia Securities Berhad
Stock Name: YGL
Stock Code: 0086

**WEBSITE**

https://www.yglworld.com/

# PROFILE OF DIRECTORS

**YEAP KONG CHEAN**
*Chief Executive Officer*
*Aged 61, Male, Malaysian*

**TAN HOAY LENG**
*Executive Director*
*Aged 56, Female, Malaysian*

Yeap Kong Chean was appointed to the Board on 1 June 2005. He is presently the Chief Executive Officer of the Company and also sits on the Board of subsidiaries of the Company.

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

He commenced his career in 1985 with Ernst & Young Malaysia and served 7 years in 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 Convergence Malaysia Sdn Bhd in 1993, assisting the company in business re-engineering and Enterprise Resource Planning ("ERP") deployment work. He was instrumental in the listing of Ygl on the MESDAQ Market of Bursa Securities (now known as the ACE Market of Bursa Securities) in July 2005. He was also appointed as Head of the Industrial Revolution 4.0 Committee of the Malaysia-China Business Council under the purview of the Malaysia Prime Minister Department from 2018 to 2020.

He has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 March 2023.

He attended all the six (6) Board of Directors' Meetings held in the financial year ended 31 March 2023.

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

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

She commenced her career in 1991 with Coopers & Lybrand where she served for three (3) years. Madam Tan Hoay Leng was subsequently involved in public practice, providing consultation services to customers in various industries. She has vast experience in public accounting, taxation, outsourcing and human resource management.

She has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 March 2023.

She attended all the six (6) Board of Directors' Meetings held in the financial year ended 31 March 2023.

## PROFILE OF DIRECTORS (cont'd)

**WONG KHAI MENG**
*Independent &*
*Non-Executive Director*
*Aged 45, Male, Malaysian*

Wong Khai Meng, was appointed to the Board on 12 May 2020. He is the Chairman of the Audit and Risk Management Committee and a member of Remuneration Committee and Nominating Committee of the Company.

He is a member of the Malaysian Institute of Accountants (MIA) and a Certified Financial Planner with Financial Planning Association of Malaysia.

He graduated from Manchester University in the United Kingdom in 2000 and started his career in auditing. He held the position of Chief Operating Officer of CC International Berhad, a multi disciplinary professional service provider, from year 2010 to 2015, managing group operations from human resources, management information system, finance, customer service and business development. He was promoted to the position of Chief Executive Officer in January 2016 and has held the position until now.

He has extensive experience and expertise in assurance work of various industries and, in an advisory capacity, has helped set-up and grown many companies in Malaysia and Asia. He has experience in partnering and collaboration with various technology startups, blockchain and fintech companies.

He had acted as an Independent Non-executive Director of a technology listed company during 2009 to 2011.

He has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 March 2023.

He attended all the six (6) Board of Directors' Meetings held in the financial year ended 31 March 2023.

**MUHAMED ALI BIN HAJAH MYDIN**
*Independent &*
*Non-Executive Director*
*Aged 52, Male, Malaysian*

Muhamed Ali Bin Hajah Mydin, was appointed to the Board on 12 July 2021. He is the Chairman of Nominating Committee and was re-designated as the Chairman of Remuneration Committee on 1 October 2022. He is also a member of the Audit and Risk Management Committee of the Company.

He graduated with a Bachelor Degree in Electronic Engineering majored in Industrial Automation (Micro Electronic) from Hanyang University, Seoul, Korea He also holds a Master Degree in Information Technologies majored in Mobile and Internet Security from University Sains Malaysia. He is currently pursuing PhD studies in Manufacturing Engineering at University Malaysia Perlis (UNIMAP).

He joined Penang Skills Development Centre ("PSDC") as Chief Executive Officer since 2014 until now, steering workforce transformation programmes not only in Penang but also nationwide. He had successfully established PSDC as a Centre of Excellence in Industry 4.0 in the area of Precision Machining and Manufacturing processes. From 2005 until 2014 he held top management positions in a system integrator company focusing on telecommunication solutions and a company specialising in assembly of computing devices and providing ICT solutions.

He has clocked Twenty-eight (28) years of working experience in various disciplines covering deployment of ICT systems, hardware and software integration, advisory roles, panel of policy development and driver of Industry 4.0 transformation.

He has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 March 2023.

He attended all the six (6) Board of Directors' Meetings held in the financial year ended 31 March 2023.

# PROFILE OF DIRECTORS (cont'd)

**WAN CHIA KEONG**
*Independent & Non-Executive Director*
*Aged 43, Male, Malaysian*

Wan Chia Keong was appointed to the Board on 1 October 2022. He is also a member of the Audit and Risk Management Committee, Remuneration Committee and Nominating Committee of the Company.

He graduated with a Bachelor of Business in Marketing from Auckland University of Technology, New Zealand in 2001. He also earned a graduate certificate in Business from the same university.

He started as a Management Trainee in the packaging industry in New Zealand and Australia in 2000 before climbing the ranks in various operational positions in the global packaging company Amcor Flexibles Pty Ltd.

When he returned to Malaysia in 2003, he joined Thong Guan Industries Berhad ("TGIB") as an Operation Executive and eventually promoted to General Manager where he was responsible in developing business strategy, overseeing the sales and manufacturing operation of the plastic packaging division. He has extensive global market experience in spearheading TGIB export business.

He founded and became the Managing Director of Respack Group of Companies in 2011 specialising in manufacturing of flexible plastic packaging and materials. He expanded his business into manufacturing of medical face masks and personal hygiene products in 2020.

Under his leadership and backed by more than twenty (20) years of experience in the global packaging industry, Respack Group of Companies have attained several business accolades for innovation and manufacturing excellence.

He has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 March 2023.

He attended two (2) Board of Directors' Meetings during his tenure in office for the financial year ended 31 March 2023.

## i. Family Relationships with Directors and/or Major Shareholders

| Directors | Relationship |
|---|---|
| Yeap Kong Chean | Spouse of Madam Tan Hoay Leng, an Executive Director of the Company. He is also the brother of Yeap Kong Tai (deceased), a major shareholder of the Company. |
| Tan Hoay Leng | Spouse of Mr. Yeap Kong Chean, a Director and major shareholder of the Company. |

Save as the above disclosure, 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 this Annual Report.

# PROFILE OF KEY SENIOR MANAGEMENT

**YONG CHENG YEW**
*Innovation Manager*
*Aged 45, Male, Malaysian*

Yong Cheng Yew joined the Company as Senior Developer Manager on 20 June 2011. He graduated from University of Queensland with a Bachelor's Degree in Computer Science/Information Technology in year 2002.

He started his career with Mightysoft System Sdn Bhd in 2002 where he spent 3 years as Programmer. He spent another three (3) years in Platronix Sdn Bhd as Enterprise Resource Planning ("ERP") consultant. His responsibilities included handling customer implementation and technical issues. He was also responsible for analysis of customers' requirements, creating system documents, design, software development and implementing solutions to meet system specifications.

When he joined the Company in 2011 as Senior Developer Manager, he started developing Ygl ERP system, managing resource allocation and management to ensure delivery of quality software on time. He assumed the role of Senior R&D Manager in 2015 and led his team in the development of ePortal and ERP solutions with Industry 4.0 capability.

He was promoted to Innovation Manager in December 2019 to oversee the development of cloud based solutions and applications to enhance Ygl product offerings.

He has no family relationship with other directors and/or major shareholders of the Company, nor any conflict of interest with the Company. He does not hold any directorships in any other public listed companies. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 March 2023.

# PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

**YEAP KAH PHAIK**
*Project Manager*
*Aged 58, Female, Malaysian*

Yeap Kah Phaik joined the Company as Project Manager on 15 January 2015. She graduated from University of New England with a Bachelor of Finance degree in 1989.

She started her career as an auditor in accounting firms. She had been working in Flextronics Sdn Bhd as Manager in charge of Business Process Improvement, System Support and Conversion for fifteen (15) years. The projects she was involved in included implementing enterprise solution in SAP, BAAN, OutlookSoft etc. She also acquired a number of years of experience in Multi-National Company ("MNC") as system administrator and project implementor.

When she joined the Company in 2015, she was able to immediately take on the role of Project Manager for ERP systems. Her MNC and accounting background has supported her well in successfully implemented Ygl E-Manufacturing solution for various customers from manufacturers to charitable organisation to property developer.

She is the sister of Mr. Yeap Kong Chean, a Director and major shareholder of the Company. She is also the sister of Mr. Yeap Kong Tai (deceased), a major shareholder of the Company. She is the sister-in-law of Madam Tan Hoay Leng, an Executive Director of the Company.

She holds 1.625 million ordinary shares in the Company which is 0.64% shareholding. She does not hold any directorships in any other public listed companies. She has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 March 2023.

## PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

**HO SOO WEE**
*Group Marketing Manager*
*Aged 55, Male, Malaysian*

Ho Soo Wee joined the Company as Assistant Marketing Executive on 2 February 2006. He graduated with a Bachelor in Computer Studies from Edith Cowan University, Western Australia in year 1991. He further obtained his Master of Business Administration in 1995 from University of Portsmouth, United Kingdom.

His first job was with B.Braun Medical Industries Sdn Bhd from 1991 to 1994 where he began as an Assistant System Engineer and was later promoted to System Engineer and Analyst Programmer. His responsibilities included overseeing and maintenance of system security, network connectivity and integration. He also prepared manual for network structure, hardware/software configuration and recovery plan.

He made a career move to the financial market in 1995 by joining Thong & Kay Hian Securities Sdn Bhd, a prestigious stockbroking firm, as a dealer's representative trading in equities and options. After Thong & Kay Hian Securities Sdn Bhd was acquired by Hwang-DBS Securities Berhad in year 2004, he stayed on until 2006.

He became the Group Marketing Manager on 1 October 2006 and took on the task of setting up Ygl own marketing department by planning and implementing marketing strategies in alignment with the Company's brand objectives. He gained good experience working with public relation companies to launch investor relation events and establish rapport with members of the media and customers.

With his background and experience, he has contributed to managerial meeting. He is currently the leader for Corporate Social Responsibility activities of the Company. Through which he empowers people to expand their limits, increase their commitment and focus on achieving a united organisational goal.

He has no family relationship with other directors and/or major shareholders of the Company, nor any conflict of interest with the Company. He does not hold any directorships in any other public listed companies. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 March 2023.

**ONG CHEE KEONG**
*R & D Manager*
*Aged 36, Male, Malaysian*

Ong Chee Keong joined the Company as Senior Programmer on 15 April 2015. He graduated from University of Derby, United Kingdom with a Bachelor Degree in Computer Science and Information Technology in 2012.

During his studies, he was already involved as site engineer in website design and development project at Our-Science.Com and as network assistant for networking project at Western Digital from 2009 to 2010. Prior to joining Ygl from 2010 to 2014, he was in the IT team who successfully implemented the hospital information system (HIS) integrating the various departments at Island Hospital.

He joined the Company in 2015 as senior programmer for ERP solutions. He became Lead Programmer on 1 July 2017 and was made Head of Manufacturing Team on 1 September 2018 overseeing the development of manufacturing modules by his team. His knowledge of ERP system and technical skills led him to take on the role of Assistant Technical Manager to support the programming teams in resolving technical issues on 1 January 2020. His promotion to R&D Manager was unanimous on 1 November 2020 and he is currently responsible for research, planning and implementing new programs as well as coaching his team.

He has no family relationship with other directors and/or major shareholders of the Company, nor any conflict of interest with the Company. He does not hold any directorships in any other public listed companies. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 March 2023.

# CHIEF EXECUTIVE OFFICER'S STATEMENT, MANAGEMENT DISCUSSION & ANALYSIS

On behalf of the Board of Directors and the Management team of Ygl Convergence Berhad ("Ygl"), I would like to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 31 March 2023.

Our focus, post-pandemic, has been steadfast on spearheading the digitalisation of small and medium sized manufacturers ("SMEs") as we have seen that the businesses that have embraced digitalisation rebound faster than those which have lagged in using digital technology. We are incorporating our Enterprise Resource Planning ("ERP") solution with our smart warehouse, business analytics and machine integration solutions to further enable SMEs to transform their processes to reduce dependence on low-skilled labour, mitigate human errors, increase efficiency and overall quality amidst scarcity and inflation in the market.

The government policy on the Fourth Industrial Revolution ("National 4IR Policy") which spans from the years 2021 to 2030 has not changed despite the changes in the Malaysian government. With this national policy, SMEs have no justification not to make a head start for digitalisation and automation of their business processes. Ygl is leveraging on its domain expertise in ERP solutions for the manufacturing sector to include e-commerce, cloud computing, Artificial Intelligence ("AI"), robotics and Internet of Things ("IIoT") in their businesses.

Our renewable energy segment has covered the installation of solar panels for both commercial and residential projects where our customers benefit from lower energy bills and carbon footprints. As a new kid on the block in the renewable energy sector, we are keen to create a place for Ygl in the market for our initial step towards the environmental, social and governance ("ESG") initiatives.

## OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

We had been operating in a market marked by tight cash flow post-pandemic effect, aggravated by the US sanctions which disrupted the supply chain and significantly affected the sales of businesses worldwide. Amid the market uncertainty, some customers were delaying their projects while others were awaiting government grants or loans from financial institutions. We are grateful that there were some customers who took the opportunity during this time to look internally and strengthen their operations and processes by embarking on smart manufacturing and smart warehouse projects.

## FINANCIAL PERFORMANCE REVIEW

Despite the uncertainties in worldwide demand and the increase in costs of doing business due to interest rate hikes and inflation, Ygl recorded revenue of RM11.832 million for the financial year ended 31 March 2023 ("FYE2023") while gross profit was RM2.039 million at 17.23%, as compared to the revenue of RM13.853 million and gross profit of RM2.963 million at 21.39% recorded in the financial year ended 31 March 2022 ("FYE2022").

Net loss attributable to ordinary equity holders of the parent was RM1.325 million in FYE2023 as compared to net loss attributable to ordinary equity holders of RM0.078 million in FYE2022 and this was mainly due to lower revenue recorded at the back of a steady workforce.

# CHIEF EXECUTIVE OFFICER'S STATEMENT, MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

**FINANCIAL PERFORMANCE REVIEW** (cont'd)

Software Implementation Segment

The software implementation segment recorded revenue of RM5.226 million for FYE2023 as compared to revenue of RM5.578 million for FYE2022. Net loss from operations was RM0.865 million for FYE2023 as compared to net loss from operations of RM0.162 million for FYE2022. This was mainly due to lower revenue recorded as well as the increase in marketing expenses in FYE2023.

Solar Installation Segment

The solar installation segment recorded revenue of RM6.607 million for FYE2023 as compared to revenue of RM8.275 million for FYE2022. Net loss from operations was RM0.505 million for FYE2023 as compared to net loss from operations of RM0.296 million for FYE2022. This was mainly due to the lower revenue recorded in FYE2023.

Net loss per share for FYE2023 was 0.51 sen as compared to net loss per share of 0.03 sen for FYE2022.

**RESEARCH AND DEVELOPMENT ("R&D")**

For FYE2023, Ygl Group invested RM1.039 million in the R&D of Ygl's proprietary products as compared to the R&D expenditure of RM1.312 million for FYE2022. Investment in R&D is indispensable for Ygl to gear up its technology and maintain its edge in the innovation of Ygl proprietary products when new development such as cloud computing, AI and machine learning has shifted product development.

**STRATEGIES AND INITIATIVES**

Ygl is operating in a market shrouded by uncertainties due to geopolitical tensions, war, the banking crisis in the United States ("US") and inflation. After taking into consideration of the market and industry conditions, Ygl has been undertaking various efforts to improve its financial performance and strengthen its financial position, including:

(i) continue to build strong marketing strategy, leverage on digital marketing, increase its marketing activities, organise seminars and roadshows to establish Ygl's brand presence to position Ygl as a niche intellectual property (IP) holder of Smart Manufacturing and Smart Warehouse solution built for the Asian market as well as position its subsidiary, namely Ai Solar Sdn Bhd as a niche and quality engineering, procurement, construction and commissioning (EPCC) solar service provider covering factories, shop houses and residential; and

(ii) continue its R&D to enhance Ygl proprietary solutions to include disruptive technology such as AI, machine learning, robotic process automation (RPA) and Industrial 4.0 elements such as IoT, cloud, analytics, machine integration and automation.

## FUTURE AND PROSPECTS OF YGL GROUP

We maintain a prudent outlook for the short and medium term for the software segment due to market uncertainties affected by geopolitical tensions and high inflation. The sanctions imposed by the US and the interest rate hikes have impacted the revenue of global manufacturers and its supply chains resulting in tight cash flow in the market. SMEs are adopting a "wait and see" approach before investing in ERP systems. The market will require some time to adjust to the higher interest rates imposed by the financial institutions and take a slower recovery until the medium term.

Ygl's proprietary products such as Smart Warehouse, Smart Manufacturing and core ERP systems which include AI, Industry 4.0, robotics and cloud deployment are in line with the current market demand for digital solutions in Malaysia.

Industry 4.0 grants and low interest rate loans are offered by MIDA and financial institutions such as SME Bank respectively to encourage SMEs in Malaysia to adopt Industry 4.0 technologies offered by Ygl Group.

Opportunities abound in the solar energy sector which comprises only 2% of the electricity generated in Malaysia by renewable energy sources. Both the Malaysian Investment Development Authority (MIDA) and Sustainable Energy Development Authority Malaysia (SEDA) offer tax incentives and Net Energy Metering Programme respectively to increase the building or installation of solar systems in Malaysia.

## APPRECIATION

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

- our valued customers for sharing our business philosophy;
- our business partners for working with us in providing the most effective business solutions;
- my fellow Board members for their wisdom and guidance;
- the management team and employees for their contribution and dedication to our corporate vision; and
- our shareholders for their continued support.

The Board would like to welcome aboard our new Independent Non-Executive Director, Mr. Wan Chia Keong, who joined us on 1 October 2022. Mr. Wan Chia Keong is also a member of Audit and Risk Management Committee, Remuneration Committee and Nominating Committee. We look forward to his contribution to Ygl Group.

**Yeap Kong Chean**
Chief Executive Officer

Date: 17 July 2023

# SUSTAINABILITY STATEMENT

At Ygl Convergence Berhad ("Ygl"), we conduct our business operations in a responsible and sustainable manner to deliver long-term positive values to all stakeholders and the community. We align our operations, products and services in our pursuit of sound environment, social and governance objectives such as conserving resources, reducing wastages, recycling e-waste, upholding inclusiveness and fairness in our people, providing training to re-skill the workforce and adopting good corporate governance practices.

This Sustainability Statement ("Statement") provides the stakeholders with an understanding of Ygl's commitments, progress and performance covering a range of activities in four main areas:

- Marketplace – providing quality product and services
- Workplace – setting fair, inclusive and safe workplace
- Community – contributing to community
- Environment – managing environmental impact

## OUR COMMITMENT TO SUSTAINABILITY

### Core values

Our core values form the foundation of our corporate culture of committing to integrity and professionalism, ethical conduct of business, caring and giving back to the community and society. Our work and corporate social responsibility ("CSR") activities are designed to support our commitments through engaging our people who are our best assets.

### Governance

**Board of Directors ("Board")**

2 Executive Directors
3 Independent Non-Executive Directors

| Nominating Committee | Audit and Risk Management Committee | Remuneration Committee |
|---|---|---|
| • Composition of Board<br>• Board diversity and structure<br>• Effectiveness of Board<br>• Capabilities and experience of Board | • Delegate daily operations based on good social and ethical practice to key management<br>• Financial reporting and disclosure<br>• Internal control system<br>• Risk management | • Review compensation of Directors, management and key executives<br>• Remuneration framework<br>• Attract and retain talent |

## Products and Services

Our proprietary software solutions comprise Enterprise Resource Planning ("ERP") systems, Smart Manufacturing and Smart Warehouse with Industry 4.0 technology which are benchmarked against world-class software. Our renewable energy segment provides implementation of solar systems to our customers. We maintain environment, social and governance objectives in our operations as follows:

| Objectives of products and services | Effects |
|---|---|
| • increase efficiency<br>• increase productivity<br>• use of renewable energy | • optimise human involvement in processes<br>• optimise use of resources<br>• reduce wastage of resources<br>• lower carbon emission |
| **Internal policies** | **Impacts** |
| • employees<br>• customers<br>• suppliers<br>• investors<br>• community | • fairness and inclusiveness<br>• employee health and safety<br>• quality products and services<br>• collaboration<br>• long-term value<br>• engage employees in giving back to community |
| **Leadership** | **Impacts** |
| • transparency<br>• accountability<br>• governance | • code of conduct<br>• responsible and ethical practices<br>• business growth and profits<br>• timely announcements<br>• compliance with relevant law and regulations |

## Our stakeholders

Ygl is committed to establish shared values among our stakeholders who are pivotal in our long-term success and takes into consideration their expectations and interests related to sustainability matters which may directly or indirectly impact on the Group's businesses as below:

| Stakeholders | Consideration | Engagement approach |
|---|---|---|
| **Customers** | • product deliverables<br>• service and support<br>• confidentiality | • customer feedback form<br>• online customer support system<br>• non-disclosure agreement |
| **Employees** | • code of conduct<br>• health and safety<br>• career development<br>• compensation package | • employee review<br>• communication channel<br>• learning and training<br>• sporting activities |

## Our stakeholders (cont'd)

| Stakeholders | Consideration | Engagement approach |
|---|---|---|
| **Investors** | • strategy and governance<br>• financial performance<br>• sustainability | • Annual General Meeting ("AGM")<br>• quarterly reporting of financial results<br>• annual reports |
| **Suppliers** | • pricing<br>• quality of goods and services<br>• information security | • vetting of suppliers<br>• quotation<br>• restricted access |
| **Statutory and regulatory bodies** | • compliance with regulatory requirements | • relevant laws and regulations<br>• guidelines and standards<br>• letters and notices from respective regulatory bodies |
| **Communities** | • community service<br>• aids and support | • donation drive<br>• employee engagement in charity<br>• re-skilling programme |

## Our Footprint in the financial year ended 31 March 2023 ("FYE2023")

| Theme | Strategy | Initiatives |
|---|---|---|
| **Community support** | support undergraduate internship program | • offered interns real experience in coding and software development<br>• collaborated with Malaysia Productivity Corporation (MPC) to provide re-skill training to local industry workforce |
| | foster humility and love among employees | • engaged employees in fund raising and sharing through its "Circle of Love" activity |
| **Product responsibility and innovation** | deliver quality products and services | • customise systems to meet local customers' specifications<br>• built innovative features for customers |
| | enable digital transformation for local businesses | • digitalised business operations and processes for customers |
| **Workplace** | provide fair, inclusive and safe workplace | • held company town hall meeting via retreat in Taiping<br>• training and seminars for employees |
| **Environment protection** | in-house recycle program<br>• Advocate reduce carbon emission | • recycled and re-conditioned computers<br>• implemented solar system for commercial and residential customers |

## COMMUNITY

Ygl is committed to its Corporate Social Responsibility ("CSR") activities in contributing to the society. Ygl's CSR events are organised to encourage employees' participation in CSR activities so as to instil humility and love among our employees to build a grateful and contented working place. We look forward to improving our social effort and sharing more with the community in the years to come.

### Re-visit Ygl's caring path through its CSR programme

We are grateful to "PERTUBUHAN KEBAJIKAN NASYIATUL AISYIYAH", "PURE LOTUS HOSPICE OF COMPASSION" and "PENANG HINDU ASSOCIATION" for the opportunity to contribute to the community through our "Circle of Love" campaign which raised fund from our employees and customers through our coin box and coffee.


*Ygl organised a special coffee session on 28 June 2022 and shared the proceeds from the sales of coffee with a fundraising theme.*

## WORKPLACE

It is our people who drive the success of Ygl's business. Ygl engages its employees in various activities to foster teamwork and unity in line with its policy of diversity and inclusiveness.


*Ygl's internal "Badminton Tournament" held on 15 June 2022 in Kuala Lumpur.*

The Company held a highly anticipated "Badminton Tournament" on 15 June 2022 in Kuala Lumpur ("KL") to bring together the Penang and KL employees. This sporting event allowed the employees to showcase their badminton prowess and bolster camaraderie and unity among them. The Penang team emerged as the winner and together with the KL team put up strong sportsmanship and teamwork.

*Our Badminton champions.*

## WORKPLACE (cont'd)


Our Chinese New Year ("CNY") celebration in January 2023 brought together all employees to exchange warm wishes, gifts and "red-packets" and take part in fun games. The CNY party at our workplace was an overall success where heartfelt wishes and thoughtful gestures strengthened the bond among employees.

*Exchange of gifts during Chinese New Year celebration in January 2023.*

## WORKPLACE (cont'd)

### Corporate Retreat

Ygl held its 2-day Company retreat on 2 and 3 February 2023 for senior management and senior level staff at the serene Taiping Novotel Hotel away from the hustle and bustle of the city. The purpose of this retreat was to align our collective vision, direction and long-term goals to formulate unified strategies and action plans for the Company to thrive into the future. The retreat was packed with activities designed to stimulate discussion and creative thinking and served as a forum for problem-solving and knowledge-sharing as "one team".


## MARKETPLACE

### Networking Session

Invitation by Malaysia Productivity Corporation ("MPC")

Following Ygl's successful MyRESKILL Iot Programme with MPC which provided training to the local workforce, MPC invited Ygl, as one of its most active MPC appointed Training Centre ("TC") for the Hari Raya Celebration Ceremony "Jemputan ke Majlis Raikan Lebaran bersama Rakan Strategik MPC Wilayah Utara" on 31 May 2022. The event provided an exceptional opportunity to engage like-minded participants to forge strong professional network towards the goal of driving growth and prosperity in Malaysia.


*From left:*
*MPC Puan Kasturi, SAMENTA Cefinny Teh, MPC Pengarah Wilayah Utara Mohamad Azrol, Ygl Humphrey and Ygl Kah Phaik. In front of MPC Wilayah Utara Dewan Produktiviti.*

## MARKETPLACE (cont'd)

### Seminars

Smart Warehouse Industry 4.0 Seminars

It is Ygl's major initiative to bring education and knowledge of Industry 4.0 digitalisation to small and medium size enterprises ("SMEs") and upskill the workforce to keep up-to-date with the progress of technology particularly in the manufacturing industry. Seminars are an effective means for Ygl to convey the knowledge and information to the market place.


The "Navigate Your Smart Warehouse Industry 4.0 Seminar with Ygl" series were held on several dates and locations:

- 16 June 2022 – Kuala Lumpur – with practical examples and case study
- 23 July 2022 – Bertam, Kepala Batas – with a demonstration of the automated guided vehicle ("AGV") machine
- 25 August 2022 – Kuala Lumpur – with integration of Industry 4.0 and green technology solutions

## MARKETPLACE (cont'd)

### Seminars (cont'd)

*Attentive participants during the KL seminar.*

*Demonstration of AGV machine at Bertam, Kepala Batas seminar.*

## MARKETPLACE (cont'd)

### Seminars (cont'd)

*Participants at the "Reflection Session on MyRESKILL IoT by MPC".*

MPC

Productivity Champion

This certificate of recognition is presented to

YEAP KONG CHEAN

YGL CONVERGENCE BHD

for your exemplary leadership in promoting productivity improvement

Categori : LEADER
Issue date : 23 February 2023
Certification No : PCL2104

On 5 July 2022, Ygl was invited to join a "Reflection Session on MyRESKILL IoT By MPC" with the objectives:

- to review the achievement and performance compliance of the said training programme with the National Policy on Industry 4.0;
- to identify challenges, weaknesses and strengths of the training programme;
- to improve the process and management of the training programme; and
- to ensure the improvement of Malaysia's performance in the National Digitisation Index and improve the country's position in the IMD World Competitiveness Yearbook 2022.

## MARKETPLACE (cont'd)

### Trade Shows

<u>TechFest 2022</u>

Ygl showcased its innovative technology solutions at TechFest 2022 which took place at the Penang SPICE ARENA from 14 to 18 September 2022. Ygl had the honour of receiving an award from YAB Tuan Chow Kon Yeow, the Chief Minister of Penang who graced TechFest 2022 with his presence. The award was a recognition for the excellence of Ygl's products and contribution to the IT industry.



## MARKETPLACE (cont'd)

### Trade Shows (cont'd)

Following the TechFest 2022, an exclusive networking luncheon was held on 28 September 2022 at The Wembley - A St Giles Hotel, attended by the Penang State Exco for Trade, Industry & Entrepreneur Development and industry players.



*Award ceremony with Guest of Honour, YB Dato' Haji Abdul Halim Bin Hussain, Penang State Exco for Trade, Industry & Entreprenuer Development.*

## MARKETPLACE (cont'd)

### Trade Shows (cont'd)

Indonesia Trade Show


From 5 to 8 October 2022, Ygl participated in "The International Trade Show for Electric Vehicles, Forklifts, Transport, Logistics & Mining Solution Expo" held at JIExpo Kemayoran, Jakarta, Indonesia. Ygl took the opportunity to showcase its cutting-edge Smart Warehouse technology, which could seamlessly integrate with the logistics solution, namely TransTRAKC.ID.

## MARKETPLACE (cont'd)

### Trade Shows (cont'd)

This trade show allowed Ygl to connect with industry leaders, establish valuable partnerships and gain significant exposure within the market. At the trade show, Ygl also exhibited its warehouse management system which would go hand-in-hand with smart logistics solutions.

<u>iNNOVATE Tech Show 2022</u>


Ygl participated in the "iNNOVATE Tech Show 2022" from 19 to 21 October 2022 at the MATRADE Hall, a trade show that focused on driving businesses towards digitalisation and sustainability. Ygl showcased both its Smart Warehouse, Smart Manufacturing and ERP software and renewable energy (solar) products.

## MARKETPLACE (cont'd)

### Trade Shows (cont'd)

Courtesy visit from MPC team

In appreciation of Ygl's commitment to MyRESKILL IoT Programme in the Northern region, Ygl had the honour of a courtesy visit by Director of MPC HQ, Dr. Mazlina Shafii and her team. Dr. Mazlina Shafii commended Ygl for the effort put into designing, organising, implementing and delivering the said training programme and looked forward to partnership for future training programmes.


*From Left: Mr. Chan Chee Tatt (MPC Associate), Humphrey Ho (Ygl Head of Marketing), Kasturi Devi Appanna (MPC Manager), Yeap Kah Phaik (Ygl Senior Project Manager), Dr. Mazlina Shafii (MPC Director), Azhani Ismail (MPC Manager), Ong Chee Keong (Ygl Head of R&D) & Muhammad Nurfadhil Adlan (MPC Assistant Manager).*

## MARKETPLACE (cont'd)

### Trade Shows (cont'd)

Presentation at Vistage CEO Class


On 15 November 2022, Ygl was invited to present to VISTAGE CEO class on the topic of "Pillars of Industry 4.0 and Smart Warehouse 4.0" and the significance of staying competitive and thriving amid the rapidly evolving business landscape through digital technologies and processes.

**MARKETPLACE** (cont'd)

**Trade Shows** (cont'd)

INTERNATIONAL STEM EXHIBITION, INDUSTRIAL EXPO, EDUCATION FAIR & BOOK FAIR ("ISEE 2022")

At the ISEE 2022 held from 14 to 16 December 2022 at SEAMEO RECSAM in Penang, Ygl showcased presented its smart warehouse management and manufacturing projects to lecturers and students which was in line with Ygl's direction of inspiring and educating the next generation of STEM students to incorporate these smart solutions in their future work industries. This kind of interaction fostered knowledge-sharing and networking opportunities for potential collaborations between Ygl and academic institutions.

## MARKETPLACE (cont'd)

### Sharing Sessions


In March 2023, Ygl in collaboration with MPC Northern Region Office and MIMOS, organised an exclusive sharing session for 25 organizations from Kedah and Penang on the topic of Industry4WRD. The purpose of this event was to provide insights into the latest developments in Industry4WRD, Artificial Intelligence development, and Smart Supply Chain. The session aimed to encourage SMEs to embrace digital transformation as well as provide a guide for SMEs to evaluate their current capabilities and identify areas where they can adopt industry 4.0 technologies to improve their operations and competitiveness.

## MARKETPLACE (cont'd)

### Developing the Manufacturing Industry through INDUSTRY4WRD & Digital Technology







Ygl held a session titled "Developing the Manufacturing Industry through Industry4WRD & Digital Technology" on 16 March 2023 in Klang, featuring 4 topics:

(i) efficient processes by streamlining operations and optimising workflows;
(ii) best practice on production planning and increasing productivity;
(iii) leveraging on automation, data analytics and AI to drive efficiency and innovation; and
(iv) importance of reliable and secured networks, data management and connectivity for manufacturers.

## MARKETPLACE (cont'd)

### Productivity Step-Up Program for the Logistics Industry

Ygl conducted an exclusive hand-holding session on digital interventions such as IoT and process analysis and improvement applications for 2 batches of participants from the logistics industry from 15 to 16 March 2023 and 21 to 22 March 2023 respectively at MPC Northern Region Office. This program was specifically designed for the logistics industry to optimise working hours, reduce costs and improve service quality through adoption of technology.

## ENVIRONMENT

Our ERP solutions comprising the following systems enable companies to attain sustainability goals as follows:

1. Supply chain system streamlines procurement and inventory management while aligns demand and supply with logistics, optimising transportation and in turn reduce fuel consumption and carbon emission.

2. Production system enables effective use of raw materials and components in the manufacturing processes and minimise the incidence of faulty process which cause rejection of output and wastage.

3. Data analytics provide a centralised database of information about a business's inefficiency and under-productivity performance and facilitate scenario planning to enable decision-making by management to assess the impact of various issues affecting sustainability and their counter measures.

4. Digital storage and data processing reduce the need for extensive paperwork and document printing. This can help save trees and reduce deforestation.

5. Lot tracking system allows monitoring of specific group of products including expiry date. This eliminates unnecessary spoilage and wastage.

6. Cloud-based ERP solutions cut down the energy consumption of multiple servers and reduce electricity usage. Cloud-based system allows flexible and remote working which lead to fewer journeys and less consumption of fuel.

Renewable energy such as solar energy does not create carbon dioxide emissions. The use of solar systems can significantly reduce carbon footprint by reducing the consumption of fossil fuel-based energy.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors ("Board") is pleased to present the Audit and Risk Management Committee ("ARMC") Report which provides insights into the manner in which the ARMC discharged its functions for the Group for the financial year ended 31 March 2023 ("FYE2023").

**INTRODUCTION**

The ARMC was established by the Board of the Company to assist the Board in discharging its statutory duties and responsibilities relating to accounting and financial reporting practices of the Company and its subsidiaries, monitoring the management of risk and system of internal control, external and internal audit process, compliance with legal and regulatory matters and such other matters that may be specifically delegated to the ARMC by the Board.

**COMPOSITION**

The composition of the ARMC comprises three (3) members of the Board, all of whom are Independent Non-Executive Directors, as follows:-

**Chairman** - Wong Khai Meng
*(Independent Non-Executive Director)*

**Members** - i) Muhamed Ali Bin Hajah Mydin
*(Independent Non-Executive Director)*

ii) Wan Chia Keong
*(Independent Non-Executive Director)*
*(Appointed on 1 October 2022)*

None of the ARMC members is an Alternate Director. Mr. Wong Khai Meng is a member of the Malaysian Institute of Accountants ("MIA"). As such, the composition of ARMC meets the requirements of Rule 15.09 of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("AMLR").

The Chairman of the ARMC is not the Chairman of the Board. The composition of the ARMC is in line with Practice 9.1 of the Malaysian Code on Corporate Governance ("MCCG").

The Nominating Committee ("NC") had on 25 May 2023 reviewed the terms of office of the ARMC and assessed their performance for FYE2023. The NC was satisfied that the ARMC and its members had discharged their functions, duties and responsibilities in accordance with the Terms of Reference ("TOR") of the ARMC in supporting the Board to ensure that Ygl Group upholds appropriate Corporate Governance standards.

## AUTHORITY AND DUTIES OF THE ARMC

The ARMC is governed by its TOR, which is available on the Company's website at https://www.yglworld.com/.

## MEETINGS

The ARMC has held five (5) ARMC meetings during the FYE2023. The details of attendance of the ARMC members holding office during the financial year are as follows:-

| ARMC | Attendance at Meeting | % |
|---|---|---|
| Wong Khai Meng | 5/5 | 100 |
| Muhamed Ali Bin Hajah Mydin | 5/5 | 100 |
| Wan Chia Keong *(appointed on 1 October 2022)* | 2/2 | 100 |
| Dato' Lee Wai Mun, *D.I.M.P.,J.P. (resigned on 1 August 2022)* | 1/2 | 50 |

The ARMC met quarterly and as when required. The dates of the quarterly meetings were preset prior to FYE2023. The meetings were of adequate length to allow the ARMC to accomplish its agenda with sufficient time to discuss emerging issues.

For all meetings, the notice and agenda together with the papers and relevant reports were distributed to members prior to each meeting to enable members to prepare for the meeting. The Company Secretaries are also the Secretaries of the ARMC. Minutes of each ARMC meeting were recorded and tabled for confirmation at the following ARMC meeting.

The Chairman of ARMC verbally briefed the Board on the proceedings of the ARMC meeting at the Board meetings held subsequently to the ARMC meetings.

The Chief Executive Officer and Executive Director were invited to attend the ARMC meetings. The external auditors are also invited to attend ARMC meetings to present their plan, audit findings and to assist the ARMC in its review of the year-end financial statements. The representatives of the internal auditors were invited to the ARMC meetings to table the Internal Audit ("IA") reports covered under the approved IA plan for FYE2023.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (cont'd)

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The ARMC carried out the following activities during the FYE2023:-

### 1. Financial Reporting

- Reviewed the quarterly financial reports which were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and Appendix 9B of the Listing Requirement at its meetings held on 27 May 2022, 12 July 2022, 25 August 2022, 23 November 2022, and 20 February 2023 before recommending the same to the Board for consideration and approval.

- Reviewed the annual audited financial statements of the Company and the Group for the financial year ended 31 March 2022 and provide a true and fair view of the financial position of the Group, prior to submission to the Board of Directors for consideration and approval.

- Reviewed and deliberated on the audit issues raised by the external auditors and the action plans required to address those issues.

### 2. External Audit

- Reviewed and discussed with the external auditors of their audit planning memorandum, audit approach and reporting requirements for FYE2023 prior to the commencement of audit work.

- Reviewed and discussed the observations, recommendations and the Management's comments in respect of the issues raised by the external auditors on their evaluation of the system of internal controls.

- Met with the external auditors without the presence of the Management on 27 May 2022 and 20 February 2023 to discuss issues of concern to the external auditors arising from the annual statutory audit.

- Reviewed the change of external auditors of the Company and some of its subsidiaries in February 2023.

- Reviewed the performance of the external auditors for the financial year under review, audit scope, audit governance and independence, and external auditors' audit fees. The Group's external auditors also confirmed their independence. The ARMC, having been satisfied with the independence, stability, and performance of the external auditors, made recommendations to the Board for approval on the external auditors' re-appointment.

### 3. Internal Audit

- Reviewed and approved the IA plan for the FYE2023 to ensure adequate scope and coverage of the Group's activities based on identified and assessed key risk areas.

**3. Internal Audit** (cont'd)

- Reviewed the IA reports prepared by the internal auditors on the strengths and weaknesses of the internal controls in the Group and the Company and followed up on the improvements recommended by the internal auditors. During the ARMC meeting, discussed significant reported matters with Management together with the internal auditors to reaffirm a common understanding of the issues and Management's commitment to improve.

- Met with the internal auditors without the presence of Management on 25 August 2022 and 20 February 2023 to ensure there was no restriction on internal auditor's scope of work and to discuss any other matters that internal auditors wish to escalate to the ARMC.

- Evaluated the effectiveness and independence of the IA function in carrying out its responsibilities regarding risk management, internal control, and governance. Overall, the ARMC was satisfied with the performance of the internal auditors function for the FYE2023.

**4. Internal Control and Risk Management**

- Reviewed the adequacy and effectiveness of risk management and internal control system instituted within the Group and recommended to the Board for approval, the steps to improve the Company's internal control systems derived from the findings of the internal and external auditors.

**5. Related Party Transactions**

- Reviewed on a quarterly basis of any related party transaction or recurrent related party transaction entered by the Group which were carried out on normal commercial terms and not prejudicial to the interests of the Group or its minority shareholders.

**6. Corporate Governance**

- Reviewed and confirmed the minutes of the ARMC meetings.

- Reviewed the impact of the relevant regulatory changes and ensured compliance by the Company and the Group.

- Reviewed and recommended the Statement of Risk Management and Internal Control and ARMC Report for inclusion in the Annual Report to ensure the contents therein were accurate and in compliance with the AMLR to the Board for approval.

## INTERNAL AUDIT FUNCTION

The Group has outsourced the IA functions to Messrs. Tan & Loh. The IA function is independent of the auditable area in the organisation and reports to the ARMC. The responsibilities include reviewing the adequacy of the internal controls system and evaluating the various financial and operational risks faced by the organisation.

During the FYE2023, the internal auditors conducted two cycles of IA relating to the implementation of internal controls by the Group and the Company and provided reasonable assurance that the operations of the business were carried out under adequate internal controls and compliance with company policies and operational procedures. The internal control weaknesses identified were reported to the ARMC and the Management was required to undertake adequate measures to address the operational weaknesses.

The activities carried out by the IA team for FYE2023 included the following:-

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

The total cost incurred by the Group for the IA functions in respect of FYE2023 amounted to approximately RM12,932.

This Statement is made in accordance with the resolution of the Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Ygl Convergence Berhad ("Ygl" or "the Company") is pleased to present this Corporate Governance Overview Statement (the "Statement") to provide shareholders and investors with an overview of the corporate governance ("CG") practices of the Company under the stewardship of the Board during the financial year ended 31 March 2023 ("FYE2023") to be in line with the Company's Constitution, Malaysian Code on Corporate Governance ("MCCG"), where possible, and the applicable laws to be a dynamic framework within which the Company would conduct its business.

This Statement is to be read in conjunction with the CG Report for the FYE2023. The CG Report details the application of each Practice as set out in the MCCG, which is published on the Company's website at https://www.yglworld.com/ and Bursa Malaysia Securities Berhad's website at https://www.bursamalaysia.com/.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

The Board is aware of its responsibilities to the Company in charting future corporate direction, creating long term value, achieving sustainable growth, discharging its social responsibilities, safeguarding the interests of its shareholders and stakeholders in addition to optimizing the Group's resources.

Besides determining the strategic objectives and policies of the Company to deliver long-term value and sustainable success, the Board leads the Group and plays vital overseeing and monitoring role over the activities and performance of the Management in promoting long term growth and achieving short-term corporate objectives.

The position of Chairman has been vacant as the Board is still looking for a high caliber character to assume the oversight role. The Board deals with the Chief Executive Officer ("CEO") whose focus is on day-to-day operation of the business. Corporate decisions are made collectively by the Board.

The Board should model the way of high CG practices by focusing on strategy, governance and compliance. During the FYE2023, the Non-Executive Directors ("NEDs") had always been informed of the progress and status of the Company. The NEDs could have their own sessions to discuss with the Company Secretaries, internal and external auditors or any relevant persons and to form their opinion to present to the Board on the whole. Their input on any matters was taken seriously by the Board who would commission any actions to address any issues raised.

There is a clear division of responsibilities between the Executive Directors ("EDs") and NEDs of the Board. The EDs are responsible for the implementation of the Board's decisions and policies, overseeing day-to-day management and coordination of business and strategic decisions. The NEDs play a significant role in bringing objectivity and scrutiny to the Board's deliberations and decision-making.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. Board Responsibilities (cont'd)

The EDs, Mr. Yeap Kong Chean and Madam Tan Hoay Leng, primarily are responsible for the implementation of the Board's policies and decisions and keep the Board informed of the overall operations of the Group. The presence of the NEDs, is of sufficient caliber and experience to bring objectivity, balance and independent judgments to the Board's decision.

In addition to statutory and fiduciary duties, the Board leads in decision-making and retains ultimate control in determining the Group's strategies and policies over business directions and development.

The principal focus of the Board includes the following:-

- steering business directions;
- reviewing and adopting strategic plans for the Group;
- overseeing the Group's business operations and financial performance;
- approval of annual and quarterly results, budgets and long-term business plans;
- identifying major risks and the implementation of appropriate risk management and mitigation measures;
- reviewing the adequacy and integrity of the Group's internal control system;
- reviewing action plans implemented by the Management to achieve targets; and
- ensuring compliance with applicable laws, rules and regulations.

There were six (6) Board of Directors' Meetings held during FYE2023 and the details of Directors' attendance of the Board Meeting are as follows:

| Directors | Attendance at Meeting | % |
|---|---|---|
| Yeap Kong Chean | 6/6 | 100 |
| Tan Hoay Leng | 6/6 | 100 |
| Wong Khai Meng | 6/6 | 100 |
| Dato' Lee Wai Mun<br>(resigned w.e.f. 1 August 2022) | 2/3 | 66.67 |
| Muhamed Ali Bin Hajah Mydin | 6/6 | 100 |
| Wan Chia Keong<br>(appointed w.e.f. 1 October 2022) | 2/2 | 100 |

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. Board Responsibilities (cont'd)

**Directors' Training**

The Directors are mindful that they should receive appropriate continuous training to further enhance their skills and knowledge.

The training programmes, conferences and forums attended by the existing Directors during the financial year under review to broaden their perspectives and to keep abreast with the changes in the guidelines issued by the relevant authorities as well as the latest developments in the market place, were as follows:-

**Yeap Kong Chean**

| Title of Seminar/Workshop/Courses | Mode of Training | No. of Hours/ Days Spent |
|---|---|---|
| Malaysian Individual Taxation Series 2: Employer's reporting and Compliance Responsibilities | Workshop | 8 hours |
| Reinvestment Allowance and Automation Capital Allowance | Webinar | 6 hours |
| National Tax Conference 2022 | Seminar | 20 hours |
| Latest Tax Developments | Webinar | 8 hours |
| Seminar Percukaian Kebangsaan 2022 | Webinar | 8 hours |
| 2023 Budget Seminar | Seminar | 8 hours |

**Tan Hoay Leng**

| Title of Seminar/Workshop/Courses | Mode of Training | No. of Hours/ Days Spent |
|---|---|---|
| The Employment (Amendment) Act 2022 | Webinar | 8 hours |
| Foundation Course on Sustainability | Webinar | 4 hours |
| ESG Risk Identification and Materiality | Webinar | 4 hours |
| ESG an Enterprise Risk Management | Webinar | 4 hours |
| Business and Human Rights and Environment | Webinar | 4 hours |
| Introduction to Natural Capital | Webinar | 4 hours |
| Seminar Percukaian Kebangsaan 2022 | Webinar | 8 hours |
| 2023 Budget Seminar | Seminar | 8 hours |

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. Board Responsibilities (cont'd)

**Directors' Training** (cont'd)

**Wong Khai Meng**

| Title of Seminar/Workshop/Courses | Mode of Training | No. of Hours/ Days Spent |
|---|---|---|
| MIA Webinar Series: Audit Quality Enhancement Programme for SMPs | Webinar | 10 hours |
| MIA Webinar Series : Valuation in Practice for Transactions and Reporting : Part 1 - Valuation Fundamentals | Webinar | 4 hours |
| MIA Webinar Series : Valuation in Practice for Transactions and Reporting : Part 2 -Valuation for Business Combination | Webinar | 4 hours |
| MIA Webinar Series : Valuation in Practice for Transactions and Reporting : Part 3 - Valuation of Intangible Assets | Webinar | 4 hours |

**Muhamed Ali Bin Hajah Mydin**

| Title of Seminar/Workshop/Courses | Mode of Training | No. of Hours/ Days Spent |
|---|---|---|
| Productivity re-definition | Webinar | 4 hours |
| Industry 4.0 Vs Productivity | Webinar | 4 hours |
| Matrade Digital Trade Platform | Seminar | 4 hours |
| MTDC Road2Growth | Seminar | 8 hours |

**Wan Chia Keong**

| Title of Seminar/Workshop/Courses | Mode of Training | No. of Hours/ Days Spent |
|---|---|---|
| Mandatory Accreditation Programme | Webinar | 12 hours |

**Board Charter**

The Board has adopted a charter to provide the terms of reference for its members in relation to their roles and responsibilities, division of responsibilities among the Board as a whole, the individual Executive and Independent NEDs. The Board Charter is subject to review periodically so as to ensure alignment of the Board's strategic commitment with the relevant principles of CG. The Board Charter was last reviewed and approved by the Board on 27 May 2022. The Board Charter is available on the Company's website.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS** (cont'd)

**I. Board Responsibilities** (cont'd)

**Code of Conduct**

The Code of Conduct and Ethics for Directors defines the mindset and behavior which are desirable of Directors to ensure that good standard of behaviour throughout the Company and prevention of misconduct and unethical conduct.

The details of the Code of Ethics and Conduct are available for reference on the Company's website.

**Whistleblowing Policy**

The Whistleblowing Policy provides guidelines on procedures and protection for its Directors and employees in the event of reporting any wrongdoing within the Group as well as protecting the interests of the Company.

The details of the Whistleblowing Policy are available for reference on the Company's website.

**Anti-Bribery and Corruption Policy**

The Company has put in place the Anti-Bribery and Corruption Policy in compliance with the requirement of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 which stipulates the guidelines and procedures for all Directors and employees to prevent bribery and corrupt acts as well as safeguard the integrity of the Company.

The details of the Anti-Bribery and Corruption Policy are available for reference on the Company's website.

**The Company Secretaries**

The Board is supported by two (2) suitably qualified and experienced Company Secretaries in discharging its duties and responsibilities.

In performing their duties, the Company Secretaries carry out, amongst others, the following tasks:-

- Undertaking statutory duties as required under the Companies Act 2016 ("Act"), ACE Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Listing Requirement"), Capital Market and Services Act, 2007;
- Facilitating and attending Board Meetings and Board Committee Meetings;
- Facilitating and attending the General Meeting(s);
- Ensuring that Board Meetings and Board Committee Meetings are properly convened and the proceedings are properly recorded;
- Ensuring timely communication of the Board level decisions to the Management for further action;
- Ensuring that all appointments to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations;

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I. Board Responsibilities (cont'd)

**The Company Secretaries** (cont'd)

- Maintaining records for the purpose of meeting statutory obligations of applicable jurisdictions;
- Facilitating the provision of information as may be requested by the Directors from time to time in a timely manner and ensuring adherence to Board policies and procedures;
- Facilitating the conduct of the assessments to be undertaken by the Board and/or Board Committees as well as compiling the results of the assessments for the Board and/or Board Committee's notation;
- Assisting the Company on the lodgements of documents with relevant statutory and regulatory bodies
- Assisting the Board with the preparation of announcements for release to Bursa Securities and Securities Commission Malaysia; and
- Rendering advice and support to the Board and Management.

The Board is updated and kept informed by the Company Secretaries of requirements such as restrictions in dealing with the securities of the Company during closed periods and updates on the latest developments in legislations and regulatory framework affecting the Group. All members of the Board, whether as a whole or in their individual capacity, have access to the advice and services of the Company Secretaries on all matters relating to the Group to assist them in the furtherance of their duties.

**Access to information, advice and meeting materials**

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

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

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

The Board has unrestricted access to any information from all staff pertaining to the Group's affairs. In addition, the Board may obtain external professional advice for independent opinions as and when the circumstances required, at the Company's expense.

At the meetings, the Board reviewed the Group's financial performance, business operations, report of the committees and relevant matters.

In the event any Director is unable to physically attend the board meetings, the Company's Constitution allows for such meetings to be conducted via video conference, telephone or any other form of electronic communication.

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS** (cont'd)

**II. Board Composition**

Currently, the Board consists of five (5) Directors, comprising two (2) Executive Directors and three (3) Independent NEDs. A brief profile of each Director is set out in this Annual Report.

Even though collectively the composition equipped the Board with a mix of industry-specific knowledge and broad business, financial, and technical experience, it was not a truly diverse Board in terms of age, ethnicity, thoughts and perspective.

The Company does not practice any form of gender, ethnicity and age group biasness as all candidates for either Board or Senior Management team shall be given fair and equal treatment. The Board believes there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Company is committed to provide fair and equal opportunities and to nurturing diversity within the Group.

Notwithstanding the above, the Board affirms its commitment to boardroom diversity as a truly diversified board can enhance the board's effectiveness, perspective, creativity and capacity to thrive in good times and to weather the tough times.

In identifying suitable candidates for appointment to the Board, the Nominating Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

As the Company operates in the highly evolving information technology sector, the thoughts and perspectives of a younger generation may provide the Company with a boost of new concepts and approaches. The woman representation on the Board is 20% with one woman ED.

Based on the review of the Board composition in FYE2023, the Board is of the view that the current Board size is appropriate and facilitate effective decision-making, taking into consideration of the scope and nature of the group's operation.

In discharging its fiduciary duties, the Board has delegated specific responsibilities to the following three (3) Board Committees, which operate within the approved Terms of Reference ("TOR"). Notwithstanding the above, all Board Committees do not have executive powers but only the power to make recommendations to the Board. The ultimate responsibility for the final decision lies with the entire Board. These committees are:

- Audit and Risk Management Committee ("ARMC");
- Nominating Committee ("NC"); and
- Remuneration Committee ("RC").

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS** (cont'd)

**II. Board Composition** (cont'd)

The NC currently comprises all Independent NEDs as follows:-

**Chairman**
En. Muhamed Ali Bin Hajah Mydin *(Independent NED)*

**Committee Members**
Mr. Wong Khai Meng *(Independent NED)*
Mr. Wan Chia Keong *(Independent NED)*
*(Appointed on 1 October 2022)*

The NC has adopted a formal set of TOR approved by the Board. The TOR of the NC can be found on the Company's website.

**Directors' Fit and Proper Policy**

The Directors' Fit and Proper Policy was established to set benchmark and provide guidance for the NC in their review and assessment of candidates who are to be appointed to the Board as well as Directors who are seeking re-election.

The details of the Directors' Fit and Proper Policy are available for reference on the Company's website.

A summary of key activities undertaken by the NC during FYE2023, are as follows:-

- Assessed and recommended for the re-election of the retiring Directors at the Annual General Meeting ("AGM");
- Reviewed the independence of the Independent Directors of the Company;
- Reviewed the effectiveness of the Board as a whole having regard to the mix of skills, character, experience, integrity, competence and time commitment rendered;
- Reviewed the term of office and performance of the ARMC; and
- Reviewed and recommended to the Board, the appointment of Mr. Wan Chia Keong as an Independent NED of the Company.

In accordance with Clause 76(3) of the Company's Constitution, an election of Directors shall take place each year. At each AGM, one-third (1/3) of the Board for the time being or the number nearest to one-third (1/3) shall retire from office by rotation, so that all Directors shall retire from office at least once in each three (3) years but shall be eligible for re-election.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II. Board Composition (cont'd)

**Directors' Fit and Proper Policy** (cont'd)

The retiring Directors at the forthcoming AGM pursuant to Clause 76(3) of the Company's Constitution are Mr. Yeap Kong Chean and En. Muhamed Ali Bin Hajah Mydin. Both of them have consented to continue in office and accordingly will be offering themselves for re-election at the forthcoming AGM. After assessing the contribution by Mr. Yeap Kong Chean and En. Muhamed Ali Bin Hajah Mydin in terms of guidance and time devoted to the Board affairs and in virtue of their skills and experience respectively, the NC has recommended the re-election of Mr. Yeap Kong Chean and En. Muhamed Ali Bin Hajah Mydin at the forthcoming AGM.

Clause 78 of the Company's Constitution provides that any Director appointed during the year to fill a casual vacancy shall hold office until the next AGM and shall be eligible for re-election. Accordingly, Mr. Wan Chia Keong who was appointed to the Board on 1 October 2022 shall retire and is eligible for re-election. Mr. Wan Chia Keong has consented and offered himself for re-election.

The Board is responsible for the appointment of new Directors. The NC is delegated with the role of screening and conducting an initial selection, which includes an external search, before making a recommendation to the Board. NC has the authority to obtain the services of professional recruitment firms to source candidates for directorship or seek independent professional advice whenever necessary.

In recommending suitable candidates for directorships and Board Committees to the Board, the NC takes into consideration the candidate's character and integrity, experience and competence, time commitment and potential contribution to the Group. Any new nomination received is recommended to the Board after a comprehensive assessment and the NC's endorsement.

The Board acknowledges the importance of not solely relying on recommendations from existing Board members, Management or major shareholders in identifying candidates for appointment of Directors, but trust that the nomination has its merit.

The process of assessing the Directors is an on-going responsibility of the entire Board. The Board has put in place a formal evaluation process to annually assess the effectiveness of the Board as a whole and the Board Committees, as well as the contribution and performance of each individual Director. The criteria used, amongst others, for the annual assessment of individual Director includes the assessment of their roles, duties, responsibilities, competency, expertise and contribution. Whereas, the criteria for the assessment of the performance of the Board and Board Committees covers composition, processes, accountability, responsibilities as well as the fulfilment of duties. Results from the annual assessment on the effectiveness of the Board indicated that the Board has effectively carried out their duties and responsibilities.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### III. Remuneration

The Group recognises that its workforce is pivotal in driving its long-term growth and sustainability. The remuneration package plays a crucial part in attracting, retaining and motivating individuals to drive and sustain the business. The Board has in place a Remuneration Policy which is applicable to all employees including the EDs and Independent NEDs. The philosophy and principles underpinning the Remuneration Policy are designed to maintain competitiveness for short-term business objectives and drive individual growth in line with the long-term goals of the Group.

The RC is in charge of the implementation of policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of the Board pursuant to the recommendations of MCCG.

The RC comprises the following members and all of whom are Independent NEDs:-

**Chairman**
En. Muhamed Ali Bin Hajah Mydin *(Independent NED)*
*(Re-designated on 1 October 2022)*

**Committee Members**
Mr. Wong Khai Meng *(Independent NED)*
Mr. Wan Chia Keong *(Independent NED)*
*(Appointed on 1 October 2022)*

For the FYE2023, the RC had carried out the annual review of the overall remuneration for Directors and key senior management personnel. In addition, the RC had also deliberated on the Directors' fees for FYE2023 which is subject to the shareholders' approval at the forthcoming AGM. Further to the deliberations, the RC had reported to the Board its recommendation and findings.

The summary of the Directors' remuneration in the Company and its subsidiaries for the FYE2023 are as follows:-

| Directors | Company | | | Group | | | |
|---|---|---|---|---|---|---|---|
| | Salary RM | Bonus RM | Fee RM | Salary RM | Bonus RM | Fee RM | EPF RM |
| **Executive** | | | | | | | |
| Yeap Kong Chean | - | - | - | 240,000 | - | - | 14,400 |
| Tan Hoay Leng | - | - | 20,000 | 96,000 | - | - | 11,520 |
| **Non-Executive** | | | | | | | |
| Dato' Lee Wai Mun, *D.I.M.P.,J.P.* | - | - | 5,000 | - | - | - | - |
| Wong Khai Meng | - | - | 20,000 | - | - | - | - |
| Muhamed Ali Bin Hajah Mydin | - | - | 20,000 | - | - | - | - |
| Wan Chia Keong | - | - | 10,000 | - | - | - | - |
| **Total** | - | - | 75,000 | 336,000 | - | - | 25,920 |

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### III. Remuneration (cont'd)

We have four (4) Senior Management whose remuneration falls within the following bands as below:

| Range of Remuneration | Name of Senior Management |
|---|---|
| RM50,001 – RM100,000 | Ho Soo Wee; Yeap Kah Phaik |
| RM100,001 – RM150,000 | Ong Chee Keong |
| RM150,001 – RM200,000 | Yong Cheng Yew |

The remuneration value above is computed on an aggregate basis, taking into account the relevant personnel's salary, allowances, bonus, benefits-in-kind and other emoluments.

Pursuant to Section 230 of the Act, the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved by a general meeting.

In determining the estimated total amount of remuneration for the NEDs, the Board considered various factors including the number of scheduled meetings for the Board, Board of subsidiaries and Board committees as well as the time spent by the said NEDs involved in these meetings.

The relevant resolutions in relation to the Directors' fees and benefits payable to the Directors are to be presented to the shareholders for approval at the forthcoming 19th AGM of the Company.

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. Audit and Risk Management Committee

The ARMC comprises three (3) NEDs, all of whom Independent Directors. This is in compliance with Rule 15.09(1)(b) of the Listing Requirements, which stipulates that "all the audit committee members must be non-executive directors, with a majority of them being independent directors".

The Company complied with Practice 9.1 of the MCCG which stipulates that the Chairman of the audit committee is not the Chairman of the Board. The ARMC is chaired by an Independent and NED, Mr. Wong Khai Meng, who is not the Chairman of the Board.

Mr. Wong Khai Meng is a member of MIA thus fulfilling the requirement under Rule 15.09 (1)(c)(i) of the Listing Requirements.

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

### I. Audit and Risk Management Committee (cont'd)

Practice 9.2 of the MCCG requires the audit committee to have a policy that requires a former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee. The TOR of the ARMC has been updated accordingly in order for the ARMC to formalize such a policy. However, none of the ARMC members were former key audit partners of the Company.

Currently, the ARMC comprises three (3) members, all of whom are Independent NEDs, this is in line with the Step-Up Practice 9.4 of the MCCG.

The existing composition of the ARMC is as follows:-

**Chairman:**
Mr. Wong Khai Meng *(Independent NED)*

**Committee Members:**
En. Muhamed Ali Bin Hajah Mydin *(Independent NED)*
Mr. Wan Chia Keong *(Independent NED)*
*(Appointed on 1 October 2022)*

The NC reviews the composition of ARMC annually and recommends it to the Board for its approval. All members of the ARMC are financially literate or possess relevant business experience.

**Suitability, objectivity and independence of the external auditors**

The ARMC annually evaluates the suitability, objectivity and independence of the external auditors based on the guidelines of the external auditors' performance and independence checklist. The ARMC held two (2) private dialogues with the external auditors in FYE2023 without the presence of the Management.

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

The ARMC has obtained assurance from the external auditors confirming that they were, and had been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The ARMC reviews and recommends the re-appointment of the external auditors. The re-appointment of the external auditors is subject to the approval of the shareholders at the AGM. The external auditors shall report to the ARMC on all matters relating to the financial audit of the Group. They are also invited to attend the ARMC meetings as and when necessary.

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT** (cont'd)

**II. Risk Management and Internal Control Framework**

The ARMC of the Company is entrusted with the responsibility of assessing and monitoring the robustness of the risk management controls and measures taken.

The ARMC is also responsible for evaluating the adequacy and effectiveness of internal controls put in place in the Company. Evaluation is based on the twice-yearly presentation of internal audit findings and the internal audit function questionnaire.

The standards and practices adopted by internal auditors are aligned with the International Professional Practices Framework issued by the Institute of Internal Auditors. As at 31 March 2023, the total number of personnel in the internal audit firm was 16. The name and qualification of the person responsible for the internal audit are as follows:-

1. Tan Yen Wooi, Managing Partner in Messrs. Tan & Loh. Obtained a Master of Science in Professional Accountancy from the University of London in 2017. He is a member of the MIA, Malaysia Institute of Taxation and Institute of Internal Auditors Malaysia.

2. Sugaintharan, senior in charge. Graduated with a Bachelor of Accounting from Anglia Ruskin University, United Kingdom in 2016.

None of the internal auditor personnel has any relationship or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions.

The ARMC had on 25 May 2023 conducted a review and assessment on the adequacy and independence of the Company's internal audit function for FYE2023 in compliance with Rule 15.12 (1)(f) of the Listing Requirements.

**PRINCIPLE C: INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

**I. Effective, transparent and regular communication with stakeholders**

The Group believes in, and emphasises, the importance of communication among shareholders, stakeholders and the Company. Adequate communication generates and builds public confidence in the Company. The Board endeavours to ensure that annual reports, quarterly results, press releases and announcements are released on a timely basis as a means of disseminating information of the Group's business activities and financial performance.

The Company ensures that it maintains a transparent communication channel with the shareholders and stakeholders of the Company. Disclosures are timely, relevant and accurately published in Ygl's website.

**PRINCIPLE C: INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS** (cont'd)

**I. Effective, transparent and regular communication with stakeholders** (cont'd)

The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group.

There was no other investor relation function held in FYE2023 except for the AGM held on 25 August 2022. At the AGM, the Directors and external auditors were present to answer any relevant questions that were posed by the shareholders.

**II. Conduct of General Meetings**

In compliance with Practice 13.1 of the MCCG, shareholders will receive annual report and notice of AGM, which are to be issued at least twenty-eight (28) days before the date of AGM.

In line with good CG practice, the notice of the 18th AGM was issued twenty-eight (28) days prior to the AGM date to provide the shareholders sufficient time to consider the proposed resolutions that would be discussed and decided at the 18th AGM. The notice of 18th AGM provided further explanation beyond the minimum content stipulated in the Listing Requirements for the resolution proposed along with any background information and reports or recommendation that were relevant, where required and necessary, to enable shareholders to make an informed decision in exercising their voting rights.

The notice of the 18th AGM was also published in the nationally circulated daily newspaper within the mandatory period and the Company's announcements via Bursa Securities' as well as the Company's website.

All voting are conducted by way of poll and an independent scrutineer was appointed to validate the votes cast and results of each resolution put to vote are announced at the meeting. An announcement detailing the results, including the total number of votes cast for and against for each resolution and the respective percentages was announced via Bursa Securities' website after the conclusion of the general meeting.

**III. Attendance in General Meetings and meaningful engagement between Board, Senior Management and Shareholders**

All five (5) members of the Board, the Company Secretary, External Auditors and the Senior Management had attended the 18th AGM to engage directly with the shareholders.

**PRINCIPLE C: INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS** (cont'd)

**III. Attendance in General Meetings and meaningful engagement between Board, Senior Management and Shareholders** (cont'd)

The general meeting serves as an avenue for the Chairman and the Board members to engage in a two-way communication with shareholders where the shareholders are encouraged to participate in the question-and-answer session with the Board personally and exercise their right to vote on the proposed resolutions. The Board ensures that all Board members, particularly the chairperson of each Board committee will make their endeavours to attend general meeting to facilitate engagement with shareholders and to address any relevant questions and concerns raised by the shareholders. The external auditors will be present at the AGM to respond to any queries from shareholders on the audit conducted, the preparation and content of the auditors' report, the accounting policies adopted by the Company, and the independent audit review of the Company's financial position.

In addition, written queries raised by the Minority Shareholders Watch Group were presented to shareholders during the 18th AGM together with the Company's responses.

**IV. Minutes of General Meeting**

The Company's AGM remains one of the most important platforms for communication and engagement between the Company and its shareholders, as it encompasses a two-way discussion on the Company's achievements and performance in the past year and its plans and strategies for the near and long-term future.

The recording of the proceedings in the form of minutes reflects the mutual understanding, agreements as well as resolutions reached between the shareholders and Directors of the Company.

The minutes of the 18th AGM detailing proceedings and issues or concerns raised by shareholders, and the responses by the Company were available on the Company's website at https://www.yglworld.com/ within 30 business days after the conclusion of the AGM. The minutes provide useful information to shareholders and investors especially for the shareholders who were unable to attend to keep track of the AGM.

**STATEMENT OF COMPLIANCE WITH THE RECOMMENDATIONS OF MCCG**

Save for the exception set out above, the Board is of the opinion that the Company has generally adhered to the practice set out in MCCG during the FYE2023. Any practices in the MCCG which have not been implemented during the financial year will be reviewed by the Board and implemented where possible and relevant to the Group's business.

This Statement is made in accordance with a resolution of the Board.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors ("the Board") of Ygl Convergence Berhad ("Ygl" or "the Company") is committed to the Malaysian Code on Corporate Governance ("MCCG") which requires the Board to maintain and ensure that a sound system of internal control exists and operates effectively within the Company and its subsidiaries ("the Group") and is pleased to provide this Statement on Risk Management and Internal Control ("Statement") outlining the nature and scope of risk management and internal control of the Group during the financial year ended 31 March 2023 pursuant to Rule 15.23 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("AMLR").

The Statement was prepared in accordance with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Public Listed Issuers" issued by Bursa Securities.

## BOARD RESPONSIBILITY

The Board acknowledges its responsibility and reaffirms its commitment in recognising the importance of effective and appropriate system of internal control and risk management practices to enhance good corporate governance.

In this respect, the Board is responsible for identifying principal risks, ensuring the implementation of appropriate systems to manage these risks and reviewing the adequacy and integrity of the Group's systems of risk management and internal control.

The system of risk management and internal control covers inter alia, governance, risk management, financial organisation, operational and compliance control. However, the Board recognises that this system is designed to manage and control risk appropriately rather than eliminate the risks of failure to achieve business objectives. Accordingly, these systems can only provide reasonable, but not absolute assurance against material misstatement by management and financial information and, records or against financial losses or fraud.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets. The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The system of internal control applies to the Group. The associate of the Company has been excluded because the Group does not have full management and control over it. However, the Company's interest is served through representation on the Board of the associate.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

## RISK MANAGEMENT FRAMEWORKS

The Board considers risk assessment and control to be fundamental to the Group in achieving its corporate objectives within reasonable risk profile. It has established an ongoing process to identify, evaluate and manage the significant risks to which the Group is exposed by establishing a risk management framework for the Group. The Board recognises the importance of continuous review and improvement to its risk management process to keep abreast with the industry requirements and adapt to changes in its business environment.

The Board has established an Audit and Risk Management Committee ("ARMC") that comprises the majority of Independent NEDs to support the Board in reviewing the risk management methodology and the effectiveness of the internal control. The ARMC assists and advises the Executive Directors in fulfilling its oversight responsibilities regarding the effectiveness of the design, operation and effectiveness of internal control systems of the Group, including supervising the enforcement of relevant legislation and regulations. Furthermore, the ARMC regularly reviews the Group's risk exposures as they relate to capital, earnings, liquidity and compliance with risk management policies.

The Whistleblower Policy and Anti-Bribery and Corruption Policy are published on the Company's website https://www.yglworld.com/.

## INTERNAL CONTROL

The Group has a well-defined organisational 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 the Board's approval as follows:-

- Dissemination of comprehensive financial reports to the Board and ARMC on a quarterly basis for review to formulate action plans to address any areas of concern;
- Involvement of the Executive Directors in the weekly operational meetings attended by respective senior management to highlight significant matters arising on a timely basis;
- Maintain a demanding recruitment standards and employee competency programmes to ensure competent personnel are employed for the operating units to function efficiently;
- Adopting the Capability Maturity Model Integration (CMMI) quality assurance processes to appraise the development of software development and implementation;
- Constant monitoring of work performance by an effective reporting system; and
- Maintain strong internal information and data integrity in compliance with the Personal Data Protection Act, 2010.

## ARMC & INTERNAL AUDIT

The Group's internal audit function has been outsourced to an independent professional firm, namely, Messrs Tan & Loh to carry out the internal audit work on a regular basis throughout the year.

The findings and recommendations by the internal auditors are reported directly to the ARMC. This is to provide the ARMC with assurance in respect of continuity, adequacy and integrity of the system of internal controls within the Group.

During the financial year under review, the internal auditors performed two internal assignments in accordance with the internal audit plan approved by the ARMC. The internal auditors deliberated the internal audit findings and proposals for actions in consultation with the ARMC, and the Management took appropriate actions to address and monitor the areas of weaknesses.

The ARMC, on behalf of the Board, reviews the internal control issues identified and recommendations in the reports prepared by the internal auditor on regular basis. None of these weaknesses identified had resulted in any material loss that would require disclosure in the Group's Annual Report.

## CONCLUSION

The Board has received assurance from the Chief Executive Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Board is of the opinion that the monitoring, review and reporting arrangements provide reasonable assurance that the internal control measures in place are effective. Pursuant to rule 15.23 of the AMLR, the external auditors has reviewed this Statement and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

This Statement is made in accordance with a resolution of the Board.

# STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

In accordance with the Companies Act 2016 ("Act"), the Board of Directors ("the Board") is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their financial results and cash flows for the financial year then ended.

The Board is responsible to ensure that the Group and the Company 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 income statement of the Group and the Company. The Board is also responsible to ensure that the financial statements comply with the Act, relevant accounting standards and ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

In preparing the financial statements for the financial year ended 31 March 2023, the Board has:-

– applied the appropriate and relevant accounting policies on a consistent basis, subject to any material departures which will be disclosed and explained in the financial statements;

– made judgements and estimates that are reasonable and prudent; and

– prepared the financial statements on the assumption that the Group and the Company will operate as a going concern.

The Board has general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, to prevent and detect fraud and other irregularities.

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

This statement is made in accordance with a resolution of the Board.

# ADDITIONAL COMPLIANCE INFORMATION

## UTILISATION OF PROCEEDS

During the financial year ended 31 March 2023, the Company did not raise any funds through any corporate proposal/shareholders' mandate under Sections 75 and 76 of the Companies Act 2016.

## AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees paid or payable to the Company's external auditors and a firm affiliated to the external auditors' firm by the Company and the Group for the financial year ended 31 March 2023 are as follows:

| | **Company RM** | **Group RM** |
|---|---|---|
| Audit fees | 41,000 | 123,550 |
| Non-audit fees | 5,000 | 5,000 |
| Total fees | 46,000 | 128,550 |

In considering the nature and scope of the non-audit services, the Audit and Risk Management Committee is satisfied that the provision of such services would not likely to create any conflict or impair the independence and objectively at the external auditors.

## MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

Other than those disclosed in Note 23 to the audited financial statements in this Annual Report, there were no material contract (not being contracts entered into in the ordinary course of business) entered into by the Company and its subsidiaries involving the interest of the Company's Directors, chief executive who is not a director and its major shareholders either still subsisting as at 31 March 2023 or entered into since the end of the previous financial year ended 31 March 2022.

# ADDITIONAL COMPLIANCE INFORMATION (cont'd)

## EMPLOYEES' SHARES OPTION SCHEME ("ESOS")

The ESOS of up to 30% of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS has been extended until 5 November 2027.

The total number of options granted to the eligible Directors and employees of the Group and outstanding options under ESOS as at 31 March 2023 are set out in the table below:-

| Description | Number of Options |
|---|---|
| Granted in the previous year/At 1 April 2022 | 2,222,000 |
| Granted during the financial year | - |
| Exercised during the financial year | - |
| Lapsed during the financial period | (105,000) |
| Outstanding options exercisable as at 31 March 2023 | 2,117,000 |

The total number of options granted to the Directors and Senior Management, and outstanding options under ESOS as at 31 March 2023 are set out in the table below:-

| Description | Number of Options | |
|---|---|---|
| | Directors | Senior Management |
| Granted in the previous year/At 1 April 2022 | 490,000 | 820,000 |
| Granted during the financial year | - | - |
| Exercised during the financial year | - | - |
| Lapsed during the financial period | - | - |
| Outstanding options exercisable as at 31 March 2023 | 490,000 | 820,000 |

The percentage of options granted to Directors and Senior Management under the ESOS are as follows:-

| Description | Since commencement up to 31 March 2023 |
|---|---|
| Aggregate maximum allocation applicable to Directors and Senior Management | 50% |
| Actual percentage granted | 17.87% |

The options granted to Independent Non-Executive Directors pursuant to ESOS in respect of the financial year ended 31 March 2023 are nil.

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

The directors have pleasure in submitting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 March 2023.

## PRINCIPAL ACTIVITIES

The Company is principally involved in the provision of management services, investment holding and sale of computer hardware. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Loss after tax for the financial year | (1,355,434) | (1,007,022) |
| Attributable to: | | |
| Owners of the parent | (1,324,748) | (1,007,022) |
| Non-controlling interests | (30,686) | - |
| | (1,355,434) | (1,007,022) |

In the opinion of the directors, the results of the operations of the Group and the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## ISSUANCE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.

# DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 (cont'd)

## EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the By-Laws approved by the shareholders at the Extraordinary General Meeting held on 27 May 2017. The ESOS came into effect on 6 November 2017 and will be in force for a duration of 5 years, expiring on 5 November 2022. On 31 March 2021, the Directors have extended the ESOS for a further period of 5 years from 6 November 2022 to 5 November 2027 in accordance with terms of the By-Laws.

The details of options over unissued ordinary shares granted to eligible employees and Directors of the Group during the financial year are as follows:

| | | Number of options over ordinary shares | | | | |
|---|---|---|---|---|---|---|
| **Grant date** | **Exercise price RM** | **At 1.4.2022** | **Granted and accepted** | **Exercised** | **Lapsed** | **At 31.3.2023** |
| 6 November 2017 | 0.1612 | 1,007,000 | - | - | - | 1,007,000 |
| 21 April 2021 | 0.1904 | 1,215,000 | - | - | (105,000) | 1,110,000 |

The salient features of the ESOS are disclosed in Note 14(b) to the financial statements.

Details of the options granted to Directors are disclosed in the section on Directors' interests in this report.

## DIRECTORS OF THE COMPANY

The Directors in office since the beginning of the financial year up to the date of this report are as follows:

Yeap Kong Chean*
Tan Hoay Leng*
Wong Khai Meng
Muhamed Ali Bin Hajah Mydin
Wan Chia Keong (appointed on 01.10.2022)
Dato' Lee Wai Mun, *D.I.M.P., J.P.* (resigned on 01.08.2022)

* Also a Director of certain subsidiaries

## DIRECTORS OF SUBSIDIARIES OF THE COMPANY

Pursuant to Section 253(2) of the Companies Act 2016, the Directors who served in the subsidiaries (excluding Directors who are also Directors of the Company) since the beginning of the financial year up to the date of this report are as follows:

Y.T.M. Dato' Muhammed Bin Haji Abdullah
Dato' Abdul Aziz Bin Ismail, *D.I.M.P., J.P.*
Tan Wei Keat
Ho Siew Bee
Lee Ming Chieh (removed on 27.6.2022)
Chin Kong Tai (appointed on 18.04.2023)

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 in Malaysia is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

# DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 (cont'd)

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, the directors who held office at the end of financial year and their interests in the Group and the Company during the financial year were as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **At 1.4.2022** | **Bought** | **Sold** | **At 31.3.2023** |
| **The Company** | | | | |
| **Direct Interest:** | | | | |
| Yeap Kong Chean | 40,666,668 | - | - | 40,666,668 |
| Dato' Lee Wai Mun, *D.I.M.P., J.P.* | 8,678,600 | - | - | 8,678,600 |
| **Indirect Interest:** | | | | |
| Tan Hoay Leng # | 40,666,668 | - | - | 40,666,668 |

# Deemed interested through her spouse.

| | Number of options over ordinary shares | | | | |
|---|---|---|---|---|---|
| | **At 1.4.2022** | **Granted and accepted** | **Exercised** | **Lapsed** | **At 31.3.2023** |
| **The Company** | | | | | |
| **Direct Interest:** | | | | | |
| Yeap Kong Chean | 320,000 | - | - | - | 320,000 |
| Tan Hoay Leng | 170,000 | - | - | - | 170,000 |

None of the other Directors in office at the end of the financial year had any interest in the shares and options over shares of the Company or of its related corporations during the financial year.

## DIRECTORS' REMUNERATION AND BENEFITS

The amount of fees and other benefits paid to or receivable by the Directors or past Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company and its subsidiaries for their services to the Company and its subsidiaries were as follows:

| | **Company RM** | **Subsidiaries RM** |
|---|---|---|
| Fee | 75,000 | - |
| Salary and bonus | - | 336,000 |
| Share-based payment transactions | - | 124,967 |
| Contributions to defined contribution plan | - | 25,920 |
| **Total fees and other benefits** | 75,000 | 486,887 |

# DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 (cont'd)

**DIRECTORS' REMUNERATION AND BENEFITS** (cont'd)

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed 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, other than the related party transactions disclosed in the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling 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 financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent;

  (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;

  (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and

  (iv) not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

(c) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group and of the Company 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 Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

  (i) no contingent or other liability has become enforceable, or likely to become enforceable, within the period of twelve months after the end of the financial year, which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 (cont'd)

**OTHER STATUTORY INFORMATION** (cont'd)

(d) In the opinion of the Directors (cont'd):

(ii) the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

(e) The total amount of fees paid to or receivable by the auditors as remuneration for their services as auditors of the Company and its subsidiaries for the current financial year are disclosed in Note 19 to the financial statements.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiaries by any Director or past Director of the Company.

(g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Group and of the Company.

**SUBSEQUENT EVENTS**

The subsequent events are disclosed in Note 29 to the financial statements.

**SUBSIDIARY COMPANIES**

The details of the subsidiary companies are disclosed in Note 6 to the financial statements.

**AUDITORS' REMUNERATION**

The auditors' remuneration of the Group and of the Company are amounted to RM91,500 and RM41,000 (2021: RM93,000 and RM47,000) respectively.

**AUDITORS**

The auditors, CHENGCO PLT, have expressed their willingness to continue in office.

Signed on behalf of the board of director in accordance with a resolution of the directors,

**YEAP KONG CHEAN**
Director

**TAN HOAY LENG**
Director

Penang

Date: 27 July 2023

# STATEMENT BY DIRECTORS

(PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016)

We, the undersigned, being two of the directors of the Company, do hereby state on behalf of the directors that in our opinion, the financial statements as set out on pages 79 to 153, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2023 and of their financial performance and their cash flows of the Company for the financial year then ended.

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

| | |
|---|---|
| **YEAP KONG CHEAN** | **TAN HOAY LENG** |
| Director | Director |

Penang

Date: 27 July 2023

---

# STATUTORY DECLARATION

(PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016)

I, Tan Hoay Leng (MIA Membership No: 12348), being the officer primarily responsible for the financial management of Ygl Convergence Berhad, do solemnly and sincerely declare that the financial statements of the Company as set out on pages 79 to 153, are to the best of my knowledge and belief, 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 by the )
abovenamed Tan Hoay Leng at George Town in )
the State of Penang on 27 July 2023 )

**TAN HOAY LENG**
Financial Controller

Before me,

**Ong Lin Teong (P192)**
Commisioner for oaths

# INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF YGL CONVERGENCE BERHAD

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of Ygl Convergence Berhad, which comprise the statements of financial position as at 31 March 2023 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 79 to 153.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence and Other Ethical Responsibilities*

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YGL CONVERGENCE BERHAD (cont'd)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

| Key Audit Matters | Our audit procedures performed and responses thereon |
|---|---|
| **Impairment review of intangible assets**<br>*(Note 8 to the financial statements)* | |
| As at 31 March 2023, the carrying amount of software development costs amounted to RM2,367,361, representing approximately 95% of the total intangible assets and 15% of the Group's total assets.<br><br>We identified the valuation of software development costs as a key audit matter as the impairment assessment of the intangible assets involves significant judgement by the Group in estimating the recoverable amount based on value-in-use calculations and assumptions supporting the underlying cash flow projections, including forecast growth rates, pre-tax discount rates and gross profit margin. | Our audit procedures focused on evaluating the cash flow projections and the Group's forecasting procedures which included, among others:<br><br>• Reviewing the cash flow projections covering a period of 5 years;<br>• Reviewing and challenging the appropriateness and reasonableness of the assumptions applied to key inputs such as profit margin, future revenue and discount rate applied;<br>• Testing the mathematical accuracy of the cash flow projections;<br>• Performing sensitivity analysis on the key assumptions used in the cash flow projections; and<br>• Assessing the adequacy of disclosures in the financial statements. |

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YGL CONVERGENCE BERHAD (cont'd)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

### Key Audit Matters (cont'd)

| Key Audit Matters (cont'd) | Our audit procedures performed and responses thereon (cont'd) |
|---|---|
| **Impairment review of the Company's investment in subsidiaries**<br>*(Note 6 to the financial statements)* | |
| As at 31 March 2023, the carrying amount of the Company's investment in subsidiaries amounted to RM7,910,603.<br><br>A history of recent losses and significant accumulated losses recorded by certain subsidiaries have resulted in the existence of indications that the carrying amounts may be impaired. Accordingly, the Company estimated the recoverable amount of the investment in subsidiaries based on value-in-use ("VIU") calculations, using cash flow projections derived from the most recent financial forecast approved by Directors covering a five-year period.<br><br>We identified the impairment review of investment in subsidiaries as a key audit matter as the carrying amount of the investment in subsidiaries is significant to the Company's financial statements. In addition, there are significant judgements involved in management's impairment assessment of the said investments, in particular the recoverable amounts calculations and assumptions supporting the underlying cash flow projections of the VIU calculation, including forecast growth rates, pre-tax discount rates and gross profit margin. | We have performed the following audit procedures to evaluate management's assumptions used in the VIU calculations:<br><br>• Understanding the management's process for identifying the existence of impairment indicators on the cost of investments;<br>• Reviewing the cash flow projections covering a period of 5 years;<br>• Reviewing and challenging the appropriateness and reasonableness of the assumptions applied to key inputs such as profit margin, future revenue and discount rate applied;<br>• Testing the mathematical accuracy of the cash flow projections;<br>• Performing sensitivity analysis on the key assumptions used in the cash flow projections to evaluate the magnitude of their impacts on the calculation of the recoverable amounts of the cost of investments; and<br>• Assessing the adequacy of disclosures in the financial statements. |

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YGL CONVERGENCE BERHAD (cont'd)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

### Information Other than the Financial Statements and Auditors' Report Thereon (cont'd)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YGL CONVERGENCE BERHAD (cont'd)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

### Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YGL CONVERGENCE BERHAD (cont'd)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS** (cont'd)

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

**Other Matter**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The financial statements for the financial year ended 31 March 2022 were audited by another firm of certified public accountants whose report dated 15 July 2022 expressed an unqualified opinion on those statements.

**CHENGCO PLT**
201806002622
(LLP0017004-LCA) & AF0886
Chartered Accountants

**NG KEE SIANG**
03643/03/2024 J
Chartered Accountant

Penang

Date: 27 July 2023

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2023

| | Note | Group 2023 RM | Group 2022 RM | Company 2023 RM | Company 2022 RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 3,566,086 | 3,767,428 | 2,383,145 | 2,597,959 |
| Investment property | 5 | 282,250 | 282,727 | - | - |
| Investment in subsidiaries | 6 | - | - | 7,910,603 | 8,679,810 |
| Investment in an associate | 7 | 2,068,366 | 2,006,624 | 1,475,000 | 1,475,000 |
| Intangible assets | 8 | 2,482,310 | 2,809,450 | - | - |
| | | 8,399,012 | 8,866,229 | 11,768,748 | 12,752,769 |
| **Current assets** | | | | | |
| Inventories | 9 | 813,969 | 479,837 | - | - |
| Trade and other receivables | 10 | 2,596,301 | 4,589,589 | 16,433 | 15,302 |
| Amount due from subsidiaries | 11 | - | - | 429,579 | 1,388 |
| Current tax assets | | 269,164 | 165,927 | 66,895 | 46,895 |
| Cash and bank balances | 12 | 3,889,689 | 3,519,602 | 1,860,294 | 2,333,856 |
| | | 7,569,123 | 8,754,955 | 2,373,201 | 2,397,441 |
| **TOTAL ASSETS** | | 15,968,135 | 17,621,184 | 14,141,949 | 15,150,210 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 13 | 30,400,368 | 30,400,368 | 30,400,368 | 30,400,368 |
| Other reserves | 14 | 403,388 | 479,775 | 280,043 | 294,229 |
| Accumulated losses | | (19,629,365) | (17,766,184) | (16,592,074) | (15,599,238) |
| | | 11,174,391 | 13,113,959 | 14,088,337 | 15,095,359 |
| Non-controlling interests | | (430,132) | (399,446) | - | - |
| **Total equity** | | 10,744,259 | 12,714,513 | 14,088,337 | 15,095,359 |
| **Non-current liabilities** | | | | | |
| Contract liabilities | 15 | 17,782 | 98,465 | - | - |
| **Current liabilities** | | | | | |
| Trade and other payables | 16 | 1,985,018 | 2,187,671 | 53,612 | 53,116 |
| Amount due to a subsidiary | 11 | - | - | - | 1,735 |
| Contract liabilities | 15 | 1,512,504 | 1,357,391 | - | - |
| Borrowings | 17 | 1,699,617 | 1,260,506 | - | - |
| Current tax liabilities | | 8,955 | 2,638 | - | - |
| | | 5,206,094 | 4,808,206 | 53,612 | 54,851 |
| **Total liabilities** | | 5,223,876 | 4,906,671 | 53,612 | 54,851 |
| **TOTAL EQUITY AND LIABILITIES** | | 15,968,135 | 17,621,184 | 14,141,949 | 15,150,210 |

*The accompanying notes form an integral part of these financial statements.*

# STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| | Note | RM | RM | RM | RM |
| Revenue | 18 | 11,832,417 | 13,852,548 | 10,000 | 10,000 |
| Cost of sales | | (9,793,733) | (10,889,410) | - | - |
| Gross profit | | 2,038,684 | 2,963,138 | 10,000 | 10,000 |
| Other income | | 132,705 | 159,301 | 49,475 | 44,080 |
| General and administrative expenses | | (3,493,134) | (3,574,092) | (1,066,497) | (3,958,011) |
| Loss from operations | | (1,321,746) | (451,653) | (1,007,022) | (3,903,931) |
| Finance costs | | (75,241) | (48,104) | - | - |
| Share of results of an associate | 7 | 61,742 | 274,483 | - | - |
| Loss before tax | 19 | (1,335,244) | (225,274) | (1,007,022) | (3,903,931) |
| Tax expense | 20 | (20,190) | (20,139) | - | - |
| **Loss for the financial year** | | (1,355,434) | (245,413) | (1,007,022) | (3,903,931) |
| **Other comprehensive (loss)/ income, net of tax** | | | | | |
| *Items that will be reclassified subsequently to profit or loss* | | | | | |
| Foreign currency translation differences for foreign operations | | (614,820) | (2,073) | - | - |
| Share of other comprehensive income of an associate | | - | 8,163 | - | - |
| Total other comprehensive income for the financial year | | (614,820) | 6,090 | - | - |
| **Total comprehensive loss for the financial year** | | (1,970,254) | (239,323) | (1,007,022) | (3,903,931) |

*The accompanying notes form an integral part of these financial statements.*

## STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 (cont'd)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| **Loss for the financial year attributable to:** | | | | | |
| Owners of the Company | | (1,324,748) | (77,568) | (1,007,022) | (3,903,931) |
| Non-controlling interests | | (30,686) | (167,845) | - | - |
| | | (1,355,434) | (245,413) | (1,007,022) | (3,903,931) |
| **Total comprehensive loss for the financial year attributable to:** | | | | | |
| Owners of the Company | | (1,939,568) | (69,672) | (1,007,022) | (3,903,931) |
| Non-controlling interests | | (30,686) | (169,651) | - | - |
| | | (1,970,254) | (239,323) | (1,007,022) | (3,903,931) |
| **Loss per share** | | | | | |
| Basic (sen) | | (0.51) | (0.03) | | |
| Diluted (sen) | | (0.51) | (0.03) | | |

*The accompanying notes form an integral part of these financial statements.*

| | Note | Share capital RM | Exchange translation reserve RM | ESOS reserve RM | Accumulated losses RM | Total RM | Non-controlling interests RM | Total equity RM |
|---|---|---|---|---|---|---|---|---|
| | | ← Attributable to owners of the Company → | | | | | | |
| | | ← Non-distributable → | | | | | | |
| **Group** | | | | | | | | |
| **2023** | | | | | | | | |
| As at 1 April 2022 | | 30,400,368 | 738,165 | 294,229 | (18,318,803) | 13,113,959 | (399,446) | 12,714,513 |
| Foreign currency translation differences for foreign operations | | - | (614,820) | - | - | (614,820) | - | (614,820) |
| Total other comprehensive income for the financial year | | - | (614,820) | - | - | (614,820) | - | (614,820) |
| Loss for the financial year | | - | - | - | (1,324,748) | (1,324,748) | (30,686) | (1,355,434) |
| **Total comprehensive loss for the financial year** | | - | (614,820) | - | (1,324,748) | (1,939,568) | (30,686) | (1,970,254) |
| **Transactions with owners of the Company:** | | | | | | | | |
| Share-based payment transactions: | | | | | | | | |
| - Granted | | | | | | | | |
| - Lapsed due to resignation | | - | - | (14,186) | 14,186 | - | - | - |
| Total transactions with owners | | - | - | (14,186) | 14,186 | - | - | - |
| As at 31 March 2023 | | 30,400,368 | 123,345 | 280,043 | (19,629,365) | 11,174,391 | (430,132) | 10,744,259 |

*The accompanying notes form an integral part of these financial statements.*

| | ← Attributable to owners of the Company → | | | | | | |
|---|---|---|---|---|---|---|---|
| | ← Non-distributable → | | | | | | |
| | **Share capital RM** | **Exchange translation reserve RM** | **ESOS reserve RM** | **Accumulated losses RM** | **Total RM** | **Non-controlling interests RM** | **Total equity RM** |
| **Group** | | | | | | | |
| **2022** | | | | | | | |
| As at 1 April 2021 | 30,400,368 | 730,269 | 152,172 | (18,263,324) | 13,019,485 | (229,795) | 12,789,690 |
| Foreign currency translation differences for foreign operations | - | (267) | - | - | (267) | (1,806) | (2,073) |
| Share of other comprehensive income of an associate | - | 8,163 | - | - | 8,163 | - | 8,163 |
| Total other comprehensive income for the financial year | - | 7,896 | - | - | 7,896 | (1,806) | 6,090 |
| Loss for the financial year | - | - | - | (77,568) | (77,568) | (167,845) | (245,413) |
| **Total comprehensive income/(loss) for the financial year** | - | 7,896 | - | (77,568) | (69,672) | (169,651) | (239,323) |
| ***Transactions with owners of the Company:*** | | | | | | | |
| Share-based payment transactions: | | | | | | | |
| - Granted | - | - | 164,146 | - | 164,146 | - | 164,146 |
| - Lapsed due to resignation | - | - | (22,089) | 22,089 | - | - | - |
| Total transactions with owners | - | - | 142,057 | 22,089 | 164,146 | - | 164,146 |
| Balance at end | 30,400,368 | 738,165 | 294,229 | (18,318,803) | 13,113,959 | (399,446) | 12,714,513 |

*The accompanying notes form an integral part of these financial statements.*

# STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 (cont'd)

| | ← Non-distributable | → | | |
|---|---|---|---|---|
| | **Share capital RM** | **ESOS reserve RM** | **Accumulated losses RM** | **Total equity RM** |
| **Company** | | | | |
| **2023** | | | | |
| As at 1 April 2022 | 30,400,368 | 294,229 | (15,599,238) | 15,095,359 |
| Loss for the financial year, representing total comprehensive loss for the financial year | - | - | (1,007,022) | (1,007,022) |
| **Transaction with owners of the Company:** | | | | |
| Share-based payment transactions: | | | | |
| - Granted | - | - | - | - |
| - Lapsed due to resignation | - | (14,186) | 14,186 | - |
| Total transactions with owners | - | (14,186) | 14,186 | - |
| As at 31 March 2023 | 30,400,368 | 280,043 | (16,592,074) | 14,088,337 |
| **2022** | | | | |
| As at 1 April 2021 | 30,400,368 | 152,172 | (11,717,396) | 18,835,144 |
| Loss for the financial year, representing total comprehensive loss for the financial year | - | - | (3,903,931) | (3,903,931) |
| **Transaction with owners of the Company:** | | | | |
| Share-based payment transactions: | | | | |
| - Granted | - | 164,146 | - | 164,146 |
| - Lapsed due to resignation | - | (22,089) | 22,089 | - |
| Total transactions with owners | - | 142,057 | 22,089 | 164,146 |
| As at 31 March 2022 | 30,400,368 | 294,229 | (15,599,238) | 15,095,359 |

*The accompanying notes form an integral part of these financial statements.*

# STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| **Cash flows from operating activities** | | | | |
| Loss before tax | (1,335,244) | (225,274) | (1,007,022) | (3,903,931) |
| Adjustments for : | | | | |
| Amortisation of intangible assets | 1,366,337 | 1,513,987 | - | - |
| Bad debts | - | 138 | - | - |
| Depreciation of : | | | | |
| Investment property | 477 | 477 | - | - |
| Property, plant and equipment | 270,844 | 290,259 | 222,674 | 221,103 |
| right of use assets | - | - | - | - |
| Dividend income | (26,964) | (28,767) | (26,964) | (28,767) |
| Investment in subsidiaries | - | - | 600,000 | 3,453,000 |
| Trade receivables | 151,275 | 85,342 | - | - |
| Interest expense | 75,241 | 48,104 | - | - |
| Interest income | (20,790) | (5,541) | (22,464) | (14,825) |
| Reversal of impairment losses on: | | | | |
| Trade receivables | - | (6,360) | - | - |
| Share-based payment transactions | (14,186) | 164,146 | - | 39,178 |
| Share of results of an associate | (61,742) | (274,483) | - | - |
| Unrealised loss on foreign exchange | 2,388 | 21,016 | - | - |
| **Operating profit/(loss) before working capital changes** | 407,636 | 1,583,044 | (233,776) | (234,242) |
| **Changes in working capital:** | | | | |
| Inventories | (334,132) | (479,837) | - | - |
| Trade and other receivables | 1,842,013 | (2,065,680) | (1,132) | (797) |
| Trade and other payables | (202,653) | 763,455 | (1,238) | (4,862) |
| Contract liabilities | 74,429 | 592,721 | - | - |
| **Cash generated from/(used in) operations** | 1,787,293 | 393,703 | (234,411) | (239,901) |
| Dividends received | 26,964 | 28,767 | 26,964 | 28,767 |
| Interest received | 20,790 | 5,541 | 19,854 | 4,525 |
| Tax paid | (117,169) | (179,888) | (20,000) | (49,918) |
| **Net cash from/(used in) operating activities** | 1,717,878 | 248,123 | (207,593) | (256,527) |

*The accompanying notes form an integral part of these financial statements.*

# STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 (cont'd)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| **Cash flows from investing activities** | | | | | |
| Repayment (Advance to)/from subsidiaries | | - | - | (258,984) | 171,850 |
| Interest income from subsidiaries | | - | - | 2,610 | 10,300 |
| Net cash (outflow)/inflow from disposal of a subsidiary | | - | - | - | - |
| Placement of fixed deposit pledged | | (19,747) | (1,004,285) | (19,747) | (1,004,285) |
| Purchase of property, plant and equipment | | (69,502) | (30,141) | (7,860) | - |
| Software development costs | | (1,039,197) | (1,311,619) | - | - |
| **Net cash used in investing activities** | | (1,128,446) | (2,346,045) | (283,981) | (822,135) |
| **Cash flows from financing activities** | | | | | |
| Advance from a subsidiary | | - | - | (1,735) | 1,735 |
| Drawdown of trust receipts | | 410,247 | 90,542 | - | - |
| Interest paid | | (75,241) | (48,104) | - | - |
| **Net cash from/(used in) financing activities** | | 335,006 | 42,438 | (1,735) | 1,735 |
| **Net decrease in cash and cash equivalents** | | 924,438 | (2,055,484) | (493,309) | (1,076,927) |
| Foreign currency translation differences | | (602,962) | (22,773) | - | - |
| Cash and cash equivalents at beginning of the financial year | | 1,345,353 | 3,423,610 | 1,329,571 | 2,406,498 |
| Cash and cash equivalents at end of financial year (Note 16) | | 1,666,829 | 1,345,353 | 836,262 | 1,329,571 |

Note:

| | | | | |
|---|---|---|---|---|
| (i) Cash and cash equivalents are represented by: | | | | |
| Fixed deposit | 1,024,032 | 1,004,285 | 1,024,032 | 1,004,285 |
| Short term investment | 629,500 | 1,002,721 | 629,500 | 1,002,721 |
| Cash on hand and at banks | 2,236,157 | 1,512,596 | 206,761 | 326,850 |
| Bank overdraft | (1,198,828) | (1,169,964) | - | - |
| | 2,690,861 | 2,349,638 | 1,860,294 | 2,333,856 |
| Less : Pledged fixed deposit | (1,024,032) | (1,004,285) | (1,024,032) | (1,004,285) |
| | 1,666,829 | 1,345,353 | 836,262 | 1,329,571 |

*The accompanying notes form an integral part of these financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are located at No. 35, Scotland Road, 10450 Penang.

The Company is principally involved in the provision of management services, investment holding and sale of computer hardware. The principal activities and other information of its subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 27 July 2023.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**New and Revised MFRSs and Amendments/Improvements to MFRSs**

**(i) Adoption of Amendments to MFRSs**

The Group and the Company have adopted the following Amendments to MFRSs that are mandatory for the current financial year:

| | |
|---|---|
| Amendments to MFRS 3 | Reference to the Conceptual Framework |
| Amendments to MFRS 116 | Property, Plant and Equipment – Proceeds before intended Use |
| Amendments to 137 | Onerous Contracts – Cost of Fulfilling a Contract |
| Annual improvement to MFRS Standard 2018 - 2010 | |

Initial application of the above standards did not have any significant effect on the financial statements of the Group and of the Company.

**2. BASIS OF PREPARATION** (cont'd)

**(a) Statement of compliance** (cont'd)

**(ii) Standards issued but not yet effective and have not been early adopted**

The Group and the Company have not adopted the following new MFRSs and Amendments/Improvements to MFRSs that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and for the Company:

***Effective for financial periods beginning on or after 1 January 2023***

| | |
|---|---|
| MFRS 17 and Amendments to MFRS 17 | Insurance Contracts |
| Amendments to MFRS 17 | Initial Application of MFRS 17 and MFRS 9 - Comparative Information |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current |
| Amendments to MFRS 101 and MFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to MFRS 108 | Definition of Accounting Estimates |
| Amendments to MFRS 112 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

***Effective for financial periods beginning on or after 1 January 2024***

| | |
|---|---|
| Amendments to MFRS 16 | Lease Liability in a Sales and Leaseback |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current<br>Non-current Liabilities with Covenants |

***Effective date to be announced***

| | |
|---|---|
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

The Group and the Company will adopt the above standards when they become effective in the respective financial periods. These standards are not expected to have any effect to the financial statements of the Group and of the Company upon initial applications.

**2. BASIS OF PREPARATION** (cont'd)

**(b) Basis of measurement**

The financial statements of the Group and of the Company have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

**(c) Functional and presentation currency**

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

**(d) Significant accounting estimates and judgements**

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's and the Company's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

**(i) Impairment of non-financial assets**

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows. The Group has also taken into consideration the impact of Covid-19 pandemic in the process of estimating future cash flows.

## 2. BASIS OF PREPARATION (cont'd)

### (d) Significant accounting estimates and judgements (cont'd)

#### (ii) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

#### (iii) Impairment of financial assets

The Group and the Company assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised costs. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9, which required expected lifetime losses to be recognised from initial recognition of the trade receivables.

For non-trade receivables, the Group and the Company apply the approach permitted by MFRS 9, which requires the Group and the Company to measure the allowance for impairment loss for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

#### (iv) Significant influence over the investee

As disclosed in Note 7 to the financial statements, the Company holds 9.6% equity interest in Ygl iBay International Sdn. Bhd. The Company is able to demonstrate significant influence over the financial and operating policies as it has representation on the board of the investee. On this basis, the Company treats the investee as an associate.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

### (a) Basis of consolidation

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant power activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

Business combination

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

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

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

Business combination (cont'd)

The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction cost incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Business combinations under common control are accounted using the predecessor method of merger accounting where the profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

The difference in cost of acquisition over the aggregate carrying value of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction cost for the combination is recognised in profit or loss.

Similar treatment applies in the Company's separate financial statements when assets and liabilities representing the underlying businesses under common control are directly acquired by the Company. In accounting for business combinations in the Company's separate financial statements, the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combination is taken to equity.

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

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

Subsidiaries

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in profit or loss.

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future, is, in substance, considered as part of the Company's investment in subsidiaries.

Non-controlling interests

Non-controlling interests represents the equity in subsidiaries not attributable directly or indirectly, to owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Associates

Associates are entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the associate's operations or has made payments on behalf of the associate.

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

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

Associates (cont'd)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decrease but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss.

Investment in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investment includes transaction costs.

Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions between subsidiaries in the Group, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the end of the reporting period are translated to the functional currencies at the exchange rates at that date. Non-monetary items denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations.

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

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

Translation of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Exchange differences are recognised in other comprehensive income and accumulated in the exchange translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the exchange difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, the significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to the foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the exchange translation reserve in equity.

### (c) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

### (c) Property, plant and equipment (cont'd)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on straight-line basis over the estimated useful life of each component of an item of property, plant and equipment at the following annual rates:

| | |
|---|---|
| Office lot | 2% |
| Motor vehicles | 20% |
| Computer equipment | 20% - 50% |
| Furniture, fittings and office equipment | 20% - 33.33% |
| Renovation | 5% - 20% |

Freehold land is not depreciated as it has an indefinite useful life.

Capital work-in-progress is stated at cost less any accumulated impairment losses and includes borrowing cost incurred during the period of construction.

No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to property, plant and equipment.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted as appropriate.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(iv) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(d) Investment property**

An investment property is held either to earn rental income or for capital appreciation or for both.

The Group uses the cost model to measure its investment property after initial recognition. Accordingly, the investment property is stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property, if any, includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

The Group's investment property is depreciated on a straight-line basis over its remaining useful life of 50 years.

An investment property is derecognised on its disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising from derecognition of such property is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. When an entity uses the cost model, transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

**(e) Intangible assets**

Goodwill

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiaries at the date of acquisition.

Goodwill is allocated to cash-generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in the subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in the Group's profit or loss.

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

### (e) Intangible assets (cont'd)

Software development costs

Costs associated with developing software programmes that are considered to be capable of generating future economic benefits are capitalised in the statement of financial position, otherwise they are recognised in profit or loss as incurred. Cost represents staff costs and other expenditures incurred directly attributable to the development of the computer software.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates.

Software development costs recognised as assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Software development costs, which are regarded to have finite useful lives are amortised on a straight-line basis over their estimated useful lives of 5 to 10 years. 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 3(i)(ii).

Club memberships

Club memberships acquired are measured at cost less accumulated amortisation and any accumulated impairment losses.

### (f) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, short-term highly liquid investments and fixed deposits with licensed banks that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

### (g) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises the original purchase price and directly attributable costs of bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less all estimated costs of completion and the estimated costs necessary to make the sale.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(h) Financial instruments**

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

***Financial assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company change their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets.

All financial assets are subject to impairment assessment in accordance with Note 3(i)(i).

***Financial liabilities***

The category of financial liabilities at initial recognition is as follows:

Amortised cost

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

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

### (h) Financial instruments (cont'd)

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group and the Company currently have a legally enforceable right to set off the amounts and they intend either to settle them on a net basis or to realise the asset and liability simultaneously.

(iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

(a) the amount of the loss allowance; and

(b) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (i) Impairment of assets

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. ECLs are a probability-weighted estimate of credit losses.

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

### (i) Impairment of assets (cont'd)

(i) Financial assets (cont'd)

Loss allowances of the Group and of the Company are measured on either of the following bases:

(a) 12-month ECLs - represents the ECLs that result from default events that are possible within the next 12 months after the end of the reporting period (or for a shorter period if the expected life of the instrument is less than 12 months); or

(b) Lifetime ECLs - represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Simplified approach - trade receivables

The Group and the Company apply the simplified approach to provide ECLs for all trade receivables as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where applicable.

General approach - other financial instruments and financial guarantee contracts

The Group and the Company apply the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At the end of each reporting period, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

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

### (i) Impairment of assets (cont'd)

(i) Financial assets (cont'd)

General approach - other financial instruments and financial guarantee contracts (cont'd)

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or
- The financial asset is more than 1 year past due.

The Group and the Company consider a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held). The Group and the Company only apply a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Credit impaired financial assets

At the end of each reporting period, the Group and the Company assess whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event (e.g. being more than 240 days past due);
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider (e.g. the restructuring of a loan or advance by the Group and the Company on terms that the Group and the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

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

### (i) Impairment of assets (cont'd)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due. Any recoveries made are recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

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

Except for goodwill, previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exist. An impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for assets in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. An impairment loss recognised for goodwill is not reversed.

### (j) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(j) Equity instruments** (cont'd)

Ordinary shares

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

**(k) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**(l) Revenue and other income recognition**

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation ("PO") in the contract with customer and is measured at the consideration specified in the contract of which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns and discounts.

The Group and the Company recognise revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the PO is satisfied, which may be at a point in time or over time. The Group and the Company transfer control of a good or service at a point in time unless one of the following over time criteria is met:

- The customer simultaneously received and consumes the benefits provided as the Group and the Company perform.
- The Group's and the Company's performance create or enhance an asset that the customer controls as the asset is created or enhanced.
- The Group's and the Company's performance do not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(l) Revenue and other income recognition** (cont'd)

(i) Revenue from contracts with customers (cont'd)

Software installation, commissioning, support and maintenance services

*(a) Software installation and commissioning*

The Group provides integrated software solutions to its customers which involve customisation, implementation, data conversion, software design or development, testing and go-live processes. These services are considered as a single PO as they are interdependent on one another and transaction price is based on stand-alone selling price. Revenue is recognised over time when the PO is satisfied over the period of the contract by reference to the progress towards complete satisfaction of the agreed PO stipulated in the contract. Payment is generally due within 30 to 90 days from invoice date.

*(b) Support and maintenance services*

The Group also offers post-contract support and maintenance services ("S&M") which is an after-sales element included in the contract with customers on the integrated software solutions. Generally, these services include upgrade support and correction of errors (bug fixes or debugging), as well as unspecified upgrades or enhancements towards software previously installed. This S&M contract comprises a single PO and is generally satisfied over the contract period of 12 months. Revenue is recognised over time as the customers simultaneously consumed and received the benefits provided by the Group. Payment is generally due within 30 to 60 days from invoice date.

Solar panel installation services

The Group provides engineering, procurement, construction and commissioning ("EPCC") services in solar energy solution to customers in two categories, namely residential and commercial and industrial (roof-top projects). The Group's EPCC services include system designs and installations, project commissioning to project handover that caters to all types of solar photovoltaic projects. Revenue is recognised over time when the PO is satisfied over the period of the contract by reference to the progress towards complete satisfaction of the agreed PO stipulated in the contract. Payment is generally due within 30 to 60 days from invoice date.

Other related services

Revenue from provision of other services related to the abovementioned revenues comprise sale of hardware, sale of user license and provision of consultancy services.

Revenue from sale of hardware is recognised upon delivery of goods where the control of the goods has been passed to the customers, net of sales and service taxes and discounts. Such revenue is recognised at point in time when control of goods is transferred to the customers.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(l) Revenue and other income recognition** (cont'd)

(i) Revenue from contracts with customers (cont'd)

Other related services (cont'd)

The Group enters into contract with customers to provide one-off consultancy services. Such contract comprises a single PO and is satisfied at the point in time when such consultancy services are rendered and completed. Payment is generally due within 30 days from invoice date.

Contract liabilities

Contract liabilities are the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. The Group's contract liabilities are the excess of the billings to date over the cumulative revenue earned. Contract liabilities are recognised as revenue when the Group performs its obligation under the contract.

Incremental costs of obtaining a contract

The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer arising from the solar panel installation services which it would not have incurred if the contract had not been obtained. The incremental costs of obtaining a contract with a customer are recognised as contract cost assets when the Group expects those costs to be recoverable.

Contract costs are amortised over the revenue recognition by reference to the progress towards complete satisfaction of that PO. For contract costs with an amortisation period of less than one year, the Group has elected to apply the practical expedient to recognise as an expense when incurred. Amortisation of contract costs are included as part of "cost of sales" in profit or loss, based on the nature of the related costs, and not under amortisation expenses.

Management fee

The Company provides management services to certain subsidiaries. Revenue is recognised over time as the subsidiaries simultaneously consumed and received the benefits provided by the Company. Payment is generally due within the same financial year.

(ii) Rental income

Rental income is recognised on a straight-line basis over the term of relevant lease.

(iii) Dividend income

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

(iv) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(m) Employee benefits**

(i) Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). The Group's foreign subsidiaries also make contributions to their countries' statutory pension scheme. Such contributions are recognised as an expense as incurred.

(iii) Shared-based payment transactions – Employees' share option scheme ("ESOS")

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in share option reserve within equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. The share option reserve will be transferred to share capital upon exercise, or directly to retained profits upon expiry. The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the options are exercised.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee shares options is measured using Black-Scholes Option Pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weightage average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

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

### (n) Government grant/assistance

Grants/Assistance from government is recognised when there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants/assistance relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grant/assistance related to assets are presented in the statements of financial position as deferred revenue and recognised in the profit or loss on a systematic basis over the useful life of the asset.

### (o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Other borrowing costs i.e. bank and finance charges are recognised as expenses in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (p) Income taxes

Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

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

### (p) Income taxes (cont'd)

Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

### (q) Leases

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets and lease liabilities are presented as a separate line in the statements of financial position.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment, except for the lease of premise which is depreciated over the lease term of two years.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(q) Leases** (cont'd)

As a lessee (cont'd)

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group applies MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in accordance with Note 3(i)(ii).

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

**(r) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of the Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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

### (s) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain event(s) not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group and of the Company.

### (t) Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) Has control or joint control over the Group;
  (ii) Has significant influence over the Group; or
  (iii) Is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

  (i) The entity and the Group are members of the same group.
  (ii) The entity is an associate or joint venture of the other entity.
  (iii) Both entities are joint ventures of the same third party.
  (iv) The entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
  (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
  (vii) A person identified in (a)(i) above has significant influence over the Group or is a member of the key management personnel of the Group.
  (viii) The entity, or any member of a group when it is a part, provides key management personnel services to the Group.

### (u) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

### (u) Fair value measurements (cont'd)

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## 4. PROPERTY, PLANT AND EQUIPMENT

**Group**

| | Freehold land and office lot RM | Motor vehicles RM | Computer equipment RM | Furniture, fittings and office equipment RM | Renovation RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| **At cost** | | | | | | | |
| Balance at beginning | 1,038,825 | 415,164 | 704,900 | 495,140 | 4,437,355 | 201,837 | 7,293,221 |
| Addition | - | - | 46,946 | 18,359 | - | 4,197 | 69,502 |
| Written off | - | - | (3,699) | - | - | - | (3,699) |
| Balance at end | 1,038,825 | 415,164 | 748,147 | 513,499 | 4,437,355 | 206,034 | 7,359,024 |
| **Accumulated depreciation** | | | | | | | |
| Balance at beginning | 96,560 | 415,162 | 693,026 | 481,649 | 1,839,396 | - | 3,525,793 |
| Current charge | 5,016 | - | 35,344 | 9,382 | 221,102 | - | 270,844 |
| Written off | - | - | (3,699) | - | - | - | (3,699) |
| Balance at end | 101,576 | 415,162 | 724,671 | 491,031 | 2,060,498 | - | 3,792,938 |
| **Carrying amount** | 937,249 | 2 | 23,476 | 22,468 | 2,376,857 | 206,034 | 3,566,086 |
| **2022** | | | | | | | |
| **At Cost** | | | | | | | |
| Balance at beginning | 1,038,825 | 415,164 | 677,733 | 487,450 | 4,437,355 | 201,837 | 7,258,364 |
| Addition | - | - | 23,741 | 6,400 | - | - | 30,141 |
| Foreign currency translation | - | - | 3,426 | 1,290 | - | - | 4,716 |
| Balance at end | 1,038,825 | 415,164 | 704,900 | 495,140 | 4,437,355 | 201,837 | 7,293,221 |
| **Accumulated depreciation** | | | | | | | |
| Balance at beginning | 91,543 | 377,547 | 670,334 | 473,101 | 1,618,293 | - | 3,230,818 |
| Current charge | 5,017 | 37,615 | 19,266 | 7,258 | 221,103 | - | 290,259 |
| Foreign currency translation | - | - | 3,426 | 1,290 | - | - | 4,716 |
| Balance at end | 96,560 | 415,162 | 693,026 | 481,649 | 1,839,396 | - | 3,525,793 |
| **Carrying amount** | 942,265 | 2 | 11,874 | 13,491 | 2,597,959 | 201,837 | 3,767,428 |

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

**Company**

| | Computer equipment RM | Furniture and fittings RM | Renovation RM | Total RM |
|---|---|---|---|---|
| **2023** | | | | |
| **At cost** | | | | |
| Balance at beginning | 27,917 | 82,491 | 4,422,054 | 4,532,462 |
| Addition | - | 7,860 | - | 7,860 |
| Foreign currency translation | - | - | - | - |
| Balance at end | 27,917 | 90,351 | 4,422,054 | 4,540,322 |
| **Accumulated depreciation** | | | | |
| Balance at beginning | 27,916 | 82,489 | 1,824,098 | 1,934,503 |
| Current charge | - | 1,571 | 221,103 | 222,674 |
| Foreign currency translation | - | - | - | - |
| Balance at end | 27,916 | 84,060 | 2,045,201 | 2,157,177 |
| **Carrying amount** | 1 | 6,291 | 2,376,853 | 2,383,145 |
| **2022** | | | | |
| **At Cost** | | | | |
| Balance at beginning and at end | 27,917 | 82,491 | 4,422,054 | 4,532,462 |
| **Accumulated depreciation** | | | | |
| Balance at beginning | 27,916 | 82,489 | 1,602,995 | 1,713,400 |
| Current charge - | - | 221,103 | 221,103 | |
| Balance at end | 27,916 | 82,489 | 1,824,098 | 1,934,503 |
| **Carrying amount** | 1 | 2 | 2,597,956 | 2,597,959 |

(a) The freehold land and office lot of the Group are pledged to a licensed bank for overdraft facility granted to a subsidiary as disclosed in Note 17 to the financial statements.

(b) The Group's motor vehicle with a carrying amount of RM2 (2022: RM2) is registered in the name of a Director, held trust for the Group.

(c) Management has performed the impairment assessment on the Group's and the Company's property, plant and equipment by comparing the carrying amount with their recoverable amount. The recoverable amount of property, plant and equipment is determined based on value-in-use calculations using cash flows projections for a five-year period from the financial forecasts approved by the Directors.

Based on the impairment assessment, the management concluded that no impairment is required.

## 5. INVESTMENT PROPERTIES

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| **At cost** | | |
| Balance at beginning/end | 290,000 | 290,000 |
| **Accumulated depreciation** | | |
| Balance at beginning | 7,273 | 6,796 |
| Current charge | 477 | 477 |
| Balance at end | 7,750 | 7,273 |
| **Carrying amount** | 282,250 | 282,727 |
| **Fair value** | 750,000 | 720,000 |

The investment property comprises a shop lot and is held to earn rental income and for capital appreciation.

The following are the operating income and expenses in respect of the investment property:

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| Rental income | 24,600 | 6,000 |
| Direct operating expenses (income generating) | 5,905 | 1,327 |
| Direct operating expenses (non-income generating) | - | 3,981 |

The fair value of the investment property is categorised at Level 3 of the fair value hierarchy.

The fair value was arrived at based on the Directors' best estimate without the involvement of independent valuers based on the comparison the Group's investment property with similar property that were listed for sale within the same locality or other comparable localities and adjusted for differences in key attributes such as property size. The most significant input into this estimate is price per square foot of comparable properties.

## 6. INVESTMENT IN SUBSIDIARIES

| | Company 2023 RM | Company 2022 RM |
|---|---|---|
| **Unquoted shares, at cost** | | |
| Balance at beginning | 8,656,815 | 8,656,815 |
| Addition | 540,000 | - |
| Balance at end | 9,196,815 | 8,656,815 |
| **Capital contribution to subsidiaries** | | |
| Balance at beginning | 10,947,039 | 10,804,000 |
| Additions | - | 540,000 |
| Repayment | (584,239) | (396,961) |
| Balance at end | 10,362,800 | 10,947,039 |
| **Allocated ESOS charge in respect of share options granted to the employees of the subsidiaries** | - | 124,968 |
| | 19,559,615 | 19,728,822 |
| **Accumulated impairment loss** | | |
| Balance at beginning | 11,049,012 | 7,596,012 |
| Additions | 600,000 | 3,453,000 |
| Balance at end | 11,649,012 | 11,049,012 |
| | 7,910,603 | 8,679,810 |

Details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Effective equity interest 2023 % | Effective equity interest 2022 % | Principal activities |
|---|---|---|---|---|
| Ygl Convergence Malaysia Sdn. Bhd. | Malaysia | 100 | 100 | Marketing and distribution of computer software and hardware and the provision of professional services. |
| Ygl Multimedia Resources Sdn. Bhd. | Malaysia | 100 | 100 | Developing and selling of software systems. |

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

Details of the subsidiaries are as follows (cont'd):

| Name of subsidiaries | Country of incorporation | Effective equity interest 2023 % | 2022 % | Principal activities |
|---|---|---|---|---|
| Ygl Convergence (HK) Limited [2] | Hong Kong | 100 | 100 | Trading of computer equipment and software and provision of related services. |
| Ygl Convergence (Asia Pacific) Pte. Ltd. [1] | Singapore | 60 | 60 | Provision of software and consultancy and computer systems integrated services. |
| Ygl Technologies Sdn. Bhd. | Malaysia | 55 | 55 | Provision of computer, automation solution and electronic commerce services. |
| Ygl Technologies Pte. Ltd. [1] | Singapore | 100 | 100 | Provision of software and related services. |
| NS Infotech Sdn. Bhd. | Malaysia | 80 | 80 | Dormant. |
| Ygl Intelligent Technology Sdn. Bhd. | Malaysia | 100 | 100 | Provision of software consultancy and implementation services. |
| Ai Solar Sdn. Bhd. | Malaysia | 94.29 | 60 | Provision of solar panel installation services which include engineering, procurement, construction and commissioning services in solar energy solution to customers and the provision of its related services. |

[1] Audited by overseas affiliate of Chengco PLT.
[2] Not audited by Chengco PLT.

(a) Capital contribution

The capital contribution is in relation to advances to certain subsidiaries that are not expected to be repaid in foreseeable future and in substance, represents additional investments into the subsidiaries by the Company.

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

(b) Additional subscription in a subsidiary

The Company and a subsidiary, namely Ygl Convergence Malaysia Sdn Bhd ("Ygl CM") have respectively subscribed for 540,000 units and 60,000 units new ordinary shares in AI Solar Sdn Bhd ("Ai Solar") as satisfaction of RM540,000 and RM60,000 owing from Ai Solr respectively. Following the subscription, the Group's equity interest in Ai Solar is increased from 60% to 94.29%.

(c) Non-controlling interests ("NCI")

The subsidiaries of the Group, namely Ygl Convergence (Asia Pacific) Pte. Ltd. ("Ygl AP") and Ai Solar Sdn. Bhd. ("Ai Solar") have material NCI as follows:

| | **2023** | | **2022** | |
|---|---|---|---|---|
| | **Ygl AP** | **Ai Solar** | **Ygl AP** | **Ai Solar** |
| NCI percentage of ownership and voting interest | 40% | 5.71% | 40% | 40% |
| Carrying amount of NCI (RM) | (266,566) | (174,502) | (259,973) | (150,056) |
| (Loss)/Profit allocated to NCI (RM) | (6,593) | (24,446) | (284) | (166,466) |
| Total comprehensive (loss)/ income allocated to NCI (RM) | (6,593) | (24,446) | (2,090) | (166,466) |

The summarised financial information before intragroup elimination are as follows:

| | **2023** | | **2022** | |
|---|---|---|---|---|
| | **Ygl AP** | **Ai Solar** | **Ygl AP** | **Ai Solar** |
| | **RM** | **RM** | **RM** | **RM** |
| Assets and liabilities: | | | | |
| Non-current assets | - | 11,113 | - | 7,599 |
| Current asset | 38,785 | 1,905,166 | 59,951 | 2,979,960 |
| Non-current liabilities | - | (17,782) | - | (98,465) |
| Current liabilities | (705,201) | (2,701,768) | (709,883) | (3,264,233) |
| Net (liabilities)/assets | (666,416) | (803,271) | (649,932) | (375,139) |

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

(c) Non-controlling interests ("NCI") (cont'd)

The summarised financial information before intragroup elimination are as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Ygl AP RM** | **Ai Solar RM** | **Ygl AP RM** | **Ai Solar RM** |
| Results: | | | | |
| Revenue | - | 6,606,733 | - | 8,274,775 |
| Net (loss)/profit for the finanial year | (16,484) | (428,132) | (710) | (416,165) |
| Total comprehensive (loss)/income for the financial year | (16,484) | (428,132) | (5,226) | (416,165) |
| Cash flows: | | | | |
| Net cash (used in)/from: | | | | |
| Operating activities | (16,316) | (293,315) | (957) | (1,116,020) |
| Investing activities | - | (13,047) | - | (11,899) |
| Financing activities | 3,232 | 310,298 | - | 1,450,600 |
| Net (decrease)/increase in cash and bank balances | (13,084) | 3,936 | (957) | 322,681 |

(e) Impairment loss

During the financial year, the Company carried out a review of the recoverable amounts of its investment in subsidiaries that are in loss-making and significant accumulated losses position. An impairment loss of RM600,000 was recognised in the Company's profit or loss during the financial year ended 31 March 2023 as the recoverable amounts calculated for these subsidiaries were less than their carrying amounts. The recoverable amounts of these subsidiaries are derived based on value-in-use calculations using cash flow projections for a five-year period from the financial forecasts approved by the Directors.

## 7. INVESTMENT IN AN ASSOCIATE

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| **Unquoted shares, at cost** | 1,475,000 | 1,475,000 | 1,475,000 | 1,475,000 |
| **Accumulated impairment loss** | | | | |
| Balance at beginning | - | - | - | - |
| Reversal | - | - | - | - |
| Balance at end | - | - | - | - |
| **Share of post-acquisition results** | | | | |
| Balance at beginning | 531,624 | 248,978 | - | - |
| Additions | 61,742 | 282,646 | - | - |
| Balance at end | 593,366 | 531,624 | - | - |
| | 2,068,366 | 2,006,624 | 1,475,000 | 1,475,000 |

Details of the associate are as follows:

| Name of associate | Country of incorporation | Effective equity interest 2023 % | Effective equity interest 2022 % | Principal activities |
|---|---|---|---|---|
| Ygl iBay International Sdn. Bhd. | Malaysia | 9.60 | 9.60 | Investment holding and in the business of iron ore and other related commodities supply chain management business solutions services. |

The financial year end of the associates is 31 December. However, the associate has prepared the financial statement as of the same date of the Company for the purpose of applying equity method of accounting. Appropriate adjustments have been made to account for significant transactions from the associate's financial year to 31 March, which is coterminous with the financial year end of the Group.

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

## 7. INVESTMENT IN AN ASSOCIATE (cont'd)

The summarised financial information of the associate are as follows:

| | 2023 RM | 2022 RM |
|---|---|---|
| **Assets and liabilities** | | |
| Non-current assets | 17,630,703 | 23,204,230 |
| Current asset | 26,336,446 | 18,724,372 |
| Non-current liabilities | - | (105,320) |
| Current liabilities | (22,421,670) | (20,920,936) |
| Net assets | 21,545,479 | 20,902,346 |

| | 2023 RM | 2022 RM |
|---|---|---|
| **Results for the financial year** | | |
| Revenue | 61,601,316 | 20,239,447 |
| Net (loss)/profit for the finanial year | 643,146 | 2,859,203 |
| Other comprehensive (loss)/income | - | 85,034 |
| Total comprehensive (loss)/income | 643,146 | 2,944,237 |

## 8. INTANGIBLE ASSETS

**Group**

| | Software development costs RM | Goodwill RM | Club memberships RM | Total RM |
|---|---|---|---|---|
| **2023** | | | | |
| **At cost** | | | | |
| Balance at beginning | 23,667,960 | 1,319,283 | 50,000 | 25,037,243 |
| Additions | 1,039,197 | - | - | 1,039,197 |
| Written off | (642,025) | - | - | (642,025) |
| Balance at end | 24,065,132 | 1,319,283 | 50,000 | 25,434,415 |
| **Accumulated depreciation** | | | | |
| Balance at beginning | 20,909,847 | - | 16,572 | 20,926,419 |
| Current charge | 1,364,721 | - | 1,616 | 1,366,337 |
| Written off | (576,797) | - | - | (576,797) |
| Balance at end | 21,697,771 | - | 18,188 | 21,715,959 |
| **Accumulated impairment loss** | | | | |
| Balance at beginning | 65,228 | 1,234,146 | 2,000 | 1,301,374 |
| Written off | (65,228) | - | - | (65,228) |
| Balance at end | - | 1,234,146 | 2,000 | 1,236,146 |
| **Carrying amount** | 2,367,361 | 85,137 | 29,812 | 2,482,310 |

## 8. INTANGIBLE ASSETS (cont'd)

**Group** (cont'd)

| | Software development costs RM | Goodwill RM | Club memberships RM | Total RM |
|---|---|---|---|---|
| **2022** | | | | |
| **At cost** | | | | |
| Balance at beginning | 22,351,876 | 1,319,283 | 50,000 | 23,721,159 |
| Additions | 1,311,619 | - | - | 1,311,619 |
| Foreign currency translation | 4,465 | - | - | 4,465 |
| Balance at end | 23,667,960 | 1,319,283 | 50,000 | 25,037,243 |
| **Accumulated depreciation** | | | | |
| Balance at beginning | 19,393,646 | - | 14,956 | 19,408,602 |
| Current charge | 1,512,371 | - | 1,616 | 1,513,987 |
| Foreign currency translation | 3,830 | - | - | 3,830 |
| Balance at end | 20,909,847 | - | 16,572 | 20,926,419 |
| **Accumulated impairment loss** | | | | |
| Balance at beginning | 64,775 | 1,234,146 | 2,000 | 1,300,921 |
| Foreign currency translation | 453 | - | - | 453 |
| Balance at end | 65,228 | 1,234,146 | 2,000 | 1,301,374 |
| **Carrying amount** | 2,692,885 | 85,137 | 31,428 | 2,809,450 |

## 8. INTANGIBLE ASSETS (cont'd)

(a) Software development costs

Additions for the financial year include the following:

| | Note | 2023 RM | 2022 RM |
|---|---|---|---|
| Purchase of software | | - | 90,000 |
| **Capitalised from profit or loss:** | | | |
| Employee benefits expense (Note 18b) | | 1,015,197 | 1,197,619 |
| Rental of premise | | 24,000 | 24,000 |
| | | 1,039,197 | 1,311,619 |

The amortisation and impairment of software development costs are included in cost of sales and general and administrative expenses respectively.

(b) Goodwill

For the purpose of impairment test, goodwill acquired in a business combination is allocated, at acquisition date, to the cash-generating units ("CGUs") that are expected to benefit from the business combinations. The Group considers each subsidiary acquired as a single CGU and the carrying amounts of goodwill were allocated to the respective subsidiaries.

As at 31March 2022 and 31March 2023, the remaining carrying amount of goodwill has been allocated to two individual CGUs, namely Ai Solar Sdn. Bhd. (RM84,982) and Ygl Technology Sdn. Bhd. (RM155).

The recoverable amounts of the CGUs for both the current financial year and previous financial year were derive based on value-in-use calculations. The value-in-use calculations were determined using projected cash flows for a five-year period and by extrapolation using the growth rate based on historical experience, management's assessment of future trends, expectation of market development in the respective industries, as well as considering the impact of Covid-19 pandemic.

The key assumptions used in the preparation of the projected cash flows are as follows:

(i) Budgeted gross margin

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

**8. INTANGIBLE ASSETS** (cont'd)

(b) Goodwill (cont'd)

The key assumptions used in the preparation of the projected cash flows are as follows (cont'd):

(ii) Growth rate

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

(iii) Pre-tax discount rate

The pre-tax discount rate of 9.95% (2022: 9.28%) is applied to the calculations in determining the recoverable amount of the CGUs. The discount rate used is based on the weighted average cost of capital of the Company.

Sensitivity to changes and assumptions

Based on the sensitivity analysis performed with regard to the assessment of value-in-use, the Directors believe that no reasonable possible changes in any of the above key assumptions would cause the carrying amounts of the respective CGUs to materially exceed their recoverable amounts for the current and previous financial year. As a result of the analysis, management did not identify an impairment for the CGUs.

(c) Club memberships

The club memberships are amortised over the membership tenure of 24 years and 38 years. The amortisation is included in general and administrative expenses.

**9. INVENTORIES**

**Group**

Inventories comprise purchased materials for its provision of solar panel installation services and are stated at cost.

During the financial year, the inventories recognised in profit or loss as cost of sales is RM5,515,856 (2022: RM6,659,774).

## 10. TRADE RECEIVABLES AND OTHER RECEIVABLES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| **Trade** | (a) | | | | |
| Gross amount | | 3,072,290 | 4,478,950 | - | - |
| Allowance for impairment loss | | (690,682) | (539,863) | - | - |
| Trade receivables, net | | 2,381,608 | 3,939,087 | - | - |
| **Non-trade** | | | | | |
| Third parties | | 17,140 | 15,407 | - | - |
| Related parties | (b) | 5,458 | 5,754 | 5,356 | 5,173 |
| Refundable deposits | | 40,495 | 38,477 | 10,000 | 10,000 |
| Prepayment | | 63,990 | 128,967 | 1,077 | 129 |
| Contract costs | (c) | 87,610 | 461,897 | - | - |
| | | 214,693 | 650,502 | 16,433 | 15,302 |
| | | 2,596,301 | 4,589,589 | 16,433 | 15,302 |

(a) Trade receivables are non-interest bearing and are generally on 30 to 90 days credit terms (2022: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in the gross amount is RM Nil (2022: NIL) due from an associate of the Company.

The movements in impairment loss during the financial year were:

| | Group | |
|---|---|---|
| | 2023 RM | 2022 RM |
| Balance at beginning | 539,863 | 1,816,656 |
| Additions | 151,275 | 85,342 |
| Reversal due to recovered | - | (6,360) |
| Written off | (16,201) | (1,357,464) |
| Foreign currency translation | 15,745 | 1,689 |
| Balance at end | 690,682 | 539,863 |

## 10. TRADE RECEIVABLES AND OTHER RECEIVABLES (cont'd)

(b) Related parties refer to companies in which certain Directors of the Group and of the Company have substantial financial interests. The amount relates to cost sharing which is unsecured and non-interest bearing. The credit term granted to the related parties is 30 days (2022: 30 days).

(c) The contract costs represent the capitalised incremental costs to obtain a contract in relation to the Group's provision of solar panel installation services. These costs are subsequently expensed off as cost of sales by reference to the performance completed to date, consistent with the revenue recognition.

During the financial year, the total costs to obtain contracts recognised by the Group as cost of sales in profit or loss amounted to RM5,804,056.85 (2022: RM6,710,705).

## 11. AMOUNT DUE FROM/TO SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2023 RM | 2022 RM |
| **Due from** | | |
| Non-interest bearing | 429,579 | 1,388 |
| | 429,579 | 1,388 |
| **Due to** | | |
| Non-interest bearing | - | 1,735 |

These amounts are non-trade in nature, unsecured, interest free and repayable on demand.

## 12. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Fixed deposit | 1,024,032 | 1,004,285 | 1,024,032 | 1,004,285 |
| Short term investment | 629,500 | 1,002,721 | 629,500 | 1,002,721 |
| Cash on hand and at banks | 2,236,157 | 1,512,596 | 206,761 | 326,850 |
| | 3,889,689 | 3,519,602 | 1,860,294 | 2,333,856 |

The fixed deposit with a licensed bank is pledged as security for banking facilities granted to a subsidiary as disclosed in Note 17 to the financial statements. The effective interest rate of the fixed deposit is 2.70% (2022: 1.70%) per annum and having maturity period within one year.

Short term investment represents investment in money market fund managed by a licensed financial institution, which is tax exempted and allows prompt redemption at any time.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 (cont'd)

## 13. SHARE CAPITAL

| | Number of ordinary shares | |
|---|---|---|
| | 2023 Unit | 2022 Unit |
| **Issued and fully paid** | 255,514,540 | 255,514,540 |

| | Amount | |
|---|---|---|
| | 2023 RM | 2022 RM |
| **Issued and fully paid** | 30,400,368 | 30,400,368 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

## 14. OTHER RESERVES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| **Non-distributable reserve:** | | | | | |
| Exchange translation reserve | (a) | 137,530 | 738,165 | - | - |
| ESOS reserve | (b) | 280,043 | 294,229 | 280,043 | 294,229 |
| | | 417,573 | 1,032,394 | 280,043 | 294,229 |

(a) Exchange translation reserve

This reserve is in respect of foreign exchange differences on translation of the financial statements of the Group's foreign subsidiaries.

(b) ESOS reserve

The fair value of equity-settled share options granted was estimated using Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The expected life of the option is based on historical date and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

**14. OTHER RESERVES** (cont'd)

(b) ESOS reserve (cont'd)

The Company's ESOS is governed by the By-Laws approved by the shareholders at the Extraordinary General Meeting held on 27 May 2017. The ESOS came into effect on 6 November 2017 and will be in force for a duration of 5 years, expiring on 5 November 2022. On 31 March 2021, the Directors have extended the ESOS for a further period of 5 years from 6 November 2022 to 5 November 2027 in accordance with terms of the By-Laws.

The salient features of the ESOS are as follows:

(i) The total number of new ordinary shares which are available to be issued under the ESOS shall not in aggregate exceed thirty percent (30%) of the total issued and fully paid-up share capital (excluding treasury shares, if any) of the Company at any point in time during the duration of the scheme.

(ii) A person shall be eligible to participate in the ESOS if, as at the date of offer, has attained the age of at least eighteen (18) years old; not be an undischarged bankrupt nor subject to any bankruptcy proceedings; be a Director of the Group or be a full-time employee confirmed in service and served at least six continuous months within the Group and has not served a notice to resign prior to the date of offer ("Eligible Person"). Eligibility to participate in the scheme does not confer on an Eligible Person a claim or right to participate in the scheme unless the ESOS Committee has made an offer and the Eligible Person has accepted the offer in accordance with the terms of the offer and the scheme. The selection of any Eligible Person to participate in the scheme shall be at the discretion of the ESOS Committee.

(iii) At the Directors' absolute discretion, upon recommendation of the ESOS Committee, the scheme may be extended for a further five (5) years or such shorter period from the expiry of the first five (5) years, without any approval from the shareholders of the Company in a general meeting.

(iv) The option price at which the grantee is entitled to subscribe for each new ordinary share shall be fixed based on the five (5) day volume weighted average market price of the Company's shares, as quoted on Bursa Malaysia Securities Berhad, immediately preceding the offer date with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities.

(v) The new ordinary shares to be allocated and issued upon any exercises of the option will, upon such allotment and issuance, rank pari passu in all respects with the then existing issued and fully paid-up shares of the Company, except that the new ordinary shares so allotted and issued will not be entitled to any dividends, rights, allotments of the new ordinary shares.

(vi) The new ordinary shares allotted and issued pursuant to the exercise of an ESOS option will not be subjected to any retention period or restriction on transfer. However, an eligible Director who is a non-executive Director in the Group shall not sell, transfer or assign the Company's shares obtained through the exercise of the ESOS options granted to him within one (1) year from the offer date.

**14. OTHER RESERVES** (cont'd)

(b) ESOS reserve (cont'd)

**Movement of share options during the financial year**

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

| | 2023 Number of share option | WAEP RM | 2022 Number of share option | WAEP RM |
|---|---|---|---|---|
| **Batch 1** | | | | |
| Grant date | 6 November 2017 | | 6 November 2017 | |
| Balance at beginning | 1,007,000 | 0.16 | 1,178,000 | 0.16 |
| Lapsed due to resignation | - | 0.16 | (171,000) | 0.16 |
| Balance at end | 1,007,000 | 0.16 | 1,007,000 | 0.16 |
| **Batch 2** | | | | |
| Grant date | 21 April 2022 | | 21 April 2022 | |
| Balance at beginning | 1,215,000 | 0.19 | 1,215,000 | 0.19 |
| Lapsed due to resignation | (105,000) | | - | |
| Balance at end | 1,110,000 | | 1,215,000 | |

**Fair value of share options granted**

The fair values of the share options granted were estimated at the grant date using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted.

The table below lists the inputs to the Black-Scholes model for the ESOS granted:

| | 6.11.2017 | 21.4.2022 |
|---|---|---|
| Fair value (RM) | 0.129 | 0.135 |
| Expected volatility (%) | 85.31 | 62.66 |
| Risk-free interest rate (% p.a.) | 3.76 | 2.95 |
| Dividend yield (%) | - | - |
| Expected life of option (years) | 5 | 6.55 |
| Weighted average share price (RM) | 0.18 | 0.21 |

The expected life of the options is based on historical date and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## 15. CONTRACT LIABILITIES

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| Current | | |
| - software installation, commissioning, post-contract support and maintenance servies | 1,377,847 | 877,928 |
| - solar panel installation services | 134,657 | 479,463 |
| | 1,512,504 | 1,357,391 |
| Non-current | | |
| - solar panel installation services | 17,782 | 98,465 |
| | 1,530,286 | 1,455,856 |

For software implementation services, the contract liabilities comprise advance billings or payments received before work is performed which are to be provided to customers and will be recognised as revenue when performance obligations are satisfied over the next 12 months.

For solar panel installation services, the contract liabilities comprise advance billings or payments received before work is performed as well as service-type warranty which are to be provided to customers and will be recognised as revenue when performance obligations are satisfied over several financial years as follows:

| | 2024 RM | 2025 RM | 2026 RM | 2027 RM | 2028 RM | More than 5 years RM | Total RM |
|---|---|---|---|---|---|---|---|
| **2023** | 134,656 | 5,081 | - | - | 2,461 | 10,240 | 152,438 |

## 16. TRADE, OTHER PAYABLES AND ACCRUALS

| | Note | Group 2023 RM | Group 2022 RM | Company 2023 RM | Company 2022 RM |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Third parties | (a) | 286,990 | 811,223 | - | - |
| **Non-trade** | | | | | |
| Third parties | | 879,890 | 374,073 | 5,470 | 293 |
| Accruals | | 219,329 | 379,584 | 48,142 | 52,823 |
| Director | (b) | 592,096 | 592,096 | - | - |
| Related party | (c) | - | - | - | - |
| Refundable deposits | (d) | 8,500 | 30,695 | - | - |
| | | 1,699,815 | 1,376,448 | 53,612 | 53,116 |
| | | 1,986,805 | 2,187,671 | 53,612 | 53,116 |

**16. TRADE, OTHER PAYABLES AND ACCRUALS** (cont'd)

(a) The normal trade credit term granted to the Group range from 30 to 90 days (2022: 30 to 90 days) depending on the terms of the contracts.

(b) The amount is unsecured, non-interest bearing and is repayable on demand.

(c) The related party of the Group and of the Company refers to a company in which certain Directors of the Company have substantial financial interests. It was unsecured, non-interest bearing and was normally settled within 30 days credit term.

(d) These deposits are in relation to the Group's solar panel installation services and are refundable to the customers should the application to Sustainable Energy Development Authority ("SEDA") be rejected, net of any cost incurred to date. Upon obtaining approval from SEDA, the amount will be recognised as revenue.

**17. BANK BORROWINGS**

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **RM** | **RM** |
| **Secured** | | |
| Bank overdraft | 1,198,828 | 1,169,964 |
| Trust receipts | 500,789 | 90,542 |
| | 1,699,617 | 1,260,506 |

The effective interest rates per annum of the borrowings as at the end of the reporting period are as follows:

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **%** | **%** |
| **Secured** | | |
| Bank overdraft | 10.40 | 10.00 |
| Trust receipts | 7.90 | 6.65 |

The borrowings are secured by way of:

(i) The facility agreement,
(ii) Pledged of the Group's freehold land and office lot (Note 4),
(iii) Joint and several guaranteed by certain Directors of the company,
(iv) Corporate guarantee by the Company, and
(v) Pledged of the Company's fixed deposit (Note 12).

## 18. REVENUE

| | Group 2023 RM | Group 2022 RM | Company 2023 RM | Company 2022 RM |
|---|---|---|---|---|
| Software implementation services: | | | | |
| - Sale of user license | 28,858 | 6,934 | - | - |
| - Consultancy services | 20,204 | 46,711 | - | - |
| - Software installation, commissioning, post-contract support and maintenance services | 5,053,469 | 5,410,273 | - | - |
| Solar panel installation services | 6,606,733 | 8,274,775 | - | - |
| Sale of hardware | 123,153 | 113,855 | - | - |
| Management fees | - | - | 10,000 | 10,000 |
| | 11,832,417 | 13,852,548 | 10,000 | 10,000 |

**Disaggregation of revenue**

| | Group 2023 RM | Group 2022 RM | Company 2023 RM | Company 2022 RM |
|---|---|---|---|---|
| **Primary geographical markets** | | | | |
| - Malaysia | 10,309,887 | 12,226,554 | 10,000 | 10,000 |
| - Hong Kong | 1,522,530 | 1,620,188 | - | - |
| - Singapore | - | 5,806 | - | - |
| | 11,832,417 | 13,852,548 | 10,000 | 10,000 |
| **Timing of recognition** | | | | |
| At a point in time | 172,215 | 167,500 | - | - |
| Over time | 11,660,202 | 13,685,048 | 10,000 | 10,000 |
| | 11,832,417 | 13,852,548 | 10,000 | 10,000 |

## 19. LOSS BEFORE TAX

This is arrived at after charging/(crediting):

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Amortisation of intangible assets | | 1,366,337 | 1,513,987 | - | - |
| Auditors' remuneration: | | | | | |
| - Statutory Audit | | | | | |
| - Company's auditors | | | | | |
| - Current year | | 91,500 | 93,000 | 41,000 | 43,000 |
| - Prior year | | - | (800) | - | - |
| - affiliated auditors | | 6,491 | 26,818 | - | - |
| - other auditors | | 25,559 | 17,340 | - | - |
| - Non-audit services | | | | | |
| - Company's auditors | | 5,000 | 4,000 | 5,000 | 4,000 |
| Bad debts | | - | 138 | - | - |
| Depreciaiton: | | | | | |
| - property, plant and equipment | | 270,844 | 290,259 | 222,675 | 221,103 |
| - investment property | | 477 | 477 | - | - |
| Directos' remuneration | (a) | 451,106 | 814,369 | - | 129,179 |
| Dividend income | | (26,964) | (28,767) | (26,964) | (28,767) |
| Employee benefits expenses | (b) | 3,171,992 | 2,963,333 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 (cont'd)

## 19. LOSS BEFORE TAX (cont'd)

This is arrived at after charging/(crediting) (cont'd):

| | Note | Group 2023 RM | Group 2022 RM | Company 2023 RM | Company 2022 RM |
|---|---|---|---|---|---|
| Expenses related to leases as a lessee: | | | | | |
| - Total cash outflows | | | | | |
| - leases of low value assets | | 5,484 | 5,590 | - | - |
| - short term leases | (c) | 108,741 | 124,606 | - | - |
| Impairment losses: | | | | | |
| - investment in subsidiaries | | - | - | 600,000 | 3,453,000 |
| - trade receivables | | 151,275 | 85,342 | - | - |
| Interest expenses: | | | | | |
| - bank overdraft | | 48,977 | 40,183 | - | - |
| - trust receipt | | 26,264 | 7,921 | - | - |
| Interest income: | | | | | |
| - amount due from subsidiaries | | - | - | (2,610) | (10,300) |
| - others | | - | (5,541) | (19,854) | (4,525) |
| Other income | | - | - | (31) | - |
| Realised loss/(gain) on foreign exchange | | 55,594 | 11,446 | (16) | (88) |
| Rental income: | | | | | |
| - investment property | | (24,600) | (6,000) | - | - |
| - others | | (42,300) | (38,500) | - | - |
| Reversal of impairment loss: | | | | | |
| - trade receivebles | | - | (6,360) | - | - |
| Unrealised loss on foreign exchange | | (2,388) | 21,016 | - | - |
| Wage subsidy/ Hiring inccentive | | 9,500 | (66,800) | - | - |

## 19. LOSS BEFORE TAX (cont'd)

### (a) Directors' remuneration

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| **Directors of the Company** | | | | |
| Fee | 75,000 | 90,000 | 75,000 | 90,000 |
| Salary and bonus | 336,000 | 350,000 | - | - |
| Share-based payment transactions | 14,186 | 39,179 | - | 39,179 |
| Contribution to defined contribution plan | 25,920 | 37,800 | - | - |
| | 451,106 | 516,979 | 75,000 | 129,179 |
| **Directors of a subsidiary** | | | | |
| Salary | - | 266,169 | - | - |
| Contribution to defined contribution plan | - | 31,221 | - | - |
| | - | 297,390 | - | - |

### (b) Employee benefits expense

| | Group | |
|---|---|---|
| | 2023 RM | 2022 RM |
| Salary, wages, allowances and bonus | 3,671,294 | 3,557,052 |
| Share-based payment transactions | - | 124,967 |
| Contributions to defined contribution plan | 407,006 | 377,034 |
| Other staff related benefits | 108,889 | 101,899 |
| | 4,187,189 | 4,160,952 |
| Less: Capitalised as software development costs (Note 8a) | (1,015,197) | (1,197,619) |
| | 3,171,992 | 2,963,333 |

## 19. LOSS BEFORE TAX (cont'd)

### (c) Lease expenses

| | Group | |
|---|---|---|
| | **2023** **RM** | **2022** **RM** |
| Short-term lease | 132,741 | 148,606 |
| Less: Capitalised as software development costs | (24,000) | (24,000) |
| | 108,741 | 124,606 |

### (d) Wage subsidy/Hiring incentive

Representing government assistance in relation to wage subsidies and hiring incentives for eligible employees.

## 20. TAX EXPENSES

*(a) Major components of tax expenses*

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** **RM** | **2022** **RM** | **2023** **RM** | **2022** **RM** |
| Malaysian income tax: | | | | |
| **Income tax** | | | | |
| - Current year | (20,583) | (34,741) | - | - |
| - Over provision in prior year | 334 | 14,602 | - | - |
| | (20,249) | (20,139) | - | - |

Domestic income tax is calculated at the Malaysian statutory rate of 24% of the estimated assessable profit or loss for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 20. TAX EXPENSES (cont'd)

(b) *Relationship between tax expenses and accounting loss*

Reconciliation between income tax expenses and the product of accounting loss multiplied by the statutory tax rate is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Loss before tax | (1,320,470) | (225,274) | (1,007,022) | (3,903,931) |
| Income tax at Malaysian statutory tax rate of 24% | 316,913 | 54,066 | 241,685 | 936,943 |
| Different tax rates in foreign jurisdictions | - | 29,090 | - | - |
| Tax effects on share of results of associates | (14,818) | (65,876) | - | - |
| Non-taxable income | 21,505 | 8,700 | 6,471 | 6,904 |
| Expenses not deductible for tax purposes | (179,666) | (218,921) | (248,156) | (943,747) |
| Utilisation of previously unrecognised tax losses, capital allowances and pioneer loss | 47,325 | 158,200 | - | - |
| Deferred tax assets not recognised | (211,842) | - | - | (100) |
| Over/(Under) provision in prior year | 334 | 14,602 | - | - |
| | (20,249) | (20,139) | - | - |

The amount and future availability of unutilised tax losses, capital allowances and pioneer loss for which the related tax effect has not been accounted for at the end of the reporting period are estimated as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Unutilised tax losses | 10,415,000 | 30,046,000 | 3,431 | 3,431 |
| Unutilised capital allowance | 376,000 | 337,000 | 738 | 738 |
| Unutilised pioneer loss | 1,363,000 | 865,000 | - | - |

The availability of tax losses and pioneer loss will be subject to the Inland Revenue Board's discretion and approval to offset against future taxable profit.

## 20. TAX EXPENSES (cont'd)

*(b) Relationship between tax expenses and accounting loss (cont'd)*

A subsidiary has been granted pioneer status in principle by the Ministry of International Trade and Industry ("MITI") under the Promotion of Investments Act 1986 which exempts 100% of the statutory income of the subsidiary from Malaysian taxation for a period of five years commencing from 28 June 2013 which was further extended to another 5 years, expiring 27 June 2023.

As announced in the Malaysian Budget 2022, the unutilised tax losses will be allowed to be carried forward for 10 consecutive years of assessment ("YA") (previously 7 YAs) deemed to be effective from YA 2019.

Deferred tax assets have not been recognised in respect of these items as it is not probable that the future taxable profit of the company will be available against which the deductible temporary differences can be utilised.

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| | **RM** | **RM** | **RM** | **RM** |
| Property, plant and equipment | 50,000 | 22,100 | - | 100 |
| Unutilised tax losses | (2,499,700) | (7,211,200) | - | - |
| Unutilised capital allowance | (88,670) | (80,800) | - | (200) |
| Unutilised pioneer loss | (327,120) | (207,600) | - | - |
| Contract liabilities | (260,600) | (227,200) | - | - |
| | (3,126,090) | (7,704,700) | - | (100) |

## 21. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share are calculated based on the consolidated loss for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **RM** | **RM** |
| Loss after tax attributable to the owners of the Company (RM) | (1,324,748) | (77,568) |
| **Weighted average number of shares** | | |
| Issued shares at beginning of the financial year | 255,514,450 | 255,514,540 |
| Basic loss per share (sen) | (0.51) | (0.03) |

## 21. LOSS PER SHARE (cont'd)

(b) Diluted earnings/(loss) per share

The Group has no dilution in their earnings/(loss) per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| Loss after tax attributable to the owners of the Company (RM) | (1,324,748) | (77,568) |
| **Weighted average number of shares** | 255,514,540 | 255,514,540 |
| Effect of ESOS | 705,667 | 733,643 |
| | 256,220,207 | 256,248,183 |
| Diluted loss per share (sen) | (0.51) | (0.03) |

## 22. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format and business segments are based on the reports reviewed and used by the Directors for strategic decisions making and resources allocation. Transactions between segments were entered into in the normal course of business and were established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**Business segment**

The Group's reportable segments are now organised as follows:

(i) Software implementation — Provision of software installation, commissioning, support and maintenance services and its related services.

(ii) Solar panel installation — Provision of engineering, procurement, construction and commissioning services in solar energy solution and its related services.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

## 22. SEGMENT INFORMATION (cont'd)

| Group | Software implementation 2023 RM | Software implementation 2022 RM | Solar panel installation 2023 RM | Solar panel installation 2022 RM | Elimination 2023 RM | Elimination 2022 RM | Note | Total 2023 RM | Total 2022 RM |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| External revenue | 5,225,684 | 5,577,773 | 6,606,733 | 8,274,775 | - | - | | 11,832,417 | 13,852,548 |
| Inter-segement revenue | - | - | - | - | - | - | A | - | - |
| Total revenue | 5,225,684 | 5,577,773 | 6,606,733 | 8,274,775 | - | - | | 11,832,417 | 13,852,548 |
| **Results** | | | | | | | | | |
| Segment results | (864,511) | (161,679) | (505,316) | (295,515) | - | - | | (1,342,535) | (457,194) |
| Interest income | | | | | | | | 20,790 | 5,541 |
| Interest expense | | | | | | | | (75,241) | (48,104) |
| Share of results of an associate | | | | | | | | 61,742 | 274,483 |
| Profit/(Loss) before tax | | | | | | | | (1,335,244) | (225,274) |
| Tax expense | | | | | | | | (20,249) | (20,139) |
| **Profit/(Loss) for the financial year** | | | | | | | | (1,355,493) | (245,413) |
| **Assets** | | | | | | | | | |
| Segment assets | 10,669,009 | 10,637,705 | 248,979 | 2,568,297 | (1,177,071) | (1,276,971) | | 9,740,917 | 11,929,031 |
| Investment in an associate | | | | | | | | 2,068,366 | 2,006,624 |
| Current tax assets | | | | | | | | 269,164 | 165,927 |
| Cash and bank balances | | | | | | | | 3,889,689 | 3,519,602 |
| **Total assets** | | | | | | | | 15,968,136 | 17,621,184 |
| **Liabilities** | | | | | | | | | |
| Segment liabilities | 5,451,303 | 3,358,306 | 942,476 | 2,822,698 | (1,177,071) | (1,276,971) | | 5,216,708 | 4,904,033 |
| Current tax liabilities | 8,548 | - | - | - | - | - | | 8,955 | 2,638 |
| **Total liabilities** | | | | | | | | 5,225,663 | 4,906,671 |
| **Other segment information** | | | | | | | | | |
| Addition to non-current assets | 1,095,652 | 1,329,861 | 13,047 | 11,899 | - | - | B | 1,108,699 | 1,341,760 |
| Depreciation and amortisation | 1,628,124 | 1,800,423 | 9,534 | 4,300 | - | - | | 1,637,658 | 1,804,723 |
| Non-cash expenses/(income) other than depreciation and amortisation | 158,293 | 3,696,266 | 9,557 | 21,016 | (600,000) | (3,453,000) | C | (432,150) | 264,282 |

## 22. SEGMENT INFORMATION (cont'd)

A Inter-segment revenues are eliminated on consolidation.

B Additions to non-current assets consist of property, plant and equipment and intangible assets.

C Other non-cash (income)/expenses consist of the following items:

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| Bad debts | - | 138 |
| Impairment loss on receivables | 151,275 | 85,342 |
| Reversal of impairment loss on receivables | - | (6,360) |
| Share-based payment transactions | 14,186 | 164,146 |
| Unrealised loss on forex | 2,388 | 21,016 |

Geographical segment

The Group operates mainly in Malaysia and other Asia Pacific countries. In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total non-current assets and capital expenditure information based on the geographical location of customers is as follow:

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Malaysia | 10,309,887 | 12,226,554 | 8,399,012 | 8,866,229 |
| Asia Pacific | 1,522,530 | 1,625,994 | - | - |
| | 11,832,417 | 13,852,548 | 8,399,012 | 8,866,229 |

Non-current assets information presented above which excludes financial assets, consist of the following items as presented in the Group's statement of financial position:

| | Non-current assets 2023 RM | Non-current assets 2022 RM |
|---|---|---|
| Property, plant and equipment | 3,566,086 | 3,767,428 |
| Investment property | 282,250 | 282,727 |
| Investment in an associate | 2,068,366 | 2,006,624 |
| Intangible assets | 2,482,310 | 2,809,450 |
| | 8,399,012 | 8,866,229 |

## 22. SEGMENT INFORMATION (cont'd)

**Major customers**

Total revenue from 3 (2022:2) major customers which individually contributed more than 10% of the Group's total revenue amounted to RM3,132,000 (2022: RM5,090,255)

## 23. RELATED PARTY DISCLOSURES

### (a) Identity of related parties

The Group and the Company have related party relationships with their subsidiaries, associate, key management personnel and companies in which certain Directors of the Company and persons connected to certain Directors of the Company have substantial financial interests.

### (b) Related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company have the following related party transactions during the financial year:

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| **Transactions with an associate** | | | | |
| Sales | 13,390 | 14,051 | - | - |
| Rental income | - | 35,000 | - | - |
| **Transactions with related party** | | | | |
| Cost sharing | 62,796 | 69,486 | 49,868 | 36,789 |
| Professional fees and disbursement paid | 12,472 | 9,901 | 1,234 | 1,238 |
| Sales | 1,908 | 6,073 | - | - |
| Rental expenses | 24,000 | 24,000 | - | - |
| Clerical charges | 31,200 | 31,200 | - | - |
| **Transactions with subsidiaries** | | | | |
| Interest income | - | - | - | 10,300 |
| Management fees received | - | - | 10,000 | 10,000 |

## 23. RELATED PARTY DISCLOSURES (cont'd)

### (c) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel include all the Directors of the Company and its subsidiaries, and certain members of senior management of the Group and of the Company.

The remuneration of the Directors of the Group and of the Company are disclosed in Note 19(a).

The remuneration of other members of key management personnel during the financial year is as follows:

| | Group | |
|---|---|---|
| | 2023<br>RM | 2022<br>RM |
| Salary, allowances and bonus | 427,495 | 414,375 |
| Share-based payment transactions | - | 45,934 |
| Contributions to defined contribution plan | 51,041 | 49,478 |
| | 478,536 | 509,787 |

## 24. FINANCIAL INSTRUMENTS

### Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2023<br>RM | 2022<br>RM | 2023<br>RM | 2022<br>RM |
| **Financial assets** | | | | |
| Amortised cost | | | | |
| Trade and other receivables | 2,444,701 | 3,998,725 | 15,356 | 15,173 |
| Amound due from subsidiaries | - | - | 429,579 | 1,388 |
| Cash and bank balances | 3,889,689 | 3,519,602 | 1,860,294 | 2,333,856 |
| | 6,334,390 | 7,518,327 | 2,305,229 | 2,350,417 |
| **Financial liabilities** | | | | |
| Amortised cost | | | | |
| Trade and other payables | 1,986,805 | 2,187,671 | 53,612 | 53,116 |
| Amount due to subsidiaries | - | - | - | 1,735 |
| Borrowings | 1,699,617 | 1,260,506 | - | - |
| | 3,686,422 | 3,448,177 | 53,612 | 54,851 |

## 24. FINANCIAL INSTRUMENTS (cont'd)

**Financial risk management objectives and policies**

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks of the Group include credit, liquidity, interest rate and foreign currency risks.

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and of the Company's operations whilst managing these risks. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage speculative transactions.

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks:

**(i) Credit risk**

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Group's exposure to credit risk arises principally from trade receivables. The Company's exposure to credit risk arises principally from advances to subsidiaries. There are no significant changes as compared to prior periods.

**Trade receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's and the Company's associations to business partners with good credit rating.

At the end of each reporting period, the Group and the Company assess whether any of the trade receivables are credit impaired.

There are no significant changes as compared to the previous financial year.

*Credit risk concentration profile*

As at the end of the reporting period, the Group has significant concentration of credit risk arising from amount owing from 3 customers (2022: 1 customer), constituting 13% (2022: 25%) of the Group's trade receivables, net of individual impairment.

*Exposure to credit risk*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the notes to the financial statements.

## 24. FINANCIAL INSTRUMENTS (cont'd)

**Financial risk management objectives and policies** (cont'd)

**(i) Credit risk** (cont'd)

**Trade receivables** (cont'd)

*Recognition and measurement of impairment loss*

The Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime ECLs.

The Group assesses impairment of trade receivables on individual and collective basis. The Group uses a provision matrix to measure ECL of collective assessed receivables as they are grouped based on shared credit risk characteristics, the days past due and similar types of contracts which have similar risk characteristics.

Consistent with the debt recovery process, the Group has set an additional settlement period of 150 days. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency after the extended period. Those balances exceeding 240 days past due will be considered as credit impaired.

Loss rates are based on actual credit loss experienced throughout the period. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the end of the reporting period which are grouped together as they are expected to have similar risk nature.

## 24. FINANCIAL INSTRUMENTS (cont'd)

**Financial risk management objectives and policies** (cont'd)

**(i) Credit risk** (cont'd)

**Trade receivables** (cont'd)

*Recognition and measurement of impairment loss (cont'd)*

| | Group 2023 RM | Group 2022 RM |
|---|---|---|
| **Gross amount** | | |
| Current (not past due) | 1,346,788 | 1,755,163 |
| 1 to 60 days past due | 548,861 | 1,344,473 |
| 61 to 120 days past due | 241,309 | 271,769 |
| 121 to 180 days past due | 83,358 | 458,631 |
| 181 to 240 days past due | 63,832 | 185,054 |
| More than 240 days | 788,142 | 463,860 |
| | 3,072,290 | 4,478,950 |
| **Less: Loss Allowances** | | |
| - Collectively impaired | 690,682 | (539,863) |
| - Individually impaired | - | - |
| | 690,682 | (539,863) |
| **Total trade receivables** | 2,381,608 | 3,939,087 |

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

For trade receivables that are past due but not impaired, they relate mostly to the customers with slower repayment patterns, for whom there is no history of default. The Group does not hold any collateral or other credit enhancement over these balances. No impairment has been provided for these trade receivables as there has been no significant changes in their credit quality and the management still considered the debts to be recoverable.

For trade receivables that are individually or collectively determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments which are past due more than 240 days. These receivables are not secured by any collateral or credit enhancements.

**24. FINANCIAL INSTRUMENTS** (cont'd)

**Financial risk management objectives and policies** (cont'd)

**(i) Credit risk** (cont'd)

**Trade receivables** (cont'd)

*Recognition and measurement of impairment loss (cont'd)*

**Cash and cash equivalents**

The cash and cash equivalents of the Group and of the Company are held with licensed banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These licensed banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

**Other receivables and deposits**

Other receivables and deposits are neither past due nor impaired. The Group and the Company believe that generally no allowance for impairment is necessary in respect of other receivables and deposits that are neither past due nor impaired as these receivables and deposits are mainly arising from debtors that have good records of payment in the past.

**Intragroup advances**

*Risk management objectives, policies and processes for managing the risk*

The company provides unsecured advances to subsidiaries and monitors the ability of the subsidiaries to repay the advances on an individual basis.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amount in the Company's statement of financial position. Advances provided are not secured by any collateral or supported by any other credit enhancements.

*Recognition and measurement of impairment loss*

Generally, the Company considers the advances to subsidiaries to have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded.

The Company determines the probability of default for these advances individually using internal information available.

As at the end of the reporting period, there were no indications of impairment loss in respect of these advances.

**24. FINANCIAL INSTRUMENTS** (cont'd)

**Financial risk management objectives and policies** (cont'd)

**(i) Credit risk** (cont'd)

*Recognition and measurement of impairment loss (cont'd)*

**Financial guarantees**

The Company provides unsecured financial guarantee to a licensed bank in respect of an overdraft facility granted to a subsidiary up to a limit of RM1,400,000 (2022: RM1,400,000 and 1). The maximum exposure to credit risk amounted to RM1,198,828 (2022: RM1,169,964), representing the outstanding overdraft facility of the subsidiary as at the reporting date.

The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary. As at the end of the reporting period, there was no indication that the subsidiary would default on repayment.

The fair value of the financial guarantee has not been recognised at inception sate as it is not material and the Company has not received any consideration for the issuance of such financial guarantees.

**(ii) Liquidity risk**

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group and the Company actively manage their debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet their working capital requirements.

All the Group's and the Company's financial liabilities at the end of the reporting period will mature within one year.

In response to possible future liquidity constraints arising from the Covid-19 pandemic, particularly on the mismatching of collection from customers and payment to suppliers, the Group has maintained a secured overdraft facility with a limit of RM1.4 million which is not fully utilised as at the end of the reporting period. Interest is payable at the minimum rate of 10.40% per annum or base financing rate (BFR) + 4% per annum whichever is higher, calculated based on any outstanding amount.

**(iii) Market risk**

The Group's and the Company's exposure to a risk of change in their fair value due to changes in interest rates related primarily from their bank borrowings.

*(i) Foreign currency risk*

The objective of the Group's and the Company's foreign exchange policies are to allow the Group and the Company to manage exposure that arise from trading activities effectively within a framework of controls that does not expose the Group and the Company to unnecessary foreign exchange risks.

## 24. FINANCIAL INSTRUMENTS (cont'd)

**Financial risk management objectives and policies** (cont'd)

**(iii) Market risk** (cont'd)

*(i) Foreign currency risk (cont'd)*

Exposure to foreign currency risk

The Group has transactional currency exposures arising from purchases that are denominated in a currency other than the functional currency of the Company. The Group also holds cash and bank balances and borrowing denominated in foreign currencies for working capital purposes. The currency giving rise to this risk is primarily US Dollar ("USD"), Chinese Renminbi ("RMB") and Singapore Dollar ("SGD").

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

| | Denominated in | | |
|---|---|---|---|
| | **SGD RM** | **USD RM** | **RMB RM** |
| **2023** | | | |
| Cash and bank balances | 8,572 | 5,754 | 1,898 |
| Borrowings | - | (500,789) | - |
| | 8,572 | (495,035) | 1,898 |
| **2022** | | | |
| Cash and bank balances | 4,741 | 6,138 | 2,042 |
| Borrowings | - | (90,542) | - |
| Trade payables | (52,663) | (26) | (502) |
| | (47,922) | (84,430) | 1,540 |

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's profit after tax.

## 24. FINANCIAL INSTRUMENTS (cont'd)

**Financial risk management objectives and policies** (cont'd)

**(iii) Market risk** (cont'd)

*(i) Foreign currency risk (cont'd)*

Sensitivity analysis for foreign currency risk *(cont'd)*

A 10% strengthening of the functional currency of the Group against the following currencies at the end of the reporting period would affected profit after tax by the amount shown below and a corresponding weakening would have an equal but opposite effect:

| | **2023 RM** | **2022 RM** |
|---|---|---|
| SGD | (651) | 3,642 |
| USD | 37,623 | 6,417 |
| RMB | (144) | (117) |
| Increase/(Decrease) in profit after tax | 36,828 | 9,942 |

*(ii) Interest rate risk*

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's and the Company's exposure to interest risk arises mainly from interest-bearing financial assets and liabilities.

Exposure in interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of reporting period was:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2023 RM** | **2022 RM** | **2023 RM** | **2022 RM** |
| **Fixed rate instruments :** | | | | |
| Financial assets | 1,024,032 | 1,004,285 | 1,024,032 | 1,004,285 |
| **Floating rate instruments :** | | | | |
| Financial liabilities | 1,699,617 | 1,260,506 | - | - |

## 24. FINANCIAL INSTRUMENTS (cont'd)

**Financial risk management objectives and policies** (cont'd)

**(iii) Market risk** (cont'd)

*(ii) Interest rate risk (cont'd)*

Sensitivity analysis for interest rate risk:

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for fixed rate instruments

An increase of 25 basis points at the end of the reporting period would increase the Group's loss after tax by approximately RM3,187 (2022: RM2,395) and a corresponding decrease would have an equal but opposite effect, with all other variables held constant.

## 25. FAIR VALUE INFORMATION

Fair value measurement of non-financial assets

The fair value measurement hierarchies used to measure non-financial asset at fair value in the statements of financial position are disclosed in Note 5 to the financial statements.

Financial instrument other than those carried at fair value

Financial instrument that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values.

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the end of the reporting period approximate their fair values due to their short-term nature.

## 26. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern and to maintain a capital structure, so as to maximize shareholders', stakeholders' and market confidence and to sustain future development of the business.

## 26. CAPITAL MANAGEMENT (cont'd)

The Group manages need determines the capital structure and policies in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts. No changes were made in the objectives, policies and processes during the financial year under review as compared to the previous financial period.

The Group manages capital by regularly monitoring its liquidity requirements rather than using debt/equity ratio and the Group did not breach any covenants imposed by its lender on the Group as at the end of the reporting period.

## 27. CAPITAL COMMITMENTS

The Group has made commitments for the following:

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **RM** | **RM** |
| Property, plant and equipment | 27,000 | 27,000 |

## 28. SIGNIFICANT EVENTS

On 22 May 2023, the Company announced that the Company proposes to undertake the following proposals:

(i) Proposed private placement of up to 51,709,008 new ordinary shares in the Company representing up to 20% of the enlarged number of issued shares of the Company; and

(ii) Proposed reduction of the issued share capital of Ygl pursuant to Section 117 of the Companies Act 2016.

# 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) | Carrying Amount (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 H.S. (D) 87450, P.T. 35, Section 57, Town of Kuala Lumpur, District of Wilayah Persekutuan<br><br>Office use | Freehold | 2,508 | 08/12/2000 | 23 | 937,249 |
| Unit 5.04, Plaza GM, No. 12, Lorong Haji Taib Lima, 50350 Kuala Lumpur | One shop lot held under Geran 54264 Lot 2000 Seksyen 46 (formerly known as H.S. (D) 81954 P.T. No. 86, GRN 26997 & 26998 for Lot Nos. 1728 & 1729 all of Seksyen 46) in the town and District of Kuala Lumpur, State of Wilayah Persekutuan<br><br>Rented Out | Freehold | 238.46 | 29/01/2008 | 15 | 282,250 |

# ANALYSIS OF SHAREHOLDINGS
AS AT 30 JUNE 2023

| | | |
|---|---|---|
| Issued Share Capital | : | 255,514,540 Ordinary Shares |
| Class of Equity Securities | : | Ordinary Shares ("Shares") |
| Voting Rights | : | One vote per Share |

**Distribution Schedule of Shareholders**

| No. of Holders | Size of Shareholdings | No. of Issued Shares | % |
|---|---|---|---|
| 7 | Less than 100 | 308 | * |
| 599 | 100 - 1,000 | 153,800 | 0.06 |
| 702 | 1,001 - 10,000 | 4,701,600 | 1.84 |
| 788 | 10,001 to 100,000 | 29,294,200 | 11.47 |
| 131 | 100,001 to less than 5% of issued shares | 128,554,100 | 50.31 |
| 3 | 5% and above of issued shares | 92,810,532 | 36.32 |
| **2,230** | **Total** | **255,514,540** | **100.00** |

* Negligible

**30 Largest Securities Account Holders based on Record of Depositors**
(without aggregating the securities from different securities accounts belonging to the same person)

| No. | Name | No. of Shares held | % |
|---|---|---|---|
| 1 | YEAP KONG CHEAN | 40,666,668 | 15.92 |
| 2 | YEAP KONG TAI (Deceased) | 32,786,664 | 12.83 |
| 3 | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>*EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE* | 19,357,200 | 7.58 |
| 4 | TAI KAU @ TAI FAH CHONG | 11,614,000 | 4.55 |
| 5 | LEE HAN CIEN | 9,373,000 | 3.67 |
| 6 | LEE WAI MUN | 8,678,600 | 3.40 |
| 7 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR ENG GING KIAT* | 6,755,000 | 2.64 |
| 8 | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR YEAP KONG TAI* | 6,680,000 | 2.61 |
| 9 | CHAN LI KHENG | 6,597,000 | 2.58 |
| 10 | TAN LAN WAH | 5,186,400 | 2.03 |
| 11 | YEAP CHOR BENG & SONS SDN BHD | 4,500,000 | 1.76 |

# ANALYSIS OF SHAREHOLDINGS
AS AT 30 JUNE 2023 (cont'd)

**30 Largest Securities Account Holders based on Record of Depositors**
(without aggregating the securities from different securities accounts belonging to the same person) (cont'd)

| No. | Name | No. of Shares held | % |
|---|---|---|---|
| 12 | WONG AH YONG | 4,417,900 | 1.73 |
| 13 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR YEAP KONG YEOW* | 4,060,000 | 1.59 |
| 14 | CHEONG XIN YIN | 3,333,000 | 1.30 |
| 15 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR FOO CHEE BOON* | 3,260,000 | 1.28 |
| 16 | TRICOR SERVICES (MALAYSIA) SDN. BHD. | 3,250,000 | 1.27 |
| 17 | YEAP KONG YEOW | 2,433,000 | 0.95 |
| 18 | TAN LAN WAH | 2,362,000 | 0.92 |
| 19 | NG JEH YEONG | 2,000,000 | 0.78 |
| 20 | NG CHENG GUAN | 1,604,100 | 0.63 |
| 21 | SIM PUEI CHUN | 1,600,000 | 0.63 |
| 22 | HEW YOON KIONG | 1,286,900 | 0.50 |
| 23 | SEAW KENG SENG | 1,250,000 | 0.49 |
| 24 | TAN SEIK LANG | 1,210,000 | 0.47 |
| 25 | YANG WAI KEN EUGENE | 1,200,000 | 0.47 |
| 26 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR*<br>*MICHAEL HENG CHUN HONG* | 1,118,800 | 0.44 |
| 27 | YEAP KAH PHAIK | 1,000,000 | 0.39 |
| 28 | YEAP KING JIN | 888,000 | 0.35 |
| 29 | YEAP KONG YEOW | 868,400 | 0.34 |
| 30 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>*SIM PUEI CHUN* | 780,000 | 0.31 |

# ANALYSIS OF SHAREHOLDINGS
AS AT 30 JUNE 2023 (cont'd)

**Substantial Shareholders' Shareholdings based on Register of Substantial Shareholders**

| | | No. of Shares beneficially held | | | | |
|---|---|---|---|---|---|---|
| **No.** | **Name of Substantial Shareholders** | **Direct Interest** | **%** | **Indirect Interest** | **%** | **Note** |
| 1 | Yeap Kong Chean | 40,666,668 | 15.92 | - | - | |
| 2 | Tan Hoay Leng | - | - | 40,666,668 | 15.92 | a |
| 3 | Yeap Kong Tai (Deceased) | 39,466,664 | 15.45 | - | - | |
| 4 | Dato' Woo Swee Lian | 19,357,200 | 7.58 | - | - | |

**Directors' Shareholdings based on Register of Directors' Shareholdings**

| | | No. of Shares beneficially held | | | | |
|---|---|---|---|---|---|---|
| **No.** | **Name of Directors** | **Direct Interest** | **%** | **Indirect Interest** | **%** | **Note** |
| 1 | Yeap Kong Chean | 40,666,668 | 15.92 | - | - | |
| 2 | Tan Hoay Leng | - | - | 40,666,668 | 15.92 | a |
| 3 | Wong Khai Meng | - | - | - | - | |
| 4 | Muhamed Ali Bin Hajah Mydin | - | - | - | - | |
| 5 | Wan Chia Keong | - | - | - | - | |

Note:
a) Deemed interested through her spouse, Mr. Yeap Kong Chean

**Interests in the related corporations**

By virtue of his interests in shares in the Company, Mr. Yeap Kong Chean is deemed to have an interest in the shares in all the subsidiaries to the extent the Company has an interest.

Save as disclosed above, none of the Directors had any interest in shares in the related corporations.

This page is
intentionally left blank

# Ygl Convergence Berhad

Registration No. 200401010510 (649013-W)
(Incorporated in Malaysia)

## FORM OF PROXY

| CDS Account No. |
|---|
| |

| No. of shares held |
|---|
| |

I/We ______________________________________________ Tel: ____________________

*[Full name in block, NRIC/Passport/Company No.]*

of ______________________________________________________________________

being member(s) of Ygl Convergence Berhad, hereby appoint:

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and/or* (*delete as appropriate)

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

or failing him, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Nineteenth (19th) Annual General Meeting ("AGM") of the Company to be held at **Louis Armstrong II, Level 8, Jazz Hotel Penang, No. 1, Jalan Seri Tanjung Pinang 1, 10470 Tanjung Tokong, Penang** on **Tuesday, 29 August 2023, 10.30 a.m.** or any adjournment thereof, and to vote as indicated below:

| **AGENDA** | | | | | | |
|---|---|---|---|---|---|---|
| 1. To receive the Audited Financial Statements for the financial year ended 31 March 2023 together with the Reports of the Directors and the Auditors thereon. | | | | | | |
| **Ordinary Business** | **Ordinary Resolution** | **First Proxy** | | **Second Proxy** | | |
| | | **For** | **Against** | **For** | **Against** | |
| 2. To re-elect Mr. Yeap Kong Chean as Director of the Company. | 1 | | | | | |
| 3. To re-elect Encik Muhamed Ali Bin Hajah Mydin as Director of the Company. | 2 | | | | | |
| 4. To re-elect Mr. Wan Chia Keong as Director of the Company. | 3 | | | | | |
| 5. To approve the payment of Directors' fees for the financial year ended 31 March 2023. | 4 | | | | | |
| 6. To approve the payment of benefits to Directors for the period commencing from 30 August 2023 until the next AGM of the Company. | 5 | | | | | |
| 7. To re-appoint Messrs. CHENGCO PLT the Company's auditors for the ensuing year and to authorise the Directors to fix their remuneration. | 6 | | | | | |
| **Special Business** | | | | | | |
| 8. Authority to issue and allot shares pursuant to the Companies Act 2016 and waiver of pre-emptive rights. | 7 | | | | | |
| 9. Waiver of pre-emptive rights for the allotment of new ordinary shares under the Employees' Share Option Scheme. | 8 | | | | | |

(Please indicate with an "X" in the appropriate box how you wish your proxy to vote. If no instruction is given, the proxy will vote or abstain at his/her discretion).

**Note:** *Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of 19th AGM for the full purpose and intent of the Resolutions to be passed.*

Signed this ______________ day of _____________ , 2023.

_______________________________
Signature of Shareholder(s)/Common Seal

** Manner of execution:*
*(a) If you are an individual member, please sign where indicated.*
*(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.*
*(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:*
*(i) at least two (2) authorised officers, of whom one shall be a director; or*
*(ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.*

***Notes:***

1. *For the purpose of determining who shall be entitled to attend the 19th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at **21 August 2023**. Only a depositor whose name appears on this Record of Depositors shall be entitled to attend the 19th AGM or appoint a proxy to attend, speak and vote on his/her/its behalf.*
2. *A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*
3. *A member of the Company who is entitled to attend and vote at the 19th AGM of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the 19th AGM.*
4. *Where a member of the Company is an authorised nominee, as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") it may appoint not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
6. *Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
7. *The instrument appointing a proxy must be deposited at the registered office of the Company at No. 35, Scotland Road, 10450 Penang, not less than forty-eight (48) hours before the time fixed for holding the 19th AGM or any adjournment at which the person named in the appointment proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking of the poll. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
8. *Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of 19th AGM will be put to vote by way of a poll.*
9. *Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.*
10. *Any alteration in this form must be initialed.*

**Personal data privacy:-**
*By submitting the duly executed proxy form, the member and his/her proxy consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the 19th AGM of the Company and any adjournment thereof.*

Affix Stamp

To:

The Company Secretaries

**Ygl Convergence Berhad**

Registration No. 200401010510 (649013-W)
No. 35, Scotland Road
10450 Penang
Malaysia

**PENANG (HQ)**
35, Scotland Road
10450 Penang
Malaysia
T: +604 229 0619

**PENANG**
**(R&D Centre)**
5, Lintang Bayan Lepas 1
Bayan Lepas
Industrial Park,
Phase 4,
11900 Bayan Lepas
Penang, Malaysia
T: +604 630 3377

**KUALA LUMPUR**
Suite 9-10
Wisma UOA II
Jalan Pinang
50450 Kuala Lumpur
Malaysia
T: +603 2166 5928

# Ygl Convergence Berhad

Registration No. 200401010510 (649013-W)

**HONG KONG**
Rm 2205-6 22/F.
Lemmi Centre
50 Hoi Yuen Road
Kwun Tong, Kowloon
Hong Kong
T: +852 2609 1338

**SUZHOU**
**(R&D Centre)**
Room 2205, Building 5
Phase 2
Wuzhong Comprehensive
Bonded Zone
Suzhou, Jiangsu
T: +86 22 6568 5687

**SINGAPORE**
65 Chulia Street
#46-00 OCBC Centre
Singapore 049513
T: +65 6670 6881

www.yglworld.com

# CORPORATE GOVERNANCE REPORT

| | | |
|---|---|---|
| **STOCK CODE** | **:** | 0086 |
| **COMPANY NAME** | **:** | YGL CONVERGENCE BERHAD |
| **FINANCIAL YEAR** | **:** | March 31, 2023 |

**OUTLINE:**

**SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**
*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**
*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

| | | |
|---|---|---|
| **Application** | : | Applied |
| **Explanation on application of the practice** | : | The Board is entrusted with the stewardship of the Company in charting future corporate direction, achieving sustainable growth, discharging its social responsibilities, safeguarding the interests of its shareholders and stakeholders in addition to optimizing the Group's resources.<br><br>The Board has also delegated specific matters to various Board Committees which operate within their respective approved Terms of Reference ("TOR").<br><br>There is a division of function between the Board and the Management, whereby the former focuses more on the Company's governance; the latter on management in accordance with the direction of and delegation by the Board. Thus, the Board leads the Group and plays a strategic role in overseeing the overall activities of the Management in carrying out the delegated duties in achieving the Group's corporate objectives and long-term strategic plans of the business.<br><br>The Board consists of five (5) Directors, comprising two (2) Executive Directors ("EDs") and three (3) Independent Non-Executive Directors ("INEDs"). Collectively, the composition equips the Board with a mix of industry-specific knowledge and broad business, financial and technical experience. A brief profile of each Director is set out in the Annual Report 2023 of the Company.<br><br>The Board complies with Rule 15.02 of Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market which states that a listed company must have at least 2 directors or 1/3 of the board of directors, whichever is the higher, are independent directors. All the independent directors do not participate in the management and are independent of any business or other relationships with the Group that would influence on their objective deliberation and judgement. |

| | |
|---|---|
| | There is clear division of responsibilities between the EDs and Non-Executive Directors ("NEDs") of the Board. The EDs are responsible for the implementation of the Board's decisions and policies, overseeing of day-to-day management and coordination of business and strategic decisions. The NEDs play a significant role in bringing objectivity and scrutiny to the Board's deliberations and decision-making.<br><br>The EDs, Mr. Yeap Kong Chean and Madam Tan Hoay Leng, primarily are responsible for the implementation of the Board's policies and decisions and keep the Board informed of the overall operations of the Group. The presence of existing INEDs, are of sufficient calibre and experience to bring objectivity, balance and independent judgements to the Board's decision.<br><br>In addition to statutory and fiduciary duties, the Board leads in decision-making and retains ultimate control in determining of the Group's strategies and policies over business directions and development.<br><br>The principal focus of the Board includes the following: -<br>• steering business directions;<br>• reviewing and adopting strategic plans for the Group;<br>• overseeing the Group's business operations and financial performance;<br>• approval of annual and quarterly results, budgets and long-term business plans;<br>• identifying major risks and the implementation of appropriate risk management and mitigation measures;<br>• reviewing the adequacy and integrity of the Group's internal control system;<br>• reviewing action plans implemented by the Management to achieve targets; and<br>• ensuring compliance with applicable laws, rules and regulations.<br><br>The Board has entrusted the Nominating Committee ("NC") with the responsibility to give full consideration to succession planning for Directors in the course of its works, taking into account the challenges and opportunities faced by the Company and what skills and expertise are therefore needed on the Board in the future. The Board has also entrusted the EDs with the responsibility to review candidates and compensation packages for key management positions.<br><br>The Group believes in, and emphasises, the importance of communication among shareholders, stakeholders and the Company. Adequate communication generates and builds public confidence towards the Company. The Board endeavours to ensure that annual reports, quarterly results, press releases and announcements are released on timely basis as a means of disseminating information of the Group's business activities and financial performance.<br><br>The Board is ultimately responsible for the adequacy and integrity of the Group's internal control system. The Board ensures that there is a |

| | | |
|---|---|---|
| | sound framework of reporting on internal controls and regulatory compliance. Details relating to the internal control system and review of effectiveness are available in the Statement of Risk Management and Internal Control as set out in the Annual Report 2023 of the Company. | |
| **Explanation for departure** : | | |
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.2**

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<table>
<tr><td>Application :</td><td colspan="2">Departure</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2"></td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2">The position of Chairman is currently vacant and the Board is still looking for a high calibre character to assume the oversight role.<br><br>The Company is a relatively small sized company with only five (5) members on the Board. Currently, the Board deals with the Chief Executive Officer ("CEO") whose focus is on the day-to-day operation of the business. The Board collectively makes decisions pertaining to governance matters and business strategies.</td></tr>
<tr><td colspan="2">Nil.</td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.3**

The positions of Chairman and CEO are held by different individuals.

| | | |
|---|---|---|
| **Application** : | Departure | |
| **Explanation on application of the practice** : | | |
| **Explanation for departure** : | The position of Chairman is vacant while the position of CEO is assumed by Mr. Yeap Kong Chean ("Mr. Yeap").<br><br>The Board has not appointed a Chairman for the Board. The Board has assessed the situation and taken action to look for a high calibre Chairman, a person who will bring new perspective, ideas and drive to the Group to be appointed as Chairman of the Company.<br><br>The Board recognises the importance of having a clearly accepted division of roles and responsibilities at the Head of the Company to ensure a balance of power and authority.<br><br>Mr. Yeap as CEO is focusing on the business and day-to-day management of the Company. EDs are responsible for the implementation of the Board's decisions and policies, overseeing for the day-to-day management and coordination of business and strategic decisions, while the NEDs play a significant role in bringing objectivity and scrutiny to the Board's deliberations and decision-making. | |
| | Nil. | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.4**

The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<table>
<tr><td colspan="3">Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</td></tr>
<tr><td>Application :</td><td colspan="2">Departure</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2"></td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2">The position of Chairman is currently vacant. Audit And Risk Management Committee ("ARMC"), NC and Remuneration Committee comprise INEDs only.<br><br>The CEO, Mr. Yeap was invited to participate in the Board Committees' meetings when the Board Committees need further clarification or input from Mr. Yeap.</td></tr>
<tr><td colspan="2">Nil.</td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.5**

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<table>
<tr><td>Application</td><td>:</td><td>Applied</td></tr>
<tr><td>Explanation on application of the practice</td><td>:</td><td>The Board is supported by qualified and competent Company Secretaries, namely Ms. Yeow Sze Min and Ms. Low Seow Wei, who are also members of a professional body. They are both qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016. They are members of the Malaysian Institute of Chartered Secretaries and Administrators.<br><br>The company secretaries: -<br>• Manage all the Board meetings by ensuring attendance.<br>• Ensuring due processes and proceedings during Annual General Meeting ("AGM").<br>• Record and keep deliberations of meetings in minutes.<br>• Communicate the outcome of meetings to relevant Management for follow-up actions.<br>• Update the Board on decisions and recommendations.<br>• Update and apprise the Board regularly on new regulations issued by the regulatory authorities.<br>• Ensure the Board procedures comply with all other rules and regulations applicable to the Company.<br>• Advise the Board of the Company's Constitution, Board policies, best practices, codes and guidance.<br>• Work closely with Management to ensure that there is timely and appropriate information flow within and to the Board and Board Committees.<br>• Support the Board in fulfilling its fiduciary duties and oversight role in achieving good corporate governance.<br>• Assist in induction programme of newly appointed Director.</td></tr>
<tr><td rowspan="2">Explanation for departure</td><td rowspan="2">:</td><td></td></tr>
<tr><td></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure</td><td>:</td><td></td></tr>
</table>

| | | |
|---|---|---|
| **Timeframe** : | | |

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.6**

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

| | | |
|---|---|---|
| **Application** : | Applied | |
| **Explanation on application of the practice** : | The Board meetings are held at quarterly intervals and additional meetings are held should the need arise.<br><br>The Board is provided with notice of meetings that set out the agenda and minutes of previous meetings, all relevant reports and meeting papers were circulated to the Board to give them sufficient information and time to deliberate on issues to be raised at meetings.<br><br>The proceedings at all Board meetings are duly minuted. The Minutes of these proceedings are kept at the registered office of the Company. Upon conclusion of the meeting, the minutes are circulated in timely manner.<br><br>The Company Secretaries will communicate with the Management on the Board's decisions or recommendations or requests via circularisation of the minutes of meetings for follow-up action to be taken. With reference to the previous minutes of meetings, these follow-up actions will be recorded as matters arising in the minutes of the meeting for updating the Board.<br><br>For the financial year ended 31 March 2023 ("FYE 2023"), the Board had held six (6) meetings with majority attendance. | |
| **Explanation for departure** : | | |
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**
There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**
The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

| | | |
|---|---|---|
| **Application** | : | Applied |
| **Explanation on application of the practice** | : | The roles and responsibilities of the Board are outlined the Board Charter. The Board Charter provides guidelines to benchmark the performance of the Board as a whole as well as that of the individual director. The terms of the Board Charter are periodically reviewed and updated to meet the needs of the Company as well as changing requirements set by the authorities. The Board Charter is available on the Company's website at htttp://www.yglworld.com/.<br><br>There is a division of function between the Board and the Management, whereby the Board leads the Group and plays a strategic role in overseeing the overall activities of the Management in carrying out the delegated duties in achieving the Group's corporate objectives and long-term strategic plans of the business.<br><br>The Board has adopted a charter to provide the terms of reference for its members in relation to the roles and responsibilities, division of responsibilities among the Board and the Board Committees. The Board Charter was last reviewed and approved by the Board on 27 May 2022.<br><br>In addition to statutory and fiduciary duties, the Board leads in decision-making and retains ultimate control in determining the Group's strategies and policies over business directions and development. |
| **Explanation for departure** | : | |
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |

| | | |
|---|---|---|
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**
The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

**Practice 3.1**
The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

| | | |
|---|---|---|
| **Application** | : | Applied |
| **Explanation on application of the practice** | : | The Board views adherence to the best practices of corporate governance as the means to uphold a high standard of corporate conduct. The Code of Ethics and Conducts of the Company set out the ethical standards and appropriate conduct at work adopted by the Group and applicable to all the employees and Board members.<br><br>Areas covered by the Code of Ethics and Conducts encompass information confidentiality and security, conflict of interests, protection of asset, insider trading etc.<br><br>The details of the Code of Ethics and Conduct are available for reference on the Company's website.<br><br>The Directors of the Group are guided by the Code of Ethics established by the Companies Commission of Malaysia for Company Directors. The Code of Ethics sets out the principles in relation to sincerity, integrity, responsibility and corporate social responsibility.<br><br>The Board has formalised vide the Code of Conduct its expectation on time commitment for its members, avoiding or managing any such or potential conflicts of interest as well as the requirement to notify the Board prior to accepting new directorship in any entity's board. |
| **Explanation for departure** | : | |
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** | : | |

| | | |
|---|---|---|
| **Timeframe** : | | |

**Intended Outcome**

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

**Practice 3.2**

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

| | | | |
|---|---|---|---|
| **Application** | : | Applied | |
| **Explanation on application of the practice** | : | The Board has adopted the Whistleblower Policy on 26 August 2019, which provides guidelines on procedures and protection for its Directors and employees in the event of reporting any wrongdoing within the Group as well as safeguard the interests of the Company.<br><br>The details of the Whistleblower Policy are available for reference on the Company's website. | |
| **Explanation for departure** | : | | |
| | | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | | |
| **Measure** | : | | |
| **Timeframe** | : | | |

**Intended Outcome**
The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.1**
The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

<table>
<tr><td>Application :</td><td>Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td>Ygl has established its sustainability vision and is putting in place a sound and efficient sustainability structure to provide guidelines and management of sustainability related matters. Sustainability is fundamental to the growth and enhancement of stakeholders' value in the long-term.<br><br>Ygl's key strategic sustainability directions are defined in the following areas: -<br>• core values – building of corporate culture<br>• governance - accountability & transparency<br>• product & services – empower local businesses<br>• education – strengthen the local workforce<br>• community – care & empathy<br>• environment – renewable energy & software technology<br><br>Ygl has ventured into the field of renewable energy with the view of complementing the reduction in carbon emissions and optimising resources through our software solutions.<br><br>Our sustainability structure will define the way we operate our business and how we interact with the communities where we operate. Further information on sustainability for the financial year is disclosed in the Sustainability Statement in the Annual Report 2023 of the Company.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td></td></tr>
<tr><td></td></tr>
<tr><td colspan="2">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
</table>

| | | |
|---|---|---|
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**
The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.2**
The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

<table>
<tr><td>Application :</td><td colspan="2">Departure</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2"></td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2">Ygl's sustainability vision and strategies are communicated to its stakeholders through the sustainability statement in the Annual Report 2023 of the Company and corporate website and multimedia.<br><br>Ygl has not established a formal sustainability policy.</td></tr>
<tr><td colspan="2">Nil.</td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

**Intended Outcome**
The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.3**
The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

| | | | |
|---|---|---|---|
| **Application** | : | Departure | |
| **Explanation on application of the practice** | : | | |
| **Explanation for departure** | : | The Company has not engaged relevant professionals or provided formal training to the Board and the employees on the subject matters of sustainability. With the increasing emphasis on sustainability and expectations placed on the Company to expand its sustainability agenda, the Company will take appropriate efforts to provide training and update the knowledge of the Board and employees to support our sustainability strategy.<br><br>Pursuant to Bursa Malaysia's amendment to AMLR in relation to sustainability training for directors, the Company will be arranging for its directors to attend the Mandatory Accreditation Programme ("MAP") Part 2 in the near future. | |
| | | Nil. | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | | |
| **Measure** | : | | |
| **Timeframe** | : | | |

**Intended Outcome**
The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.4**
Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

| | | |
|---|---|---|
| **Application** : | Departure | |
| **Explanation on application of the practice** : | | |
| **Explanation for departure** : | The Board has put in place certain criteria for review of sustainability performance which were not comprehensive enough to address the Company's material sustainability risks and opportunities.<br><br>The Board will include in its assessment among others, its effectiveness in the followings: -<br>• establishing strategies, priorities and targets for sustainability matters;<br>• addressing key risks;<br>• identifying sustainability opportunities; and<br>• earmarking learning needs on sustainability.<br><br>The Board with the assistance from Human Resource Department will incorporate key performance indicators ("KPI") for Senior Management whereby the performance in managing material sustainability risks and opportunities will be taken into consideration. | |
| | Nil. | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.5- Step Up**

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

| | | |
|---|---|---|
| *Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.* | | |
| **Application** | : | Not Adopted |
| **Explanation on adoption of the practice** | : | |

**Intended Outcome**
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.1**
The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

| | |
|---|---|
| **Application** : | Applied |
| **Explanation on application of the practice** : | The Board is committed to boardroom diversity with an appropriate balance and mix of industry-specific knowledge, skills, experience, backgrounds and gender which contribute to the effectiveness, perspective, creativity and performance of the Board.<br><br>The Board has put in place a formal evaluation process to annually assess the effectiveness of the Board as a whole and the Board Committees, as well as the contribution and performance of each individual Director. The criteria used, amongst others, for the annual assessment of individual Director includes the assessment of their roles, duties, responsibilities, competency, expertise and contribution. Whereas, the criteria for the assessment of the performance of the Board and Board Committees covers composition, processes, accountability, responsibilities as well as the fulfilment of duties.<br><br>Currently, the members of the Board are from diverse backgrounds and they contribute different perspectives, skills and expertise for their roles in the Board and Board Committees.<br><br>The tenures of the three (3) Independent NEDs, namely Mr. Wong Khai Meng, Encik Muhamed Ali Bin Hajah Mydin and Mr. Wan Chia Keong are below five (5) consecutive years. Their profiles are set out in the Annual Report 2023 of the Company.<br><br>The retiring Directors at the forthcoming AGM pursuant to Clause 76(3) of the Company's Constitution are Mr. Yeap Kong Chean and En. Muhamed Ali Bin Hajah Mydin. Both of them have consented to continue in office and accordingly will be offering themselves for re-election at the forthcoming AGM. After assessing the contribution of Mr. Yeap Kong Chean and En. Muhamed Ali Bin Hajah Mydin in terms of guidance and time devoted to the Board affairs and in virtue of their skills and experience respectively, the NC has recommended the re-election of Mr. Yeap Kong Chean and En. Muhamed Ali Bin Hajah Mydin at the forthcoming AGM. |
| **Explanation for departure** : | |

| | | |
|---|---|---|
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.2**
At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

| | | |
|---|---|---|
| **Application** : | Applied | |
| **Explanation on application of the practice** : | Currently, the Board consists of five (5) Directors, comprising two (2) EDs and three (3) INEDs.<br><br>Collectively, the composition equips the Board with a mix of industry specific knowledge and broad business, financial and technical experience. | |
| **Explanation for departure** : | | |
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.3**
The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

<table>
<tr><td>Application</td><td>:</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice</td><td>:</td><td colspan="2">None of the INEDs has served tenure for more than nine years: -<br><table><tr><td>Years of Service</td><td>< 5 years</td><td>> 5 years</td><td>> 9 years</td></tr><tr><td>Independent NEDs</td><td>3</td><td>-</td><td>-</td></tr></table></td></tr>
<tr><td rowspan="2">Explanation for departure</td><td rowspan="2">:</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="4">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure</td><td>:</td><td colspan="2"></td></tr>
<tr><td>Timeframe</td><td>:</td><td></td><td></td></tr>
</table>

**Intended Outcome**
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.4 - Step Up**
The board has a policy which limits the tenure of its independent directors to nine years without further extension.

| *Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.* | |
|---|---|
| **Application** : | Not Adopted |
| **Explanation on adoption of the practice** : | |

**Intended Outcome**
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.5**
Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

<table>
<tr><td>Application :</td><td>Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td>Currently, the Board consists of five (5) Directors, comprising two (2) EDs and three (3) INEDs. Even though collectively the composition equipped the Board with a mix of industry-specific knowledge and broad business, financial, regulatory and technical experience, it was not a truly diverse Board in terms of age, ethnicity, thoughts and perspective.<br><br>The Company does not practise any form of gender, ethnicity and age group biases as all candidates for either Board or Senior Management team shall be given fair and equal treatment.<br><br>The Board believes that there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Group.<br><br>Notwithstanding with the above, the Board affirms its commitment to boardroom diversity as a truly diversified board can enhance the board’s effectiveness, perspective, creativity and capacity to thrive in good times and to weather the tough times.<br><br>In identifying suitable candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td></td></tr>
<tr><td></td></tr>
<tr><td colspan="2">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td></td></tr>
</table>

| | | |
|---|---|---|
| **Timeframe** : | | |

**Intended Outcome**
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.6**
In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The Board acknowledges the importance of not solely relying on recommendations from existing Board members, Management or major shareholders in identifying candidates for appointment of Directors, but trust that the nomination has its merit.<br><br>In recommending suitable candidates for directorships and Board Committees to the Board, the NC takes into consideration the candidate's character and integrity, experience and competence, time commitment and potential contribution to the Group. Any new nomination received is recommended to the Board after a comprehensive assessment and the NC's endorsement.<br><br>NC has the authority to obtain the services of professional recruitment firms to source candidates for directorship or seek independent professional advice whenever necessary.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

**Intended Outcome**
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.7**
The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

| | | |
|---|---|---|
| **Application** : | Applied | |
| **Explanation on application of the practice** : | In order to assist the shareholders in making decisions on the appointment and re-appointment of a director, the Board discloses the individual profile, roles in the Board Committees, record of meeting attendance and shareholdings in the Annual Report 2023 of the Company.<br><br>The performance of retiring Directors who are recommended for re-election at the forthcoming AGM has been assessed by the Board through the NC. The evaluations also include the independence of the INEDs. | |
| **Explanation for departure** : | | |
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.8**
The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

| | | | |
|---|---|---|---|
| **Application** : | Applied | | |
| **Explanation on application of the practice** : | Encik Muhamed Ali Bin Hajah Mydin as an INED of the Company was appointed as a member of NC on 12 July 2021 and re-designated as Chairman of NC on 23 December 2021.<br><br>The NC of the Company comprises all Independent Directors.<br><br>The Board is satisfied with the composition of the NC and confident that this Committee discharges its functions efficiently and effectively with respect to the nomination matters. | | |
| **Explanation for departure** : | | | |
| | | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | | |
| **Measure** : | | | |
| **Timeframe** : | | | |

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.9**

The board comprises at least 30% women directors.

| | | | |
|---|---|---|---|
| **Application** | : | Departure | |
| **Explanation on application of the practice** | : | | |
| **Explanation for departure** | : | The NC and Board affirm their commitment to boardroom diversity as a truly diversified Board can enhance the Board's effectiveness, creativity and capacity. The Board has not set any measure for boardroom diversity but nevertheless works to ensure that there is no discrimination on the basis of, but not limited to ethnicity, race, age, gender, nationality, political affiliation, religious affiliation, marital status, education or geographic region, during the recruitment of new Board members.<br><br>The NC adopts a transparent practice to assess the suitability of an individual to be appointed to the Board. Recruitment is based on pre-set criteria such as the individual skills, knowledge, expertise and experience, professionalism and integrity. The NC also ensures that the procedures for appointing new Director are transparent and that the appointments are made on the merit and against objective criteria for the purpose.<br><br>The Board consists of a female ED namely, Madam Tan Hoay Leng who was appointed to the Board in year 2009. She has been in the management team since the inception of the listing of the Company. She is currently the only female Director out of a total five (5) Board members.<br><br>The Board will consider the suitability and credibility of women candidates for the Board to reach adequate women participation in the Board. | |
| | | Nil. | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | | |
| **Measure** | : | | |
| **Timeframe** | : | | |

**Intended Outcome**
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.10**
The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

| | | | |
|---|---|---|---|
| **Application** | : | Departure | |
| **Explanation on application of the practice** | : | | |
| **Explanation for departure** | : | The Board does not set formal gender diversity policy but does disclose the profile and percentage of female representation of the Board as well as the profile of female Senior Management in the Annual Report 2023 of the Company. | |
| | | Nil. | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | | |
| **Measure** | : | | |
| **Timeframe** | : | | |

**Intended Outcome**
Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

**Practice 6.1**
The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

| | | |
|---|---|---|
| *Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.* | | |
| **Application** | : | Applied |
| **Explanation on application of the practice** | : | The NC is charged with the responsibility of overseeing the selection and assessment of Directors. The NC is responsible for developing selection criteria, assessing suitability and recommending the appropriate candidates with the relevant capabilities and experience to be appointed to the Board and Board Committees. Considerations are given to the skills and experience in the selection process while competence, commitment contribution and performance are taken into account in the assessment process. The NC is also tasked to review the continuous education and training needs of the directors and conduct an on-going review of the set criteria and expectations of the Board from the Director.<br><br>The NC conducted the annual assessment of the performance of the Board as a whole for the FYE 2023 based on the following criteria: -<br>• Board mix & composition<br>• Quality of information & decision making<br>• Boardroom activities<br>• Board committee performance review<br><br>Based on the assessment of Board effectiveness as a whole, it was concluded that the Board has discharged its duties and responsibilities adequately.<br><br>Further, the NC conducted its annual assessment of the INEDs and made its recommendations to the Board. The Board was satisfied with the level of independence demonstrated by each and every one of the Independent Directors on the Board of the Company.<br><br>The NC had duly considered and recommended the re-election of the Directors who were subject to retirement by rotation at the last AGM held on 25 August 2022. Apart from the qualifications and competencies of the said Director, the NC's review on the proposed re- |

| | | |
|---|---|---|
| | election as Directors takes into account the mix of skill set, experience and contribution brought to the Board. | |
| **Explanation for departure** : | | |
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

**Practice 7.1**

The board has remuneration policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

| | | |
|---|---|---|
| **Application** | : | Applied |
| **Explanation on application of the practice** | : | There is a Remuneration Policy in place for all employees including Directors and Senior Management. The philosophy and principles underpinning the Remuneration Policy are designed to maintain competitiveness for short-term business objectives and drive individual growth in line with the long-term goals of the Group. The purpose of the Remuneration Policy is to set a formal and transparent process in determining fair and attractive packages to draw, retain and motivate "the right-fit" people to become part of the team.<br><br>The Remuneration Committee ("RC") reviews the remuneration policy for members of the Board including Committees of the Board prior to making recommendation to the Board for approval.<br><br>EDs' remuneration is based on corporate and individual performance while INEDs' fees are based on fiduciary duties and time commitment..<br><br>For the FYE 2023, the RC had performed its duty to assess annually the remuneration package of its EDs and Senior Management.<br><br>In addition, the RC had also deliberated on the Directors' fees for the FYE 2023 and benefit payable to Directors for the period from the conclusion of forthcoming 19th AGM up to next AGM to be held in year 2014, which is subject to the shareholders' approval at the forthcoming Nineteenth (19th) AGM. Further to the deliberations, the RC reported to the Board of its recommendation. |
| **Explanation for departure** | : | |
| | | |

| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
|---|---|---|
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

**Practice 7.2**

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

| | | |
|---|---|---|
| **Application** : | Applied | |
| **Explanation on application of the practice** : | The Board has established a RC on 28 November 2017 and the TOR is disclosed in the Company's website.<br><br>The RC of the Company comprises of all INEDs.<br><br>The RC is in charge of the implementation of policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board pursuant to the recommendation of Malaysian Code of Corporate Governance ("MCCG").<br><br>For the FYE2023, the RC had carried out the annual review of the overall remuneration for Directors and key senior management personnel. In addition, the RC had also deliberated on the Directors' fees for FYE2023 which is subject to the shareholders' approval at the forthcoming AGM. Further to the deliberations, the RC had reported to the Board its recommendation and findings. | |
| **Explanation for departure** : | | |
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 8.1**

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

| | | |
|---|---|---|
| **Application** | : | Applied |
| **Explanation on application of the practice** | : | |

| | Directorate | Company ('000) | | | | | | | Group ('000) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Fee | Allowance | Salary | Bonus | Benefits-in-kind | Other emoluments | Total | Fee | Allowance | Salary | Bonus | Benefits-in-kind |
| n | Executive Director | - | - | - | - | - | - | - | - | - | 240 | - | - |
| | Executive Director | 20 | - | - | - | - | - | 20 | - | - | 96 | - | - |
| g | Independent Director | 20 | - | - | - | - | - | 20 | - | - | - | - | - |
| | Independent Director | 20 | - | - | - | - | - | 20 | - | - | - | - | - |
| | Independent Director | 10 | - | - | - | - | - | 10 | - | - | - | - | - |
| n, | Non-Executive Non-Independent Director | 5 | - | - | - | - | - | 5 | - | - | - | - | - |
| | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 8.2**

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

| | | | |
|---|---|---|---|
| **Application** | : | Applied – the company discloses the remuneration of members of senior management who are not members of the board | |
| **Explanation on application of the practice** | : | The disclosure of the remuneration of four (4) key senior management personnel in the Company as requested under Practice 7.2 of MCCG), in bands of RM50,000.00 is made on the named basis in the Annual Report 2023 of the Company. | |
| **Explanation for departure** | : | | |
| | | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | | |
| **Measure** | : | | |
| **Timeframe** | : | | |

| No | Name | Position | Company | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Salary | Allowance | Bonus | Benefits | Other emoluments | Total |
| 1 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |
| 2 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |
| 3 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |
| 4 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |
| 5 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 8.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

| | | |
|---|---|---|
| **Application** | : | Not Adopted |
| **Explanation on adoption of the practice** | : | |

| No | Name | Position | Company ('000) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Salary | Allowance | Bonus | Benefits | Other emoluments | Total |
| 1 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 2 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 3 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 4 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 5 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |

**Intended Outcome**
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 9.1**
The Chairman of the Audit Committee is not the Chairman of the board.

| | | |
|---|---|---|
| **Application** : | Applied | |
| **Explanation on application of the practice** : | Mr. Wong Khai Meng is the Chairman of the ARMC and is not the Chairman of the Board. | |
| **Explanation for departure** : | | |
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 9.2**
The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

| | | | |
|---|---|---|---|
| **Application** | : | Applied | |
| **Explanation on application of the practice** | : | The TOR of ARMC clearly sets out that "No former Partner of the external audit firm of the Company shall be appointed as a member of the Committee before observing a cooling-off period of at least three (3) years".<br><br>At present, none of the members of the ARMC was a former partner of the external audit firm. | |
| **Explanation for departure** | : | | |
| | | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | | |
| **Measure** | : | | |
| **Timeframe** | : | | |

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 9.3**

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

| | | |
|---|---|---|
| **Application** | : | Applied |
| **Explanation on application of the practice** | : | For FYE 2023, the ARMC assisted in assessing, reviewing and supervising the suitability, objectivity, independence and overall performance of the external auditors, Messrs. Moore Stephens Associates PLT.<br><br>On 12 July 2022, the ARMC had undertaken an assessment of the suitability, objectivity and independence of Messrs. Moore Stephens Associates PLT. The assessment comprises of: -<br><br>a) Calibre of external audit firm;<br>b) Quality processes or performance;<br>c) Audit team;<br>d) Independence and objectivity;<br>e) Audit fees; and<br>f) Audit communication.<br><br>The ARMC was satisfied with the results of the external auditors' performance evaluation, and the overall effectiveness of the external audit process. The ARMC has obtained assurance from the external auditors confirming that they were, and had been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.<br><br>Upon considering the suitability, objectivity, and independence of the external auditors, the ARMC has recommended the re-appointment of Messrs. Moore Stephens Associates PLT as the external auditors of the Company for the shareholders' approval in the eighteenth ($18^{th}$) AGM held in the year 2022.<br><br>Messrs. Moore Stephens Associates PLT tendered their resignation on 8 February 2023. The ARMC after assessing and reviewing the suitability, objectivity and independence of Messrs. CHENGCO PLT, has appointed Messrs. CHENGCO PLT as the external auditors of the Company on 20 February 2023. |
| **Explanation for departure** | : | |

<table>
<tr><td></td><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

**Intended Outcome**
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 9.4 - Step Up**
The Audit Committee should comprise solely of Independent Directors.

| | | |
|---|---|---|
| **Application** | : | Adopted |
| **Explanation on adoption of the practice** | : | The ARMC is comprised solely of three (3) INEDs. |

**Intended Outcome**
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 9.5**
Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The ARMC is comprised of three (3) INEDs who are financially literate and keep up to date with the relevant development in accounting and auditing standards, practices and rules.<br><br>Mr. Wong Khai Meng, the Chairman of the ARMC is a member of the Malaysian Institute of Accountants ("MIA") thus fulfilling the requirement under Rule 15.09(1)(c)(i) of the Listing Requirements which requires at least one (1) of the Audit Committee members to be a member of the MIA.<br><br>The ARMC is also well informed by the company secretaries and external auditors of the applicability and impact of the changes in accounting and auditing requirements on the Company.<br><br>The members of the ARMC are expected to make sufficient effort to update their knowledge and skills through relevant continuing education programmes for meaningful deliberations.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

**Intended Outcome**
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 10.1**
The board should establish an effective risk management and internal control framework.

| | | |
|---|---|---|
| **Application** : | Applied | |
| **Explanation on application of the practice** : | The Board considers risk assessment and internal control to be fundamental to the Group in achieving its corporate objectives within reasonable risk profile. It has established an ongoing process to identify, evaluate and manage the significant risks to which the Group is exposed. The Board recognises the importance of continuous review and improvement to its risk management process to keep abreast with the industry requirements and adapt to changes in its business environment.<br><br>The ARMC of the Company is entrusted with the responsibility of assessing and monitoring the robustness of the risk management controls and measures taken. | |
| **Explanation for departure** : | | |
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 10.2**
The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

| | | | |
|---|---|---|---|
| **Application** | : | Applied | |
| **Explanation on application of the practice** | : | The details of the Company's internal control system and framework are set out in the Statement on Risk Management and Internal Control in the Annual Report 2023 of the Company | |
| **Explanation for departure** | : | | |
| | | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | | |
| **Measure** | : | | |
| **Timeframe** | : | | |

**Intended Outcome**
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 10.3 - Step Up**
The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

| | | |
|---|---|---|
| **Application** | : | Not Adopted |
| **Explanation on adoption of the practice** | : | |

**Intended Outcome**
Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

**Practice 11.1**
The Audit Committee should ensure that the internal audit function is effective and able to function independently.

| | | | |
|---|---|---|---|
| **Application** | : | Applied | |
| **Explanation on application of the practice** | : | The internal audit function of the Group is outsourced to a professional service firm, namely Messrs. Tan & Loh to provide the ARMC and the Board with the assurance they require pertaining to the adequacy and effectiveness of internal control.<br><br>During the FYE 2023, the internal auditors performed two internal audit assignments but covering all the topics in accordance with the internal audit plan approved by the ARMC. The findings and recommendations by the internal auditors together with Management's response are reported directly to the ARMC. This is to provide the ARMC with assurance in respect of continuity, adequacy and integrity of the system of internal controls within the Group. The Management would take appropriate actions to address and monitor the areas of weaknesses which would be followed by the ARMC.<br><br>The ARMC, on behalf of the Board, reviews the internal control issues identified and recommendations in the reports prepared by the internal auditor on regular basis. None of these weaknesses identified had resulted in any material loss that would require disclosure in the Annual Report 2023 of the Company. | |
| **Explanation for departure** | : | | |
| | | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | | |
| **Measure** | : | | |
| **Timeframe** | : | | |

**Intended Outcome**
Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

**Practice 11.2**
The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

| | | |
|---|---|---|
| **Application** | : | Applied |
| **Explanation on application of the practice** | : | The internal audit function has been outsourced to an independent professional firm, namely Messrs. Tan & Loh, to carry out the internal audit work on a regular basis throughout the year. The audit team possesses relevant auditing experience to discharge its role and responsibilities.<br><br>The ARMC had conducted a review and assessment on the adequacy and independence of the Company's internal audit function on 27 May 2022 in compliance with Rule 15.12 (1)(f) of the AMLR. Evaluation is based on the twice-yearly presentation of internal audit findings and the internal audit function questionnaire.<br><br>The standards and practices adopted by internal auditors are aligned to the International Professional Practices Framework issued by the Institute of Internal Auditors. As at 31 March 2023, the total number of personnel in internal audit firm was 16. The name and qualification of the person responsible for internal audit are as follows: -<br><br>1. Tan Yen Wooi, Managing Partner in Messrs. Tan & Loh, obtained a Master of Science in Professional Accountancy from University of London in 2017. He is a member of MIA, Malaysia Institute of Taxation, Institute of Internal Auditor and fellow of Association of Chartered Certified Accountants<br><br>2. Sugaintharan, person-in-charge. Graduated with a Bachelor of Accounting from Anglia Ruskin University, United Kingdom in 2016.<br><br>None of the internal audit personnel has any relationship or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions. |
| **Explanation for departure** | : | |

| | | |
|---|---|---|
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 12.1**

The board ensures there is effective, transparent and regular communication with its stakeholders.

| | | |
|---|---|---|
| **Application** | : | Applied |
| **Explanation on application of the practice** | : | The Board recognises the need for stakeholders and the broader investment community to make discerned decisions based on accurate, useful and timely disclosure of corporate information. The Board endeavours to ensure that annual reports, quarterly results, press releases and announcements are released on a timely basis as a means of disseminating information of the Group's business activities and financial performance.<br><br>Material information such as the Group's performance and major developments are disseminated via various channels. Annual Reports and circulars are despatched to shareholders and published on the Company's and Bursa Securities' websites, release of announcements including quarterly financial results and convening of AGM.<br><br>The Company website at https://www.yglworld.com/, which is accessible to the public, contains all relevant information about the Company and the Group including all submissions to Bursa Securities.<br><br>The Group has maintained an active and constructive communication policy with its shareholders and others stakeholders to keep them in tandem with the major developments and performance of the Group.<br><br>The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group.<br><br>The Board has set up appropriate corporate disclosure policy and exercise close monitoring of all price sensitive information required to be released to Bursa Securities and make material announcements to Bursa Securities in a timely manner.<br><br>For FYE 2023, the Company conducts limited investor relation ("IR") functions except for certain seminars/talks on our domain expertise. |

<table>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 12.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<table>
<tr><td>Application :</td><td colspan="2">Not applicable – Not a Large Company</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2"></td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

| | | | |
|---|---|---|---|
| **Application** | : | Applied | |
| **Explanation on application of the practice** | : | The notice of 18th AGM and Annual Reports were sent to the shareholders twenty-eight (28) days before the 18th AGM which is well in advance of the twenty-one (21) day requirement set by the Companies Act, 2016 and Company's Constitution. The notice of the AGM was also published in widely circulated newspaper namely The New Straits Times.<br><br>The additional days enable the shareholders additional time to peruse the resolutions and make discerned decision in cast their votes at the AGM. Each item of special business included in the Notice of the Meeting was accompanied by explanatory notes for the effects of a proposed resolution to facilitate full understanding and evaluation issues involved. | |
| **Explanation for departure** | : | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | | |
| **Measure** | : | | |
| **Timeframe** | : | | |

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

| | | |
|---|---|---|
| **Application** : | Applied | |
| **Explanation on application of the practice** : | The Board values the importance of high-level accountability and corporate transparency between the Company and its shareholders. At the 18th AGM held on 25 August 2022, all the four (4) Directors were present in person to engage directly with the shareholders. The two (2) INEDs were also Chairmen of the ARMC, NC and RC respectively.<br><br>The CEO, ED and external auditors were in attendance to answer any questions on the operating and financial performance of the Group.<br><br>At the AGM, shareholders are encouraged to participate in the question-and-answer session on the resolutions being proposed and to share viewpoints and acquire information on issues relevant to the Group's business operation in general. | |
| **Explanation for departure** : | | |
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.3**

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

| | | | |
|---|---|---|---|
| **Application** | : | Departure | |
| **Explanation on application of the practice** | : | | |
| **Explanation for departure** | : | As the Company does not have a large number of shareholders or conduct general meetings in remote locations or more than one venue, there has been no usage of technology to facilitate voting in absentia or remote shareholders' participation in its general meetings.<br><br>The Company adopted voting by poll in its 18th AGM held on 25 August 2022 for all resolutions proposed where shareholders and proxy holders cast votes by way of voting slips. | |
| | | Nil. | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | | |
| **Measure** | : | | |
| **Timeframe** | : | | |

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.4**

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

| | | |
|---|---|---|
| *Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.* | | |
| **Application** : | Applied | |
| **Explanation on application of the practice** : | Shareholders and proxies were allowed to pose questions at the AGM where the Chairman provided ample time during the "Questions and Answers" ("Q&A") sessions.<br><br>During the Q&A sessions at the AGM, the Board responded to all questions raised by the shareholders pertaining to the agenda and resolutions tabled prior to putting them for voting. The Board including the CEO, ED and external auditors were in attendance to reply to the shareholders.<br><br>In addition, written queries raised by the Minority Shareholders Watch Group were presented to shareholders during the 18th AGM together with the Company's responses. | |
| **Explanation for departure** : | | |
| | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | |
| **Measure** : | | |
| **Timeframe** : | | |

**Intended Outcome**
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.5**
The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

<table>
<tr><td colspan="3">Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</td></tr>
<tr><td>Application :</td><td colspan="2">Not applicable – only physical general meetings were conducted in the financial year</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2"></td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.6**

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

| | | | |
|---|---|---|---|
| *Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.* | | | |
| **Application** | : | Applied | |
| **Explanation on application of the practice** | : | Minutes of the 18th AGM were made available on the Company's website at https://www.yglworld.com/ within 30 business days after the conclusion of the 18th AGM held on 25 August 2022. | |
| **Explanation for departure** | : | | |
| | | | |
| *Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.* | | | |
| **Measure** | : | | |
| **Timeframe** | : | | |

## SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

| |
|---|
| Click or tap here to enter text. |