Meet in One Value

Ygl Convergence Berhad

(649013-W)

Annual Report 2011

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighth (8th) Annual General Meeting of Ygl Convergence Berhad (or "the Company") will be held at Hotel Royal Penang, No. 3, Jalan Larut, 10050 Georgetown, Penang on Tuesday, 19 June 2012 at 11.00 a.m. for the following purposes:-

As Ordinary Business:-

1. To receive the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2011 together with the Auditors' Report thereon.

2. To approve the payment of Directors' fees of RM80,000 for the financial year ended 31 December 2011. **Resolution 1**

3. To re-elect Ms. Tan Hoay Leng who is retiring in accordance with Article 29.1 of the Company's Articles of Association and is offering herself for re-election. **Resolution 2**

4. To re-elect Dr. Ch'ng Huck Khoon who is retiring in accordance with Article 29.6 of the Company's Articles of Association and is offering himself for re-election. **Resolution 3**

5. To re-appoint Messrs Cheng & Co. as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 4**

As Special Business:-

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

   Ordinary Resolution:-
   Authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965

   "**THAT** subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; **AND THAT** such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 5**

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

By Order of the Board

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

Penang
Date: 28 May 2012

Notice of Annual General Meeting (cont'd)

Explanatory Note to Special Business:-

Resolution 5 - Authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965

The Resolution 5 above, if passed, will empower the Directors to issue shares up to 10% of the issued capital of the Company for the time being for such purposes as the Directors may consider would be in the interest of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or the expiration within which the next Annual General Meeting is required by law to be held, whichever is earlier.

As the date of this Notice, no new shares were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 30 June 2011 and it will lapse at the conclusion of the 8th Annual General Meeting .

The renewal of the above mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).

Notes:-

1. In respect of deposited securities, only members whose name appears on the Record of Depositors on 13 June 2012 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at the Meeting.

2. A Member of the Company entitled to attend and vote at the Meeting is entitled to appoint 2 or more proxies to attend and vote in his stead. If a Member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

3. A proxy may but does not need to be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

4. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

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.

6. The instrument appointing a proxy or (in the case of a power of attorney appointing an attorney) such power of attorney or a notarially certified copy of such power of attorney and any authority under which such proxy or power of attorney is executed or a copy of such authority certified notarially or in some other way approved by the Directors shall be deposited at the Registered Office of the Company at No. 10, China Street, 10200 Penang at least 48 hours before the time for holding the Meeting or any adjournment thereof.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

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 Annual General Meeting.

Corporate Information

BOARD OF DIRECTORS

Yeap Kong Chean
Chief Executive Officer

Tan Hoay Leng
Executive Director

Lim Hoo Teck
Independent Non-Executive Director

Chong Kai Min
Independent Non-Executive Director
(Resigned w.e.f. 01.12.2011)

Ahmad Fuad Bin Mohd Ali
Independent Non-Executive Director

Dr. Ch'ng Huck Khoon
Independent Non-Executive Director
(Appointed w.e.f. 28.02.2012)

COMPANY SECRETARIES

Ooi Eng Choo (BC/O/102)
Thum Sook Fun (MAICSA 7025619)

REGISTERED OFFICE

No. 10 China Street
10200 Penang
Tel: 04-2610 619
Fax: 04-2625 599

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd
Suite 18.05, MWE Plaza
No. 8, Lebuh Farquhar, 10200 Penang
Tel: 04-2631 966
Fax: 04-2628 544

AUDITORS

Cheng & Co. (AF0086)
16-G Jalan 2/114
Kuchai Business Centre
Off Jalan Klang Lama
58200 Kuala Lumpur
Wilayah Persekutuan

PRINCIPAL BANKERS

Malayan Banking Berhad
Ground Floor, MWE Plaza,
No. 8, Lebuh Farquhar,
10200 Penang
Tel: 04-2636 685
Fax: 04-2636 645

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

CIMB Bank Berhad
43, Lebuh Pantai, 10300 Penang
Tel: 04-2407 868
Fax: 04-2267 822

STOCK EXCHANGE LISTING

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

WEBSITE

www.yglworld.com

Profile of Directors

YEAP KONG CHEAN
Chief Executive Officer
Aged 50, Malaysian

Yeap Kong Chean was appointed to the Board on 1 June 2005. He is presently the Chief Executive Officer of the Company and also sit on the Board of 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 had spent seven (7) years in serving Ernst & Young Malaysia and Australia. He had consulted both local and foreign companies of various industries and sizes whilst with Ernst & Young. He was appointed as a consultant on advisory role with Ygl Convergence Malaysia Sdn Bhd in 1993, assisting Ygl Convergence Malaysia Sdn Bhd in business re-engineering and ERP deployment work. He was instrumental in taking YGL Convergence Berhad listed in July 2005.

TAN HOAY LENG
Executive Director
Aged 45, Malaysian

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 years. Madam Tan Hoay Leng was subsequently involved in public practice, providing consultation services to customers in various industries. She has vast experience in public accounting, taxation, outsourcing and human resource management.

Profile of Directors (cont'd)

LIM HOO TECK
Independent Non-Executive Director
Aged 47, Malaysian

Lim Hoo Teck was appointed to the Board on 7 April 2008. He is also the Chairman of the Audit Committee of the Company.

He is a member of the Malaysian Institute of Accountants (MIA), Chartered Tax Institute of Malaysia and Malaysian Institute of Certified Public Accountants. He is also a member of the Disciplinary Committee Panel (Lembaga Tatatertib Peguam-Peguam) pursuant to the Legal Profession Act, 1976. He also acts as an Adjudicator for the 2010 National Annual Corporate Report Awards competition.

He commenced his accounting profession in 1984 as an Audit Assistant with Messrs Mustapha Law, where he served for 5 years. In 1989, he joined the international accounting firm of Price Waterhouse (now known as PricewaterhouseCoopers), Kuala Lumpur for about 2 years. He then joined Coopers & Lybrand, Singapore as an Audit Manager in 1991. Currently, he is the Managing Partner of Messrs Steven Lim & Associates. He has more than 20 years experience in public accounting which includes, handling large audits of multinational and public listed companies as well as small and medium-sized audit for companies engaged in trading, manufacturing, banking, plantation, hotel, construction, property holding and service industries. He has also been involved in initial public offer (IPO) assignment, acquisition review and investigation works.

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

AHMAD FUAD BIN MOHD ALI
Independent & Non Executive Director
Aged 58, Malaysian

Ahmad Fuad Bin Mohd Ali was appointed to the Board on 29 October 2010. He is also a member of the Audit Committee of the Company.

He has over 30 years of Consumer and Corporate Banking experience with a leading International Bank. He is a strong business-oriented banker with in-dept knowledge of the Malaysian market, who successful led various creative initiatives to increase market share in key business areas particularly Mortgages and Wealth Management products. He is highly skilful and innovative marketing person who led a team in developing creative and award winning products, brand positioning initiatives and introduced numerous highly successful marketing techniques and concepts. He is also an accomplished strategist who was key in developing and implementing the strategic plans for the consumer bank and ensures its leading role in the industry. A self-motivated, innovative, result oriented with excellent management and leadership skills. He is an effective "change manager" who contributed significantly in changing the organizational culture from operations to sales and service oriented.

Currently, he is an Advisor in a Corporate Advisory Company and a Director of a Project Management Company.

Profile of Directors (cont'd)

DR. CH'NG HUCK KHOON
Independent & Non Executive Director
Aged 42, Malaysian

Dr. Ch'ng Huck Khoon was appointed to the Board on 28 February 2012. He is also a member of the Audit Committee of the Company.

He pursued his PhD studies in Finance at the Universiti Sains Malaysia (USM) and he also holds a Master of Business Administration (Finance) from University of Stirling, United Kingdom. He is an Associate Member of the Institute of Chartered Secretaries and Administrators (ICSA).

He was an Assistant Professor at the Universiti Tunku Abdul Rahman (UTAR) and Wawasan Open University (WOU).

Currently, he is an Independent Non-Executive Director and Chairman of the Audit Committee of CNI Holdings Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

Notes:

i. Family Relationships with Director and/or Major Shareholder

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

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

ii. Directors' Shareholdings

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

iii. No Conflict of Interest

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

iv. Non-conviction of Offences

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

Chief Executive Officer's Statement

On behalf of the Board of Directors and the management team of Ygl Convergence Berhad ("Ygl"), I would like to take this opportunity to present the Annual Report and Financial Statements of the Company and Group for the financial year ended 31 December 2011.

Looking back at 2011, the demand for information technology solutions remained soft as the uncertainty in the world economy lingered on. During the year, we aligned our product mix and repositioned our products for niche market. We continued to focus on our core competencies and enhanced the scope of our software development effort. The investment in research and development ("R&D") were maintained for both existing products and vertical modules as we expect revenue potential from our key markets, namely South East Asia and Greater China. The year 2011 has seen Ygl Group returning to profitability from losses in the past number of years. Our effort in R&D of Ygl proprietary solutions has paid off in both expanding Ygl market share and improving on gross margin. Ygl was able to profit from representing the world class solutions offered by overseas partners as well as distributing Ygl own proprietary software for niche market segments.

Financial Overview

Ygl Group recorded revenue of RM9.990 million for the financial year ended 31 December 2011, representing an increase of 31% as compared with the revenue of RM7.611 million for the financial year ended 31 December 2010. Net profit for financial year 2011 was RM2.170 million as compared to net loss of RM480,799 for financial year 2010. Correspondingly, Ygl's net profit per share has increased from net loss per share of 0.27 sen for the year ended 31 December 2010 to net profit per share of 1.36 sen for the year ended 31 December 2011.

Corporate Development

In October 2011, Ygl showcased its proprietary software namely, "Vacation2u - Smart Holidays For Everyone" and emerged the winner for "Best of Tourism and Hospitality" in the prestigious APICTA 2011 Awards organised by MSC Malaysia. As the winner of Malaysia APICTA Awards 2011 for the hospitality category, Ygl was selected to represent Malaysia in the same category in the APICTA International Awards 2011 held in Pattaya, Thailand in November 2011. This award recognized the continuous effort that Ygl put in research and development of Ygl proprietary software in the past number of years and established Ygl as a world class software development centre.

Research and Development ("R&D")

For financial year 2011, Ygl Group had invested RM1.296 million in the new product development and complementary modules and enhancement of Ygl existing proprietary product line. This represents a decrease of 25% as compared to the R&D's expenditure of RM1.730 million incurred in financial year 2010. The decrease in R&D was due to efficiencies achieved in the research and development activities.

Chief Executive Officer's Statement (cont'd)

Prospect

Looking into 2012, we are optimistic on the Group revenue prospect even in the background of the uncertain world economies. The investments in Ygl management team, world class product line and Ygl presence in the various regional offices, have established Ygl as a premier business application provider in Asia.

Appreciation

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

- our valued customers for sharing our product vision;
- 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 dedication and contribution; and
- our shareholders for their continuing support.

The Board sincerely thanks our ex-director, Mr. Chong Kai Min, who have left us on his own accord on 1 December 2011 for his valuable contributions. He had been with Ygl since July 2005.

The Board also extends a warm welcome to our new independent non-executive director, Dr, Ch'ng Huck Khoon who joined the board on 28 February 2012. Dr. Ch'ng is also a member of the Audit Committee. We look forward to his contribution in Ygl Group.

Yeap Kong Chean
Chief Executive Officer

Date: 7 May 2012

Audit Committee Report

MEMBERSHIP

The Audit Committee comprises the following members:

Chairman
Lim Hoo Teck (Independent Non-Executive Director)

Members
Chong Kai Min (Independent Non-Executive Director) *(resigned w.e.f. 1 December 2011)*
Ahmad Fuad Bin Mohd Ali (Independent Non-Executive Director)
Dr. Ch'ng Huck Khoon (Independent Non-Executive Director) *(appointed w.e.f. 28 February 2012)*

SUMMARY OF TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. COMPOSITION

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

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

If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new member as may be required to make up the minimum number of three (3) members.

2. AUTHORITY

The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

a) have explicit authority to investigate any matters within its term of reference;

b) have full and unrestricted access to any information it seeks as relevant to its activities from any employee of the Company or the Group and all employees are directed to co-operate with any request by the member of the Audit Committee;

c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activities (if any);

d) be able to obtain independent professional or other advice in the performance of its duties; and

e) where the Audit Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactory resolved resulting in a breach of the Listing Requirements for ACE Market, the Audit Committee shall promptly report such matter to Bursa Malaysia Securities Berhad.

Audit Committee Report (cont'd)

3. DUTIES AND RESPONSIBILITIES

The Audit Committee shall assist the Board of Directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and its subsidiaries and the sufficiency of auditing relating thereto.

The duties of the Audit Committee shall include a review of the following and report the same to the Board of Directors of the Company:

a) with the external auditors, the audit plan and their management letter (if any);
b) with the external auditors, their evaluation of the internal controls and management information systems;
c) with the external auditors, their audit report and actions to be taken;
d) the assistance given by the employees of the Company to the external auditors;
e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out the work;
f) the internal audit programme, process, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
    i) changes in or implementation of major accounting policy changes;
    ii) significant adjustments arising from the audit;
    iii) the going concern assumption;
    iv) significant and unusual events; and
    v) compliance with accounting standards and other legal requirements;
h) any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
i) any letter of resignation from the external auditors of the Company; and
j) whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment.

The Audit Committee to do the following, in relation to the internal audit function:

a) review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out the work;
b) review the internal audit programme, process, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
c) review any appraisal or assessment of the performance of members of the internal audit function;
d) approve any appointment or termination of senior staff members of the internal audit function;
e) take cognizance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

Audit Committee Report (cont'd)

3. DUTIES AND RESPONSIBILITIES (cont'd)

The Audit Committee to recommend the nomination of a person or persons as external auditors, the audit fee and any questions of resignation or dismissal.

The Audit Committee to verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any.

The Audit Committee to consider other topics as defined by the Board of Directors; and to consider and examine such other matters as the Audit Committee considers appropriate.

4. MEETINGS & QUORUM

Meetings shall be held not less than four times a year with a due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In order to form a quorum, a majority of members present whom must be independent directors.

Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders. The presence of the external auditors will be requested if required.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed to the matters affecting the Company.

The Finance Manager, the head of internal audit and representatives of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee shall meet with the external auditors, the internal auditors or both, without other Board members and management present at least twice a year and whenever deemed necessary.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes, the Chairman of the Audit Committee shall have a second or casting vote.

5. REPORTING PROCEDURES

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

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

Audit Committee Report (cont'd)

NUMBER OF MEETINGS AND DETAILS OF ATTENDANCE

The Audit Committee had held five (5) meetings during the financial year 2011 which were attended by the following Audit Committee members:-

Directors	No. of Meetings attended	Total No. of Meetings held	%
Lim Hoo Teck	5	5	100
Chong Kai Min *(resigned w.e.f. 1 December 2011)*	5	5	100
Ahmad Fuad Bin Mohd Ali	5	5	100
Dr. Ch'ng Huck Khoon *(appointed w.e.f. 28 February 2012)*	N/A	N/A	N/A

SUMMARY OF ACTIVITIES

During the financial year 2011, the Audit Committee had carried out the following activities in the discharge of its functions and duties:-

1. Reviewed the quarterly and annual reports of the Group and the Company prior to submission to the Board of Directors for consideration and approval;
2. Reviewed the audit reports prepared by the external auditors for the Group and the Company before recommending to the Board for approval;
3. Reviewed the internal audit reports prepared by the internal auditor 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 auditor;
4. Reviewed the status of software development projects;
5. Reviewed the internal audit plan to ensure key risk areas were covered;
6. Made recommendation to the Board on the re-appointment of the external auditors;
7. Reviewed with the external auditors, their audit planning memorandum, audit approach and reporting requirements prior to the commencement of audit work; and
8. Reviewed the Statement on Internal Control and Audit Committee Report for disclosure in the annual report.

Audit Committee Report (cont'd)

INTERNAL AUDIT

The Group has outsourced the internal audit functions to Messrs. PKF (formerly known as Parker Randall Loh) and they have carried out semi-annual review the implementation of internal controls by the Group and the Company and provide 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 Audit Committee and the management was required to undertake adequate measures to address the operational weaknesses.

The activities carried out by the internal audit function include:-

1. Reviewed the adequacy of accounting and financial controls;

2. Reviewed the application of operational procedures;

3. Reviewed compliance with established company policies;

4. Ascertained the extent of compliance with operational procedures; and

5. Recommended improvements to the existing internal control procedures.

The total cost incurred by the Group for maintaining the internal audit functions for financial year 2011 was approximately RM10,600.

This statement is made in accordance with the resolution of the Board of Directors dated 24 April 2012.

Statement on Corporate Governance

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

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

Best Practices	Reasons
Appointment of a nomination committee	• The appointment of new Board members will be a matter for the whole Board to deliberate upon.
Appointment of a remuneration committee	• The director's remuneration is a matter of the full Board to decide based on market conditions, responsibilities held and the Group's overall financial performance.

BOARD OF DIRECTORS

The Board

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

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

Board Balance

The Board consisted of five (5) Directors, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. Collectively, the composition equips the Board with a mix of industry-specific knowledge and broad business, financial, regulatory and technical experience. A brief profile of each Director is set out on pages 6 to 8 of this Annual Report.

The Board complies with Rule 15.02 of ACE Market Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") which states that a listed company must have least 2 directors or 1/3 of the board of directors, whichever is the higher, are independent directors.

The Executive Directors, Mr. Yeap Kong Chean and Madam Tan Hoay Leng, whom primarily are responsible for the implementation of the Board's policies and decision and keep the Board informed of the overall operations of the Group. The presences of the existing Independent Non-Executive Directors are of sufficient caliber and experience to bring objectivity, balance and independent judgments to Board decision.

The Board has conducted the annual review of the Board effectiveness as a whole in compliance with the best practice of the Code.

Statement on Corporate Governance (cont'd)

Board Meetings

The Board meetings are held at quarterly intervals and additional meetings are held should the need arise. For the financial year ended 31 December 2011, the Board had held five meetings which were attended by the following Directors of the Company:-

Directors	No. of Meetings attended	Total No. of Meetings held	%
Yeap Kong Chean	5	5	100
Tan Hoay Leng	5	5	100
Lim Hoo Teck	5	5	100
Ahmad Fuad Bin Moh Ali	5	5	100
Chong Kai Min *(resigned w.e.f. 1 December 2011)*	5	5	100
Dr. Ch'ng Huck Khoon *(appointed w.e.f. 28 February 2012)*	N/A	N/A	N/A

Supply of and Access to information

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

The proceedings at all Board meetings are duly minuted. The Minutes of these proceedings are kept at the registered office of the Company. The Company Secretary attended all Board meetings and ensures the Board procedures and all other rules and regulations applicable to the Company are complied with.

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.

Appointment to the Board and Re-election

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

Article 29.6 of the Company's Articles of Associations also provides that a newly appointed Director shall hold office only until the next AGM and shall then be eligible for re-election, and shall not be taken into account in determining the Directors who are to retire by rotation at the meeting. In view of this, Dr. Ch'ng Huck Khoon who was appointed by the Board subsequent to the last AGM shall be subjected to retirement, but eligible for election at the forthcoming 7th AGM.

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

Statement on Corporate Governance (cont'd)

Directors' Training

All the Directors including the newly appointed Director, Dr. Ch'ng Huck Khoon have attended the Mandatory Accreditation Programme as required by Bursa Securities on all Directors of listed companies.

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

Descriptions of the type of training(s) attended by the Directors during the financial year 2011 are as follows:-

Directors	Title of Seminar/Workshops/Courses	Mode of Training	No. of Hours/ Days Spent
Yeap Kong Chean	Workshop on New Public Rulings in 2010/2011 Workshop on New Public Rulings in 2011 The 2012 Budget Seminar Seminar Percukaian Kebangsaan 2011 Practical Audit Series (Advanced Level)	Workshop Workshop Seminar Seminar Workshop	8 hours 8 hours 8 hours 10 hours 16 hours
Tan Hoay Leng	Increase and Maximise Company's Cash Flow Understanding deferred tax by case study Understanding & Preparing consolidated financial statements New Public Rulings in 2011 Seminar Percukaian Kebangsaan 2011 Introduction to IFRS for SMEs	Seminar Workshop Workshop Seminar Seminar Seminar	8 hours 8 hours 8 hours 8 hours 10 hours 8 hours
Lim Hoo Teck	National Tax Conference 2011 Related Parties Transaction & Transfer Pricing - Tax Implication & Planning Workshop Seminar Percukaian Kebangsaan 2011	Seminar Seminar Seminar	2 Days 1 Day 10 hours
Ahmad Fuad Bin Mohd Ali	Malaysia SME Congress	Seminar	1 Day

Directors' Remuneration

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

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

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

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

Statement on Corporate Governance (cont'd)

The summary of the Directors' remuneration in the Company and its subsidiaries for the financial year ended 31 December 2011 is as follows:-

Directors	Company			Group		
	Salaries RM	Bonus RM	Fee RM	Salaries RM	Bonus RM	Fee RM
Executive	-	-	-	175,340	-	-
Non-Executive	-	-	80,000	-	-	-
Total	-	-	80,000	175,340	-	-

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

Range	Executive	Non-Executive
Below RM50,000	1	3
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	1	-

SHAREHOLDERS

Investors' Relations and Shareholders' Communication

The Group values the importance of high-level accountability and corporate transparency between the Group and its investors. As such, communications are made through proper, timely and adequate dissemination of information on the Group's performance and other development. The communication with its shareholders and investors are made through AGM, annual report, quarterly results and various announcements made to Bursa Securities.

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

AGM

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

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

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

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

Statement on Corporate Governance (cont'd)

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

The report of the Audit Committee is separately set out on pages 11 to 15 of this Annual Report.

Internal Control

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

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

The Statement on Internal Control is set out on pages 21 and 22 of this Annual Report.

Relationship with the External Auditors

The Board has formed a formal and good working relationship with the external auditors in seeking their professional advice and towards ensuring compliance with the accounting standards through Audit Committee.

The Independent Non-Executive Directors also met with the external auditors without the presence of Management on 25 April 2011 and 24 November 2011 during the financial year 2011 in compliance with the best practices of the Code.

The external auditors had performed interim and final audit and discussed with the Audit Committee on their findings which are included as part of the Company's financial reports with respect to this year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements.

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

Compliance with the Best Practices of the Code

Save for the exceptions set out above, the Group is in substantial compliance through the financial year with the Principles and Best Practices of the Code.

This statement is made in accordance with a resolution of the Board of Directors dated 24 April 2012.

Statement on Internal Control

INTRODUCTION

The Board of Directors (“the Board”) is committed to maintain and ensure that a sound system of internal control exists and operates effectively within the Group of Companies and is pleased to provide this statement outlining the nature and scope of internal control of the Group during the financial year pursuant to Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Bhd and compliance with Section 167A of the Companies Act, 1965.

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 internal control.

The system of 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.

RISKS MANAGEMENT FRAMEWORK

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.

Statement on Internal Control (cont'd)

INTERNAL CONTROL

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

- Dissemination of comprehensive financial reports to the Board and Audit Committee on a quarterly basis for review to formulate action plans to address any areas of concern
- Involvement of the Executive Directors in the weekly operational meetings attended by respective senior management to highlight significant matters arising on a timely basis
- Maintain a demanding recruitment standards 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
- Adopting the ISO27001 information security assurance measures to safeguard the data of software in development and business setting
- Constant monitoring of work performance by an effective reporting system

AUDIT COMMITTEE & INTERNAL AUDIT

The Group has outsourced the internal audit function to an independent professional firm since 2009 to carry out the internal audit services to assist the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal controls within the Group. During the financial year under review, the internal auditors carried out two internal audits in accordance with the internal audit plan approved by the Audit Committee. Observations noted from internal audits and any recommendations were deliberated with the Management who addressed the internal control weaknesses identified with appropriate action plans to improve the system of internal control within the Group. The Audit Committee, on behalf of the Board, reviews the internal control issues identified and recommendations in the reports prepared by the internal auditor on a 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 is of the opinion that the monitoring, review and reporting arrangements provide reasonable assurance that the internal control measures in place is effective. Pursuant to Rule 15.23 of the ACE Market Listing Requirements of Bursa Malaysia Securities Bhd, the external auditor has reviewed this statement and reported to the Board that nothing has come to their attention that causes them to believe that the 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 of Directors dated 24 April 2012.

Directors' Responsibilities Statement on Financial Statements

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

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

In preparing the financial statements for the financial year ended 31 December 2011, the Directors have:-

– adopted the relevant Financial Reporting Standards issued by the Malaysian Accounting Standards Board;

– made judgments and estimates that are reasonable and prudent;

– ensured relevant accounting standards have been consistently applied, subject to any material departures which will be disclosed and explained in the financial statements; and

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

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

This statement is made in accordance with a resolution of the Board of Directors dated 24 April 2012.

Additional Compliance Information

UTILISATION OF PROCEEDS

In March 2010, a total proceeds of RM1,527,057 had been raised through the Private Placement exercise of up to 10% of the issued and fully paid-up share capital of Ygl, comprising up to 14,543,400 new Ordinary Shares of RM0.10 each (“Shares”) at issue price of RM0.105 per Share. As at 31 December 2011, the total proceeds from the said placement had been fully utilised by the Company for the purpose of listing and placement expenses (RM54,517) and working capital (RM1,472,540).

SHARE BUY-BACK

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

DEPOSITORY RECEIPT PROGRAMME

During the financial year, the Company did not sponsor any Depository Receipt Programme.

IMPOSITION OF SANCTIONS AND PENALTIES

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

NON-AUDIT FEES

There were no non-audit fees paid to the external auditors by the Group and by the Company for the financial year 31 December 2011.

VARIATION OF ACTUAL PROFIT FROM THE UNAUDITED RESULTS

There were no material variations between the audited results for the financial year ended 31 December 2011 and the unaudited results for the financial year ended 31 December 2011 of the Group as previously announced.

PROFIT GUARANTEE

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

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

For the financial year ended 31 December 2011, there were no material contracts entered into by the Company and its subsidiaries involving Directors and major shareholders.

Corporate Social Responsibility Statement

Ygl Convergence Berhad ("Ygl") recognizes the importance of a corporate culture that emphasis on Corporate Social Responsibilities ("CSR") for the betterment of society, the welfare of its employees, the protection of environment while delivering sustainable returns to our shareholders.

ENVIRONMENT

Ygl recognizes the need to protect and preserve the environment and has taken measures to ensure compliance with existing statutory and regulatory requirements.

Reusing and recycling of office paper and stationery, implementing electronic switching off air conditioners in office, switching off lighting whenever possible are some of the measures undertaken by Ygl to minimize the usage of resources.

COMMUNITY

Ministry of Higher Education (MOHE) with the cooperation of Universiti Teknical Malaysia Melaka (UTeM), Microsoft Malaysia and Multimedia Development Corporation (MdeC) organized the Imagine Cup Competition, Malaysia Finals in Kuching Sarawak from 4—6 May 2011.

In conjunction with the event, the Secretariat of Imagine Cup Malaysia 2011, Ygl Group Marketing Manager Mr. Humphrey Ho was appointed as one of the judges in the Imagine Cup 2011 from the Ministry of Higher Education (MOHE) with the cooperation of University Teknikal Malaysia Melaka (UTeM), Microsoft Malaysia and Multimedia Development Corporation (MDeC).

Corporate Social Responsibility Statement (cont'd)

WORKPLACE

YGL Convergence Group China is pleased to announce the opening of our new Jiang Men office, starting from 01-Aug-2011. The office will focus primarily on sales of Business process and SharePoint 2010 development. We are excited about this new opportunity to expand our business and better serve our customers in the new region.

MARKET PLACE

Ygl is committed to conduct its business with integrity and to meet customers' needs with outstanding service quality. Ygl always maintain long relationships with its partners, suppliers, customers and other stakeholders.

Corporate Social Responsibility Statement (cont'd)

INTERNATIONAL APICTA 2011 AWARDS

Pattaya, Thailand 9 - 11 Nov 2011.
Government ICT agency Multimedia Development Corporation (MDeC) had picked 28 Malaysian nominees to represent the nation at the International APICTA (MSC Malaysia Asia-Pacific ICT Alliance) Awards 2011 in Pattaya, Thailand.

The Malaysian awards platform reviewed 'Made-in-Malaysia' ICT solutions from 246 Malaysian companies, individuals and students across a total of 19 categories, which included the new Sustainability and Green IT category. YGL Vacation2U was selected to represent Malaysia to compete in the category of 'Tourism and Hospitality'.

September 16 2011 - YGL was pleased to announce that we recently carried out a full re-branding exercise in order to refresh our image and profile our promotional materials more explicitly towards our core characteristics and product positioning. The new product logo mark and brand components are set to create a more contemporary company image and corporate style in a consistent manner, so as to foster communication with professionals in a wide range of industries from manufacturing to hospitality and the tax profession.

Corporate Social Responsibility Statement (cont'd)

The new product branding incorporates the characteristics of our products and uphold the company image that have been developed with customers over many years. The new logos are our invaluable assets and will be used on all printed items, across all electronic formats, and products.

25 OCTOBER 2011: MSC MALAYSIA APICTA AWARDS 2011

Themed "Stimulating Creativity, Innovation and Excellence in ICT" and dubbed the "Oscars of the ICT World", the prestigious award platform saw 246 Malaysian companies, individuals and students submitting their 'Made-in-Malaysia' ICT solutions to compete under 19 categories, including the new Sustainability and Green IT category. A total of 35 submissions were selected for recognition either as Winner or Merits in the respective categories.

The Apicta Awards presentation was jointly organised by MOSTI agency MDeC and Pikom. Local blog "Life through My Eyes' at www.apistakkisah.blogspot.com by Muhammad Hafiz Ismail received the coveted Prime Minister's Best of the Best Award.

Corporate Social Responsibility Statement (cont'd)

YGL product: Vacation2U - Smart Holidays For Everyone is the winner of BEST OF TOURISM AND HOSPITALITY for MSC Malaysia APICTA Awards 2011.

From left: Mr. Leong Vai Long (GM), Mr. Yeap Kong Chean (CEO), YB Datuk Seri Panglima Dr Maximus Johnity Ongkili Minister of Science, Technology & Innovation

Ygl team members took a group photo during the presentation ceremony. *From left: Mr. Leong Vai Long (GM), Ms Yong Fee Ming (Senior Technical Manager), Mr. Humphrey Ho Soo Wee (Group Marketing Manager) and Mr. Yeap Kong Chean (CEO).*

SPECIALISED MARKETING MISSION ON ICT SOFTWARE AND RELATED SERVICES TO JAKARTA, INDONESIA (26-29 SEPTEMBER 2011)

MATRADE with the support of Technopreneurs Association of Malaysia (TeAM) and Multimedia Development Corporation Sdn Bhd (MDeC) had organized a Specialised Marketing Mission on ICT Software & Related Services from 26 to 29 September 2011.

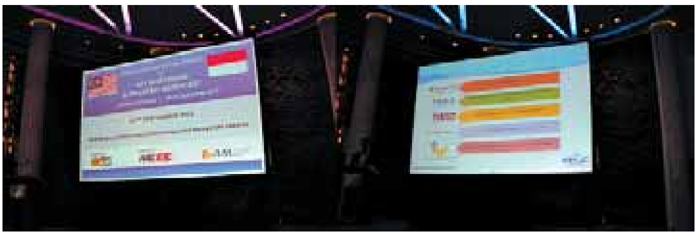
The objectives of the mission were to explore opportunities for collaboration between Malaysian and Indonesian companies in the ICT software and related services and to promote exports of Malaysian ICT software and services to Indonesia. It is a springboard to leap and reach out to the vast Indonesian market, which has one of the largest population in Asia, and the largest in South East Asia.

Corporate Social Responsibility Statement (cont'd)

This mission highlighted 3 main sub-sectors which had been identified to be the most potential for ICT related business to penetrate namely:

a) e-Government Solutions;
b) Small and Medium Enterprises (SMEs) Solutions; and
c) Large Enterprises Solutions.

Ygl was promoting the E-Manufacturing (ERP), Hotel2U & Vacation2U in Jakarta. We were looking for partners or resellers to expand business to Indonesia.



NATIONAL TAX CONFERENCE 2011

Ygl participated in the National Tax Conference 2011 jointly organized by Chartered Tax Institute of Malaysia and Inland Revenue Board Malaysia. The National Tax Conference 2011 from 19 through 20 July 2011 at Kuala Lumpur Convention Centre. The Conference discussed topics such as Liberalisation of Tax Services in a Globalised World: Issues and Challenges, Economic Transformation: Taxation Issues, Compliance and Enforcement Challenges Faced by Regional Tax Authorities, etc.

Dato' Dr Mohd Shukor bin Hj Mah, CEO, Lembaga Hasil Dalam Negeri Malaysia (left 2) and Ygl staff Mr. Kwok Chee Seng (right 2) and Mr. Danny Tan (right 1).

Awards Received

APICTA 2011

CERTIFICATE OF PARTICIPATION

Presented to

Ygl Multimedia Resources Sdn. Bhd.

Vacation2U - Smart Holidays For Everyone

In acknowledgement of the achievement of being a nominee in the 11th INTERNATIONAL APICTA Awards 2011 held at Pattaya City, Thailand

November 11, 2011

MSC MALAYSIA APICTA 2011 AWARDS

WINNER

Best of Tourism and Hospitality

Vacation2u - Smart Holidays For Everyone

Ygl Multimedia Resources Sdn Bhd

Directors' Report
for the year ended 31 December 2011

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

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

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Net profit for the year	2,169,626	1,221,586
Attributable to:		
Owners of the Company	2,185,244	1,221,586
Non-controlling interests	(15,618)	-
	2,169,626	1,221,586

DIVIDEND

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS

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

Yeap Kong Chean
Lim Hoo Teck
Tan Hoay Leng
Ahmad Fuad Bin Mohd Ali
Chong Kai Min (resigned on 1 December 2011)
Dr. Ch'ng Huck Khoon (appointed on 28 February 2012)

In accordance with the Company's Articles of Association, Tan Hoay Leng retires by rotation under Article 29.1 and Dr. Ch'ng Huck Khoon retires under Article 29.6 of the Articles of Association at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' Report
for the year ended 31 December 2011 (cont'd)

DIRECTORS' INTERESTS IN SHARES

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

The Company	----- Number of ordinary shares of RM0.10 each ----			
	At 1-1-2011	Bought	Sold	At 31-12-2011
Yeap Kong Chean				
- direct interest	40,666,668	-	-	40,666,668
Tan Hoay Leng *				
- indirect interest	40,666,668	-	-	40,666,668

* Disclosure pursuant to Section 134(12)(c) of the Companies Act, 1965.

By virtue of his interests in shares of the Company, Yeap Kong Chean is deemed to be interested in the shares in all the subsidiaries to the extent the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

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

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

Directors' Report

for the year ended 31 December 2011 (cont'd)

OTHER STATUTORY INFORMATION(cont'd)

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

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

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

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

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

(i) any charge on the assets of the Company or its subsidiaries which has arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liability of the Company or its subsidiaries which has arisen since the end of the financial year.

(d) No contingent or other liability of the Company or its subsidiaries has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company or its subsidiaries to meet their obligations as and when they fall due.

(e) At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the directors:

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Directors' Report
for the year ended 31 December 2011 (cont'd)

AUDITORS

The auditors, Cheng & Co., Chartered Accountants, have expressed their willingness to continue in office.

Signed on behalf of the directors in accordance
with a directors' resolution dated
24 April 2012

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

Independent Auditors' Report

to the Members of YGL Convergence Berhad
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Ygl Convergence Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 89.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

to the Members of YGL Convergence Berhad (cont'd)
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statement and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

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

Other Reporting Responsibilities

The supplementary information set out in Note 29 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing requirements, as issued by the Malaysia Institute of Accountants ("MIA") Guidance and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material aspects, in accordance with MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

CHENG & CO.
No. AF: 0886
Chartered Accountants

YAP PENG BOON
No. 2118/12/12 (J)
Partner

Kuala Lumpur
Date: 24 April 2012

Statements of Financial Position
– 31 December 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	5,226,058	5,067,710	4,026,269	3,747,666
Investment property	4	287,615	288,092	-	-
Intangible assets	5	6,286,908	4,939,816	-	-
Investment in subsidiaries	6	-	-	8,881,818	7,567,413
Investment in associates	7	796,471	947,950	1,475,000	1,475,000
Other investments	8	-	1	-	1
		12,597,052	11,243,569	14,383,087	12,790,080
CURRENT ASSETS					
Trade and other receivables	9	4,430,447	3,060,601	970,976	385,383
Short term investments	8	98,145	95,441	-	-
Amount owing by subsidiaries		-	-	1,689,961	2,194,341
Amount owing by associates		-	3,600	-	-
Current tax assets		18,286	200,430	8,878	28,829
Time deposits	10	1,454,690	1,296,353	754,690	1,296,353
Cash and bank balances	11	1,039,673	845,146	98,135	26,070
		7,041,241	5,501,571	3,522,640	3,930,976
TOTAL ASSETS		19,638,293	16,745,140	17,905,727	16,721,056
EQUITY					
Share capital	12	15,997,740	15,997,740	15,997,740	15,997,740
Share premium, non-distributable		2,353,327	2,353,327	2,353,327	2,353,327
Exchange translation reserve, non-distributable		(129,599)	(229,331)	-	-
Unappropriated profit/ (accumulated losses)		(1,538,883)	(3,212,550)	(483,641)	(1,705,227)
Equity attributable to shareholders of the Company		16,682,585	14,909,186	17,867,426	16,645,840
Non-controlling interests		152,816	114,928	-	-
TOTAL EQUITY		16,835,401	15,024,114	17,867,426	16,645,840

Statements of Financial Position
– 31 December 2011 (cont'd)

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
NON-CURRENT LIABILITIES					
Term loan	13	756,967	-	-	-
Finance lease liabilities	14	-	9,307	-	-
Deferred tax liabilities	15	409	21,971	-	173
		757,376	31,278	-	173
CURRENT LIABILITIES					
Trade and other payables	16	1,609,417	1,007,665	38,301	34,086
Amount owing to subsidiaries		-	-	-	40,957
Term loan	13	15,573	-	-	-
Finance lease liabilities	14	4,578	50,806	-	-
Current tax liabilities		-	13,586	-	-
Deferred revenue	17	415,948	617,691	-	-
		2,045,516	1,689,748	38,301	75,043
TOTAL LIABILITIES		2,802,892	1,721,026	38,301	75,216
TOTAL EQUITY AND LIABILITIES		19,638,293	16,745,140	17,905,727	16,721,056

Notes to and forming part of the financial statements are set out on pages 45 to 89
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Statements of Comprehensive Income

for the year ended 31 December 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Revenue	18	9,989,972	7,611,244	10,000	10,000
Cost of sales		(7,119,570)	(5,816,265)	-	-
Gross profit		2,870,402	1,794,979	10,000	10,000
Other operating income		1,430,764	986,937	1,413,207	102,873
Selling and distribution expenses		(7,944)	(121,058)	-	-
Administrative and general expenses		(855,614)	(659,205)	(217,488)	(266,833)
Other operating expenses		(1,097,217)	(2,162,746)	-	-
Profit / (loss) from operations		2,340,391	(161,093)	1,205,719	(153,960)
Finance costs		(27,812)	(83,745)	-	(1,116)
Gain / (loss) on financial assets measured at fair value		12,174	12,923	35,646	(310,151)
Share of results of associates		(151,479)	(204,579)	-	-
Profit / (loss) before tax	19	2,173,274	(436,494)	1,241,365	(465,227)
Tax expense	20	(3,648)	(44,305)	(19,779)	(1,568)
Net profit / (loss) for the year		2,169,626	(480,799)	1,221,586	(466,795)
Other comprehensive income					
Exchange differences on translation of foreign operations		95,820	(174,845)	-	-
Total comprehensive income/(loss)		2,265,446	(655,644)	1,221,586	(466,795)
Proft attributable to:					
Owners of the Company		2,185,244	(483,616)	1,221,586	(466,795)
Non-controlling interests		(15,618)	2,817	-	-
Net profit / (loss) for the year		2,169,626	(480,799)	1,221,586	(466,795)
Total comprehensive income/ (loss) attributable to:					
Owners of the Company		2,266,136	(656,668)	1,221,586	(466,795)
Non-controlling interests		(690)	1,024	-	-
Net profit / (loss) for the year		2,265,446	(655,644)	1,221,586	(466,795)
Earnings / (loss) per share attributable to equity holders of the Company (sen)	21	1.36	(0.30)		

Notes to and forming part of the financial statements are set out on pages 45 to 89
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Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	------------ Attributable to owners of the Company -------------						
	Share capital RM	Share premium RM	Exchange translation reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2010	14,543,400	2,335,128	(54,486)	(2,728,934)	14,095,108	112,111	14,207,219
Issue of share capital							
- private placement	1,454,340	72,717	-	-	1,527,057	-	1,527,057
Other comprehensive loss							
Exchange translation differences	-	-	(174,845)	-	(174,845)	-	(174,845)
Share issue and listing expenses	-	(54,518)	-	-	(54,518)	-	(54,518)
	-	(54,518)	(174,845)	-	(229,363)	-	(229,363)
Net loss for the year	-	-	-	(483,616)	(483,616)	2,817	(480,799)
Total comprehensive loss	-	(54,518)	(174,845)	(483,616)	(712,979)	2,817	(710,162)
At 31 December 2010	15,997,740	2,353,327	(229,331)	(3,212,550)	14,909,186	114,928	15,024,114
At 1 January 2011	15,997,740	2,353,327	(229,331)	(3,212,550)	14,909,186	114,928	15,024,114
Other comprehensive income							
Exchange translation differences	-	-	95,820	-	95,820	-	95,820
Reconsolidation of subsidiary	-	-	3,912	(511,577)	(507,665)	53,506	(454,159)
	-	-	99,732	(511,577)	(411,845)	53,506	(358,339)
Net profit for the year	-	-	-	2,185,244	2,185,244	(15,618)	2,169,626
Total comprehensive income	-	-	99,732	1,673,667	1,773,399	37,888	1,811,287
At 31 December 2011	15,997,740	2,353,327	(129,599)	(1,538,883)	16,682,585	152,816	16,835,401

Notes to and forming part of the financial statements are set out on pages 45 to 89
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Statement of Changes in Equity
for the year ended 31 December 2011

	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
At 1 January 2010	14,543,400	2,335,128	(1,238,432)	15,640,096
Issue of share capital	1,454,340	18,199	-	1,472,539
Total comprehensive loss	-	-	(466,795)	(466,795)
At 31 December 2010	15,997,740	2,353,327	(1,705,227)	16,645,840
Total comprehensive loss	-	-	1,221,586	1,221,586
At 31 December 2011	15,997,740	2,353,327	(483,641)	17,867,426

Notes to and forming part of the financial statements are set out on pages 45 to 89
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Statements of Cash Flows

for the year ended 31 December 2011

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit / (Loss) before tax	2,173,274	(436,494)	1,241,365	(465,227)
Adjustments for :				
Depreciation of property, plant and equipment	185,105	203,132	3,320	6,185
Depreciation of investment property	477	477	-	-
Amortisation of software development costs	1,216,539	1,080,169	-	-
Shares of result of associates	151,479	204,579	-	-
Inventories written off	-	-	-	-
Bad debts written off	40,420	-	-	-
Allowance for doubtful debts written back	(9,225)	(331,537)	-	-
Allowance for impairment losses written back	(1,314,404)	-	(1,314,404)	-
Unrealised loss on foreign exchange	55,871	(54,530)	-	-
Dividend income	(2,704)	-	-	-
Interest income	(34,848)	(45,790)	(98,805)	(102,873)
Interest expenses	26,887	78,052	-	-
Hire purchase term charges	925	5,693	-	-
Operating loss before working capital changes	2,489,796	703,751	(168,524)	(561,915)
Changes in software development costs	(1,295,810)	(1,730,094)	-	-
Changes in inventories	-	-	-	-
Changes in receivables	(1,556,229)	920,165	(565,639)	211,789
Changes in payables	425,531	(819,737)	4,043	4,486
Changes in deferred revenue	(186,153)	(404,724)	-	-
Cash utilised in operations	(122,865)	(1,330,639)	(730,120)	(345,640)
Dividend received	2,704	-	-	-
Interest received	34,848	45,790	98,805	102,873
Interest paid	(26,887)	(78,052)	-	-
Tax paid	(3,648)	(44,305)	(19,779)	(1,568)
Net cash used in operating activities	(115,848)	(1,407,206)	(651,094)	(244,335)

Statements of Cash Flows

for the year ended 31 December 2011 (cont'd)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(342,007)	(374,935)	(281,923)	(287,472)
Purchase of investment in associate	-	(475,000)	-	(475,000)
Purchase of other investment	-	(95,440)	-	-
Advances to subsidiaries	-	-	463,422	(1,283,606)
Repayment from / (Advances to) associates	-	-	-	-
Net cash used in investing activities	(342,007)	(945,375)	181,499	(2,046,078)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	-	1,472,540	-	1,472,540
Proceeds from term loan	780,000	-	-	-
Payment of term loan instalments	(7,460)	-	-	-
Payment of hire purchase instalments	(55,534)	(67,147)	-	-
Hire purchase term charges paid	(925)	(5,693)	-	-
Consolidation of subsidiary, net cash	80,621	-	-	-
Net cash used in financing activities	796,702	1,399,700	-	1,472,540
NET CHANGES IN CASH AND CASH EQUIVALENTS	338,847	(952,881)	(469,595)	(817,873)
EFFECT OF CHANGES IN EXCHANGE RATES	14,017	(17,048)	-	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	2,141,499	3,111,428	1,322,423	2,140,296
CASH AND CASH EQUIVALENTS CARRIED FORWARD	2,494,363	2,141,499	852,828	1,322,423
Represented by:				
TIME DEPOSITS	1,454,690	1,296,353	754,690	1,296,353
CASH AND BANK BALANCES	1,039,673	845,146	98,135	26,070
	2,494,363	2,141,499	852,825	1,322,423

Notes to and forming part of the financial statements are set out on pages 45 to 89
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Notes to and forming part of the Financial Statements
for the year ended 31 December 2011

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements comply with applicable approved Financial Reporting Standards ("FRSs"), issued by the Malaysian Accounting Standards Board ("MASB") and with the provisions of the Companies Act, 1965.

The measurement bases applied in the preparation of the financial statements include cost, recoverable value, realisable value, revalued amount and fair value. Estimates are used in measuring these values.

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

(b) Changes in accounting policies

- Revised FRS 1 "First-time Adoption of Financial Reporting Standards"
- Revised FRS 3 "Business combinations"
- Revised FRS 127 "Consolidated and separate financial statements"
- Amendment to FRS 2 "'Share-based payment - Group cash-settled share-based payment transactions"
- Amendment to FRS 7 "Financial instruments: Disclosures - improving disclosures about financial instruments"
- Amendments to FRS 1 "First-time adoption of financial reporting standards"
- Amendment to FRS 132 "Financial instruments: Presentation – Classification of rights issues"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- IC Interpretation 12 "Service concession arrangements"
- IC Interpretation 16 "Hedges of a net investment in a foreign operation"
- IC Interpretation 17 "Distribution of non-cash assets to owners"
- IC Interpretation 18 "Transfers of assets from customers"
- Improvements to FRSs (2010)

Adoption of the above standards, amendments and improvements to published standards and interpretations did not have any significant effect on the financial statements of the Group and Company.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Standard issued but not yet effective

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The Group and the Company do not fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits. The Group and the Company are currently assessing the implications and financial impact of the MFRS Framework.

At the date of these financial statements, the Group and the Company have not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the year ending 31 December 2012.

(d) Significant accounting estimates and judgements

The preparation of financial statements requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the statement of financial position date, and reported amounts of income and expenses during the financial year.

Although these estimates are based on management's best knowledge of current events and actions, historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

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

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

Critical judgement made in applying accounting policies

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Classification of investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed certain criteria based on FRS 140 Investment Property in making that judgement.

In making its judgement, the Group considers whether a property generates cash flows largely independently of other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property, but also to other assets used in the production and supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production or supply of goods and services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately.

If the portions could not be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods and services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis to write off their costs to their residual values over their estimated useful lives. Management estimates the useful lives of these assets to be between 3 to 50 years.

The carrying amount of the Group's and Company's property, plant and equipment as at 31 December 2011 was RM 5.226 million and RM4.026 million (2010: RM5.068 million and RM3.748 million) respectively.

Changes in the expected level of usage, physical wear and tear and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges may be revised.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Critical judgement made in applying accounting policies (cont'd)

Impairment losses for doubtful debts

The collectability of receivables is assessed on an on-going basis. Impairment loss for doubtful debts is made for any account considered to be doubtful of collection.

The carrying amount of the Group's trade and other receivables as at 31 December 2011 was RM 4.43 million (2010: RM3.061 million).

The impairment loss for doubtful debts is made based on a review of outstanding accounts as at the balance sheet date. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and past collection history of each customer. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment of investments in subsidiaries

Investments in subsidiaries are assessed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, an estimation of their recoverable amount is required.

Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the subsidiaries and also choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of the Company's investments in subsidiaries as at 31 December 2011 was RM 8.882 million (2010: RM7.567million).

(e) Subsidiaries

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, are considered when assessing whether the Group has the power to govern the financial and operating policies of another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses, unless the investment is classified as held for sale.

On disposal, the difference between the net disposal proceeds and the carrying amount of the subsidiary disposed of is taken to the statement of comprehensive income.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and of all its subsidiaries made up to the end of the financial year. The consolidated financial statements are prepared using uniform accounting policies for like transactions in similar circumstances.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only.

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

Under the purchase method of accounting, the cost of an acquisition is measured as the aggregate of the fair values of the assets acquired, liabilities incurred or assumed and equity instruments issued at the date of exchange, plus any costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their fair values at the acquisition date.

The excess of the acquisition cost over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired represents goodwill, while the shortfall is immediately credited to the consolidated statement of comprehensive income.

Goodwill arising on the acquisition of subsidiary companies is presented separately in the statement of financial position.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

Non-controlling interests represent the portion of the profit or loss and net assets of subsidiary companies not held by the Group.

Impairment of investments in associates

Investments in associates are assessed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, an estimation of their recoverable amount is required.

Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the associates and also choose a suitable rate in order to calculate the present value of those cash flows.

The carrying amount of the Group's investments in associates as at 31 December 2011 was RM796,471 (2010: RM947,950).

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Associated Companies

An associated company is an entity in which the Group has significant influence and that is neither a subsidiary company nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

In the Company's separate financial statements, investments in associated companies are stated at cost less impairment losses. Impairment losses are charged to statement of comprehensive income.

On disposal, the difference between the net disposal proceeds and the carrying amount of the associated company disposed of is taken to the statement of comprehensive income.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting. Under the equity method, the investments in associated companies are initially recognised at cost and adjusted thereafter for post acquisition changes in the Group's share of net assets of the associated companies.

The Group's share of net profits or losses and changes recognised directly in the equity of the associated companies are recognised in the consolidated statement of comprehensive income and consolidated statement of changes in equity, respectively.

An investment is an associated company is accounted for using the equity method from the date on which the Group obtains significant influence until the date the Group ceases to have a significant influence over the associated company.

The results and reserves of associated companies are accounted for in the consolidated financial statements based on audited and/or unaudited management financial statements made up to the end of the financial year and prepared using accounting policies that conform to those used by the Group for like transactions in similar circumstances.

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognized immediately in the statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

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

(h) **Intangible assets** (cont'd)

(i) **Goodwill** (cont'd)

Upon reassessment, if the Group's interest in the fair value of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognized immediately in the statement of comprehensive income.

(ii) **Computer software development costs**

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

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

(i) **Property, plant and equipment**

(i) **Measurement basis**

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

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

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Property, plant and equipment (cont'd)

(ii) Depreciation

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

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

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

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

(j) Investment property

Investment properties are properties held to earn rental income or for capital appreciation or both rather than for use in the production or supply of goods and services or for administrative purposes, or sale in the ordinary course of business.

(i) Measurement basis

Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of investment properties includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in statement of comprehensive income.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Investment property (cont'd)

(ii) Depreciation

Freehold land is not depreciated.

Depreciation is calculated to write off depreciable amount of the shop lot unit on a straight-line basis over its estimated useful life at an annual rate of 2%. Depreciable amount is determined after deducting the residual value from the cost of the shop lot unit.

The residual value, useful life and the depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

(k) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

(i) Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Property, plant and equipment acquired by way of finance leases are stated at amounts equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and any impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is determinable; if not, the Group's incremental borrowing rate is used.

(ii) Operating lease

An operating lease is a lease other than a finance lease.

Operating lease income or operating lease rental expenses are credited or charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(l) Receivables

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Impairment of non-financial assets

(i) Goodwill

Goodwill is reviewed annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from synergies of the business combination.

An impairment loss is recognised in the statement of comprehensive income when the carrying amount of the cash-generating unit, including the goodwill, exceeds the recoverable amount of the cash-generating unit. Recoverable amount of the cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and its value in use.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit proportionately on the basis of the carrying amount of each asset in the cash-generating unit.

Impairment loss recognised on goodwill is not reversed in the event of an increase in recoverable amount in subsequent periods.

(ii) Property, plant and equipment, investment properties, prepaid lease payments, investments in subsidiaries and investment in associates

Property, plant and equipment, investment properties, prepaid lease payments, investments in subsidiaries and investment in associates are assessed at each reporting date to determine whether there is any indication of impairment.

If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the assets. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are charged to the statement of comprehensive income.

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Impairment of financial assets

All financial assets except for financial assets categorised as fair value through profit or loss, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the statement of comprehensive income.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against carrying amount of the financial asset.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the statement of comprehensive income.

(ii) Assets carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Such impairment losses are not reversed in subsequent periods.

(o) Share capital

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

Dividends to shareholders are recognised in equity in the period in which they are declared.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

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

(p) Payables

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

(q) Deferred revenue

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

(r) Foreign currency

(i) Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates.

The financial statements of each entity within the Group are measured using their respective functional currency.

(ii) Transactions and balances in foreign currencies

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

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

Non-monetary items which are measured in terms of historical costs denominated in foreign currencies are translated at foreign exchange rates ruling at the date of transaction.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair values were determined.

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

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

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

(r) Foreign currency (cont'd)

(iii) Translation of foreign operations

For consolidation purposes, all assets and liabilities of foreign operations that have a functional currency other than RM (including goodwill and fair value adjustments arising from the acquisition of the foreign operations) are translated at the exchange rates ruling at the reporting date.

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

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

(s) Revenue recognition

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

(i) Sale of computer software and hardware

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

(ii) Provision of consulting services

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

(iii) Dividend income

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

(iv) Rental income

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

(v) Management fee

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

(vi) Interest income

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Employees benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees.

(ii) Post-employment benefits

The Company and its Malaysian subsidiaries pay monthly contributions to the Employees Provident Fund ("EPF") which is a defined contribution plan.

The legal or constructive obligation of the Company and its Malaysian subsidiaries is limited to the amount that they required to contribute to the EPF. The contributions to the EPF are charged to the statement of comprehensive income in the period to which they relate.

Some of the Company's foreign subsidiaries make contributions to their respective countries' statutory pension schemes which are recognised as an expense in the statement of comprehensive income as incurred which is also a defined contribution plan.

(iii) Termination benefits

The Group recognises termination benefits payable as a liability and an expense when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without a realistic possibility of withdrawal.

(u) Borrowing costs

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

(v) Taxation

The tax expense in the statement of comprehensive income represents the aggregate amount of current tax and deferred tax included in the determination of profit or loss for the financial year.

On the statement of financial position, a deferred tax liability is recognised for taxable temporary differences while a deferred tax asset is recognised for deductible temporary differences and unutilised tax losses only to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences and tax losses can be utilised.

Notes to and forming part of the Financial Statements

for the year ended 31 December 2011 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Taxation (cont'd)

No deferred tax is recognised for temporary differences arising from the initial recognition of:

(i) goodwill; or

(ii) an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured based on tax consequences that would follow from the manner in which the asset or liability is expected to be recovered or settled, and based on tax rates enacted or substantively enacted by the reporting date that are expected to apply to the period when the asset is realised or when the liability is settled.

Current tax and deferred tax are charged or credited directly to other comprehensive income if the tax relates to items that are credited or charged, whether in the same or a different period, directly to other comprehensive income.

(w) Cash and cash equivalents

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

(x) Financial instruments

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

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

There are no financial instruments not recognised in the statement of financial position.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

(i) Credit risk

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

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

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

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

(ii) Foreign currency exchange risk

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

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

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

(iii) Interest rate risk

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

The Group is exposed to interest rate risk in respect of its time deposits placed with licensed financial institutions, term loan and finance lease liabilities.

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

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

(iv) Market risk

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

Group 2011 Cost	Freehold land and office lot RM	Motor vehicles RM	Computer equipment RM	Furniture, fittings and office equipment RM	Renovations RM	Construction work-in-progress RM	Total RM
At 1 January	1,038,825	557,780	722,406	504,749	165,375	3,740,584	6,729,719
Exchange adjustments	-	-	31,737	26,193	-	-	57,930
Additions	-	-	34,060	26,024	-	281,923	342,007
Consolidation of subsidiary	-	-	31,693	8,925	-	-	40,618
At 31 December	1,038,825	557,780	819,896	565,891	165,375	4,022,507	7,170,274
Accumulated depreciation							
At 1 January	40,128	479,100	685,534	403,745	53,502	-	1,662,009
Exchange adjustments	-	-	30,382	26,102	-	-	56,484
Charge for the year	5,016	78,677	38,534	44,810	18,068	-	185,105
Consolidation of subsidiary	-	-	31,693	8,925	-	-	40,618
At 31 December	45,144	557,777	786,143	483,582	71,570	-	1,944,216
Net carrying amount							
At 31 December	993,681	3	33,753	82,309	93,805	4,022,507	5,226,058

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

Group 2010	**Freehold land and office lot RM**	**Motor vehicles RM**	**Computer equipment RM**	**Furniture, fittings and office equipment RM**	**Renovations RM**	**Construction work-in-progress RM**	**Total RM**
Cost							
At 1 January	1,038,825	557,780	749,929	592,395	165,375	3,457,241	6,561,545
Exchange adjustments	-	-	(41,542)	(143,252)	-	-	(184,794)
Additions	-	-	33,586	55,606	-	283,343	372,535
Disposals	-	-	(19,567)	-	-	-	(19,567)
At 31 December	1,038,825	557,780	722,406	504,749	165,375	3,740,584	6,729,719
Accumulated depreciation							
At 1 January	35,112	387,924	694,137	506,276	35,435	-	1,658,884
Exchange adjustments	-	-	(38,342)	(13,960)	-	-	(52,302)
Charge for the year	5,016	91,176	49,306	39,568	18,067	-	203,133
Disposals	-	-	(19,567)	(128,139)	-	-	(147,706)
At 31 December	40,128	479,100	685,534	403,745	53,502	-	1,662,009
Net carrying amount							
At 31 December	998,697	78,680	36,872	101,004	111,873	3,740,584	5,067,710

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

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

Company 2011	**Computer equipment RM**	**Furniture and fittings RM**	**Construction work-in-progress RM**	**Total RM**
Cost				
At 1 January	16,557	14,371	3,740,584	3,771,512
Additions		-	281,923	281,923
At 31 December	16,557	14,371	4,022,507	4,053,435
Accumulated depreciation				
At 1 January	13,536	10,310	-	23,846
Charge for the year	1,292	2,028	-	3,320
At 31 December	14,828	12,338	-	27,166
Net carrying amount At 31 December	1,729	2,033	4,022,507	4,026,269
2010				
Cost				
At 1 January	14,828	14,371	3,454,841	3,484,040
Additions	1,729	-	285,743	287,472
At 31 December	16,557	14,371	3,740,584	3,771,512
Accumulated depreciation				
At 1 January	10,225	7,436	-	17,661
Charge for the year	3,311	2,874	-	6,185
At 31 December	13,536	10,310	-	23,846
Net carrying amount At 31 December	3,021	4,061	3,740,584	3,747,666

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

The above motor vehicles of the Group stated at net carrying amount of RM3 (2010 : RM78,680) are acquired under finance lease.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

4. INVESTMENT PROPERTY

	Group 2011 RM	Group 2010 RM
Office lot		
Cost		
At 1 January	290,000	290,000
Addition/Disposal	-	-
At 31 December	290,000	290,000
Accumulated depreciation		
At 1 January	1,908	1,431
Charge for the year	477	477
At 31 December	2,385	1,908
Net carrying amount		
At 31 December	287,615	288,092

The fair value of the shop lot at the end of the financial year is RM 700,000 (2010: RM490,000) which was determined by the directors based on the recent market transaction which reasonably reflects market value of similar properties at the same location at the reporting date.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

5. INTANGIBLE ASSETS

Group Cost	Software development costs RM	Goodwill RM	Total RM
At 1 January 2010	5,862,785	1,038,124	6,900,909
Exchange translation reserve	(127,863)	-	(127,863)
Additions	1,730,409	-	1,730,409
At 31 December 2010	7,465,331	1,038,124	8,503,455
Exchange translation reserve	33,207	468	33,675
Additions	1,295,810	-	1,295,810
Reconsolidation of a subsidiary	-	1,234,146	1,234,146
At 31 December 2011	8,794,348	2,272,738	11,067,086
Accumulated amortisation			
At 1 January 2010	2,483,470	-	2,483,470
Amortisation for the year	1,080,169	-	1,080,169
At 31 December 2010	3,563,639	-	3,563,639
Amortisation for the year	1,216,539	-	1,216,539
At 31 December 2011	4,780,178	-	4,780,178
Net carrying amount **At 31 December 2011**	4,014,170	2,272,738	6,286,908
Net carrying amount At 31 December 2010	3,901,692	1,038,124	4,939,816

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

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

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

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

Gross margin	-	19% to 25%
Growth rate	-	14% to 19%
Discount rate	-	9.76%

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

5. INTANGIBLE ASSETS (cont'd)

(b) Key assumptions used in value-in-use calculations (cont'd)

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

(i) Budgeted gross margin

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

(ii) Growth rate

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

(iii) Discount rate

The discount rate of 9.76% used is pre-tax and reflects specific risks relating to the industry.

(iv) Risk free rate

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

Sensitivity to changes in assumptions

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

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2011 RM	2010 RM
Unquoted shares, at cost	7,567,413	7,567,413
Re-classification	1,314,405	-
	8,881,818	7,567,413

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

6. INVESTMENT IN SUBSIDIARIES (cont'd)

The subsidiaries are as follows:

	Gross equity interest 2011	2010	Country of incorporation	Principal activities
Subsidiaries of the Company				
Ygl Convergence Malaysia Sdn Bhd	100%	100%	Malaysia	Marketing and distribution of computer software and hardware and the provision of professional services
* Ygl Multimedia Resources Sdn Bhd	100%	100%	Malaysia	Developing and selling of software systems
* Ygl Convergence (HK) Limited	100%	100%	Hong Kong	Trading of computer equipment and software and provision of related services
* Ygl Convergence (China) Limited	60%	60%	Hong Kong	Investment holding
* Ygl Convergence (Asia Pacific) Pte. Ltd #	60%	-	Singapore	Provision of software consultancy and computer systems integrated services
* Ygl iHoliday Sdn Bhd	100%	-	Malaysia	Dormant company
Subsidiary of Ygl Convergence (China) Limited				
* King's System (Shanghai) Co Ltd	100%	100%	The People's Republic of China	Provision of consultancy services and trading of computer equipment and software

* Subsidiaries not audited by Cheng & Co.

\# The Company re-established control over Ygl Convergence (Asia Pacific) Pte. Ltd. (YGLAP) in year 2011 when it regained the power to control the financial and operating policies of YGLAP that it lost in year 2008. The investment has been reclassified from other investment as disclosed in Note 8 and the financial statements of YGLAP were consolidated from the date the control was re-established.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

6. INVESTMENT IN SUBSIDIARIES (cont'd)

(a) Impairment test for investment in subsidiaries

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

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

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

(i) Budgeted gross margin

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

(ii) Budgeted expenses

Expenses are budgeted to increase at inflation rate.

(iii) Discount rate

The discount rate used is 9.76%.

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

7. INVESTMENT IN ASSOCIATES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Unquoted shares, at cost	1,475,000	1,475,000	1,475,000	1,475,000
Group's share of post-acquisition results	(678,529)	(527,050)	-	-
	796,471	947,950	1,475,000	1,475,000

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

7. INVESTMENT IN ASSOCIATES (cont'd)

The associates are as follows:

	Gross equity interest 2011 %	2010 %	Country of incorporation	Principal activities
Associate of the Company				
Ygl iBay International Sdn Bhd	29.86	29.86	Malaysia	Providing consultancy services, supplier management and business solutions services and trading of computer software
Associate of Ygl Convergence Malaysia Sdn Bhd				
* Ygl Consulting (Thailand) Co. Ltd	39	39	Thailand	Marketing and distribution of computer software and provision of related services

* Associates not audited by Cheng & Co.

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

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

The Group has discontinued the recognition of its share of losses in Ygl Consulting (Thailand) Co. Ltd as the share of losses has exceeded the Group's interest in the said associate. The Group's unrecognised share of losses for the current year and cumulative years is RM 11,286 (2010 : RM11,434) and RM 45,126 (2010 : RM33,840) respectively.

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

7. INVESTMENT IN ASSOCIATES (cont'd)

The summarised financial information of the associates at 31 December 2011 is as follows:

	Group	
	2011 RM	2010 RM
Assets and liabilities		
Non-current assets	3,358,237	3,161,027
Current assets	226,714	261,411
Total assets	3,584,951	3,422,438
Non-current liabilities	-	-
Current liabilities	789,061	268,816
Total liabilities	789,061	268,816
Results		
Revenue	15,649	79,522
Loss for the year	(507,270)	(693,365)

8. SHORT TERM / OTHER INVESTMENTS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<u>Short term investment</u>				
Unit trust quoted in Malaysia, at cost	98,145	95,441	-	-
<u>Other investment</u>				
Unquoted shares, at cost	-	1,314,404	1	1,314,404
Less: Accumulated allowance for impairment losses	-	(1,314,403)	1,314,403	(1,314,403)
	-	1	1,314,404	1
Reclassification	-	-	(1,314,404)	-
	-	1	-	1
Total	98,145	95,442	-	1

The unquoted shares represent investment in Ygl Convergence (Asia Pacific) Pte Ltd ("YGLAP"). The reclassification is as explained in Note 6.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Gross trade receivables	2,929,131	1,818,268	-	-
Less:				
Allowance for doubtful debts	558,140	268,093	-	-
	2,370,991	1,550,175	-	-
Other receivables	1,883,423	1,403,355	876,178	359,353
Deposits	162,092	86,831	94,798	26,030
Prepayments	13,941	10,056	-	-
Service contract in progress	-	10,184	-	-
	4,430,447	3,060,601	970,976	385,383

The currency profile of the receivables and other receivables is as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade receivables				
- Ringgit Malaysia	1,405,603	581,149	-	-
- Hong Kong Dollar	517,360	613,128	-	-
- Chinese Renminbi	448,028	355,898	-	-
- Singapore Dollar	-	-	-	-
	2,370,991	1,550,175	-	-
Other Receivables				
- Ringgit Malaysia	882,519	385,023	876,178	359,353
- Chinese Renminbi	134,879	238,229	-	-
- Hong Kong Dollar	864,444	780,103	-	-
- Singapore Dollar	1,581	-	-	-
	1,883,423	1,403,355	876,178	359,353
Deposits				
- Ringgit Malaysia	101,752	32,934	94,798	26,030
- Hong Kong Dollar	60,340	53,897	-	-
	162,092	86,831	94,798	26,030
Service contract in progress				
- Hong Kong Dollar	-	10,184	-	-

Trade receivables comprise amounts receivable from sale of computer software and hardware and services rendered to customers. All trade receivables are granted credit periods of between 30 and 90 days.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

10. TIME DEPOSIT

The time deposits are placed with licensed banks and have weighted average effective interest rate at 3.0% (2010: 2.8%) per annum. The time deposits have maturity period of less than one year.

11. CASH AND BANK BALANCES

The currency profile of cash and bank balances is as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Ringgit Malaysia	613,930	396,838	98,135	26,070
Hong Kong Dollar	279,657	431,972	-	-
Chinese Renmimbi	25,271	16,336	-	-
Singapore Dollar	120,815	-	-	-
	1,039,673	845,146	98,135	26,070

12. SHARE CAPITAL

	2011		2010	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised Ordinary shares of RM0.10 each				
At 1 January/31 December	200,000,000	20,000,000	200,000,000	20,000,000
Issued and fully paid Ordinary shares of RM0.10 each				
At 1 January	159,977,400	15,997,740	145,434,000	14,543,400
Share issued by way of - private placement	-	-	14,543,400	1,454,340
At 31 December	159,977,400	15,997,740	159,977,400	15,997,740

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

13. TERM LOAN

	Group	
	2011 RM	2010 RM
Classified as:		
- current liability	756,967	-
- non-current liability	15,573	-
Non current portion	772,540	-
Present value of term loan		
Analysed as follow		
- Not later than 1 year	15,573	-
- Later than 1 year but not later than 5 year	69,928	-
- Later than 5 years	687,039	-
	772,540	-

Interest rate and security:-
(a) Interest is charged at 1.9% per annum below base lending rate of lending bank.
(b) Secured by office lot of the Company.
(c) Joint and several guarantee by directors of the Company.

14. FINANCE LEASE LIABILITIES

Finance lease liabilities

	Group	
	2011 RM	2010 RM
Future minimum lease payments:		
- current liability	4,655	56,460
- non-current liability	-	4,655
	4,655	61,115
Less:		
Finance charges	77	1,002
Present value of finance liabilities	4,578	60,113
Analysed as follow		
- Not later than 1 year	4,578	50,806
- Later than on	-	9,307

The effective interest rates of the finance lease liabilities are between 2.58% and 3.50% (2010 : 2.83% and 3.60%) per annum.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

15. DEFERRED TAX LIABILITIES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
At 1 January	21,971	1,521	173	1,521
Transfer (to) / from income Statement (Note 20)	(21,562)	20,450	(173)	(1,348)
At 31 December	409	21,971	-	173

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

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Trade payables	333,219	69,245	-	-
Other payables	597,645	361,364	2,000	4,634
Accruals	612,411	561,107	36,301	29,452
Deposits	66,142	15,949	-	-
	1,609,417	1,007,665	38,301	34,086
The currency profile of trade and other payables are as follows:				
Trade payables				
- Ringgit Malaysia	113,375	(10,932)	-	-
- Hong Kong Dollar	219,844	-	-	-
- US Dollar	-	80,177	-	-
	333,219	69,245	-	-
Other payables				
- Ringgit Malaysia	175,427	45,321	2,000	4,634
- Hong Kong Dollar	18,460	38,541	-	-
- Chinese Renminbi	403,758	277,502	-	-
	597,645	361,364	2,000	4,634

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

16. TRADE AND OTHER PAYABLES (cont'd)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Accruals				
- Ringgit Malaysia	293,092	119,643	36,301	29,452
- Hong Kong Dollar	298,577	441,464	-	-
- Singapore Dollar	3,968	-	-	-
- Chinese Renminbi	16,774	-	-	-
	612,411	561,107	36,301	29,452
Deposits				
- Ringgit Malaysia	48,578	4,000	-	-
- Hong Kong Dollar	17,564	11,949	-	-
	66,142	15,949	-	-

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

17. DEFERRED REVENUE

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

18. GROSS REVENUE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Revenue from sale of computer software and hardware and consulting services	9,989,972	7,611,244	-	-
Management fees	-	-	10,000	10,000
	9,989,972	7,611,244	10,000	10,000

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

19. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is stated after charging:	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Allowance of doubtful debts	258,852	-	-	-
Amortisation of software development costs	1,216,539	1,080,169	-	-
Auditors' remuneration				
- current year	58,545	62,513	33,105	29,500
- underprovision in prior year	-	4,482	-	3,914
Bad debts written off	40,420	91,958	-	-
Depreciation of property, plant and equipment	185,105	203,132	3,320	6,185
Depreciation of investment property	477	477	-	-
Directors' remuneration				
- fees	80,000	75,000	80,000	75,000
- other emoluments	175,340	175,340	-	-
Finance costs				
- interest expenses	-	-	-	1,116
- finance lease	925	5,693	-	-
Loss on disposal of property, plant and equipment	-	23	-	-
Loss on foreign exchange				
- realised	2,693	787	-	-
- unrealised	-	54,530	-	-
Rental of equipment	263	900	-	-
Rental of premises	183,294	301,327	-	-
and crediting:				
Dividend income	2,704	-	-	-
Interest income	34,848	103,012	32,081	102,873
Rental income	45,600	42,000	-	-
Allowance for doubtful debts written back	9,225	164,792	-	-
Allowance for impairment losses written back	-	-	1,314,403	-
Gain on foreign exchange unrealised	55,871	14,103	-	-

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

20. TAX EXPENSE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Malaysian taxation based on results for the year				
- current	(5,454)	(18,968)	-	(12,000)
- deferred	244	(876)	48	(876)
	(5,210)	(19,844)	48	(12,876)
(Under) / overprovision in prior year				
- current	(20,000)	(14,501)	(20,000)	21,268
- deferred	21,562	(9,960)	173	(9,960)
	1,562	(24,461)	(19,827)	11,308
	(3,648)	(44,305)	(19,779)	(1,568)

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Accounting profit / (loss)	2,173,274	(436,494)	1,241,362	(465,227)
Tax at the applicable tax rate of 25% (2010 : 25%)	543,319	(109,124)	310,341	116,307
Add:				
Tax effect of expenses not deductible in determining taxable profit	(50,752)	450,328	(310,341)	(129,183)
Deferred tax income relating to reversal of temporary difference not recognised during the year	(137,883)	(475,348)	-	-
Balance carried forward	354,684	(134,144)	-	(12,876)

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

20. TAX EXPENSE (cont'd)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Balance brought forward	354,684	(134,144)	-	(12,876)
Less:				
Tax effect of income not taxable in determining taxable profit	(360,138)	70,201	-	-
	(5,454)	(63,943)	-	(12,876)
Add/(Less):				
(Under)/overprovision of current tax expense in prior year	(20,000)	29,598	(20,000)	21,268
(Under)/overprovision in deferred tax expense in prior year	21,806	(9,960)	221	(9,960)
Tax expense for the year	(3,648)	(44,305)	(19,779)	(1,568)

21. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share is calculated based on the consolidated net profit / (loss) for the year of RM 2,169,626 (2010 : net loss of RM480,799) and on 159,977,400 (2010 : 159,977,400) weighted average number of ordinary shares in issue as follows:

	2011	2010
Number of ordinary shares at 1 January	159,977,400	145,434,000
Effect of additional shares issued	-	14,543,400
	159,977,400	159,977,400

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

22. ANALYSIS OF RECONSOLIDATION OF A SUBSIDIARY

In the year 2008, the Company lost control over a subsidiary, Ygl Convergence (Asia Pacific) Pte Ltd. ("YGLAP"). Control over the financial and operational policies of YGLAP has been re-established in 2011. Accordingly, the financial results of YGLAP was consolidated into the Group's results for the financial year.

The effect on consolidated statement of financial position for the year ended 31 December 2011 was as follows:

	RM
Net assets consolidated:	
Net assets	133,764
Group's share of net assets 60%	80,258
Cost of acquisition	1,314,404
Goodwill arising from consolidation	1,234,146

The effect on consolidated cash flow statement for the year ended 31 December 2011 was as follows:

	RM
Net assets reconsolidated:	
Current assets	20,447
Current liabilities	(71,897)
Minority interest	53,506
Exchange reserve	(2,056)
	-
Add:	
Cash and cash equivalents	77,558
Net cash flows on consolidation	77,558

23. EMPLOYEES BENEFITS EXPENSE

	Group	
	2011 RM	2010 RM
Employee benefits expense	4,082,318	4,087,236

Included in employee benefit expenses is EPF contributions amounting to RM260,206 (2010:RM225,985) for the Group.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

24. RELATED PARTY DISCLOSURES

The Group has controlling related party relationship with its subsidiaries and associates.

Significant transactions with related parties during the financial year were as follows:

(a) Transactions with subsidiary companies

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Transactions with subsidiary companies				
Interest received from a subsidiary	-	-	-	59,768
Interest paid to a subsidiary	-	-	-	1,116
Management fee received from subsidiaries	-	-	10,000	10,000
Advances from subsidiary	-	-	674,881	441,894
Repayment from subsidiaries	-	-	1,095,108	1,800,000
Advances to subsidiaries	-	-	180,000	3,617,754
Repayment to subsidiaries	-	-	-	159,245
Transactions with associates				
Advances to associate	-	475,000	-	160,074

(b) Compensation of key management personnel

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Short-term employee benefits	857,892	759,392	80,000	75,000
Post employment benefits				
- defined contribution plan	68,075	54,482	-	-
Total compensation	925,967	813,874	80,000	75,000

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

25. SEGMENT ANALYSIS

Segment reporting

(a) Primary reporting format - geographical segment

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

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

2011	**Malaysia RM**	**Asia Pacific RM**	**Group RM**
Revenue			
Sales	5,949,499	4,040,473	9,989,972
Less: Inter-segment sales	-	-	-
External sales	5,949,499	4,040,473	9,989,972
Results			
Segment operating profit	2,159,241	181,150	2,340,391
Finance costs	(27,812)	-	(27,812)
Gain on financial assets Measured at fair value	12,174	-	12,174
Share of associate's loss	(151,479)	-	(151,479)
Profit before tax			2,173,274
Tax expense	1,805	(5,453)	(3,648)
Profit after tax			2,169,626
Other information			
Segment assets	15,920,236	3,718,057	19,638,293
Segment liabilities	1,407,999	1,394,893	2,802,892
Capital expenditure	300,991	41,016	342,007
Depreciation and amortisation	155,956	29,149	185,105

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

25. SEGMENT ANALYSIS (cont'd)

Segment reporting (cont'd)

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

2010	**Malaysia RM**	**Asia Pacific RM**	**Group RM**
Revenue			
Sales	2,637,827	5,048,572	7,686,399
Less: Inter-segment sales	75,155	-	75,155
External sales	2,562,672	5,048,572	7,611,244
Results			
Segment operating loss	(613,628)	452,535	(161,093)
Finance costs	(83,745)	-	(83,745)
Gain on financial assets measured at fair value	12,923	-	12,923
Share of associate's loss	(204,579)	-	(204,579)
Loss before tax			(436,494)
Tax expense	(37,186)	(7,119)	(44,305)
Loss after tax			(480,799)
Other information			
Segment assets	13,480,585	3,264,555	16,745,140
Segment liabilities	259,616	1,461,410	1,721,026
Capital expenditure	326,683	48,252	374,935
Depreciation and amortisation	170,104	33,028	203,132

(b) Secondary reporting format - business segment

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

26. OPERATING LEASE COMMITMENT

The Group as lessee

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

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

	Group	
	2011 **RM**	**2010** **RM**
Future minimum lease payments		
- payable not later than 1 year	62,869	113,250
- payable later than 1 year and not later than 5 years	-	-
	62,869	113,250

27. CAPITAL DISCLOSURE

The Group's objectives when managing capital are to maintain a strong capital base and safe guard the Group's ability to continue as a going concern, so as to maintain shareholder, stakeholder and market confidence and to sustain future development of the business.

The Group manages and determines the capital structure and policies in the light of changes in economic conditions and the risk characteristics of the underlying assets. No changes were made in the objectives, policies and processes during the year.

The Group monitors capital using a gearing ratio which is net debt divided by total equity. The Group's policy to keep the gearing ratio at manageable levels. As at 31 December 2011, the Group is in a net cash position.

	Group	
	2011 **RM**	**2010** **RM**
Term loan	772,540	-
Finance lease liabilities	4,578	9,307
	777,118	9,307
Less: cash and cash equivalents	2,494,363	845,146
Net cash	1,717,245	835,839

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

28. FINANCIAL INSTRUMENTS

The Company has classified its financial assets in the following categories:

	At fair value through profit or loss RM	Loans and receivables RM	Total RM
2011			
Trade and other receivables	-	4,416,506	4,416,506
Short term investment	98,145	-	98,145
Time deposits	-	1,454,690	1,454,690
Cash and cash equivalents (Note 11)	-	1,039,673	1,039,673
	98,145	6,910,869	7,009,014

	At fair value through profit or loss RM	Loans and receivables RM	Total RM
2010			
Trade and other receivables	-	3,050,545	3,050,545
Short term investment	95,441	-	95,441
Time deposits	-	1,296,353	1,296,353
Cash and cash equivalents (Note 11)	-	845,146	845,146
	95,441	5,192,044	5,287,485

The Company has classified its financial liabilities in the following categories:

	Financial liabilities at amortised cost RM
2011	
Trade and other payables	1,609,417
Term loan	772,540
Finance lease liabilities (Note 14)	4,578
	2,386,535

	Total RM
2010	
Trade and other payables	1,007,665
Finance lease liabilities (Note 14)	60,113
	1,067,778

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

All other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010.

The Company's operating investing and financing activities expose it to market risk, credit risk and liquidity risk. The Company's risk management objectives and policies are to minimize its exposure to foreign currency exchange rates and future cash flow risk, accept reasonable level of price risk and credit risk that commensurate with the expected returns of the underlying operations and activities and minimize liquidity risk by proper cash flow planning, management and control.

(a) Credit risk

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

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

Analysis of trade receivables past due but not impaired:

	2011	2010
Past due	**RM**	**RM**
Up to 90 days	1,625,963	1,010,588
>90 to 180 days	255,328	96,005
>180 to 360 days	269,861	303,076
>360 days	219,839	140,506
Total past due amount	2,370,991	1,550,175

The trade receivables were classified as impaired when they were more than 360 days past due and there were no repayment arrangement at all. Allowance for impairment of doubtful debts was adequately provided.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

(b) Interest rate risk

The Group's short term receivables and payables are not significantly exposed to interest rate risk.

Exposure to 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 the reporting period was:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Fixed rate instruments				
Financial assets	1,454,690	1,296,353	754,690	1,296,353
Financial liabilities	(777,118)	(60,113)	-	-
	677,572	1,236,240	754,690	1,296,353

The Group's and the Company's income and operating cash flows are independent of changes in market interest rates. The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(c) Foreign currency risk

The Group's exposure to foreign currency risk is minimal as its business transactions, receivables, payables and bank balances are denominated in the respective functional currencies of the Group entities. Presently the Company has no intention of hedging its foreign exchange risk profile.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

(d) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group 2011	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Non-derivative financial liabilities						
Finance lease liabilities	4,578	2.58%	4,655	4,655	-	-
Term loan	772,540	4.7%	1,253,264	8,584	8,584	1,236,096
Trade and other payables	1,917,283	-	1,917,283	1,917,283	-	-

Company 2011	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Non-derivative financial liabilities						
Trade and other payables	38,301	-	38,301	38,301	-	-

Group 2010	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Non-derivative financial liabilities						
Finance lease liabilities	60,113	2.58%	61,115	56,460	4,655	-
Trade and other payables	999,750	-	999,750	999,750	-	-

Company 2010	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Non-derivative financial liabilities						
Trade and other payables	34,086	-	34,086	34,086	-	-

Notes to and forming part of the Financial Statements
for the year ended 31 December 2011 (cont'd)

29. RESERVES

The disclosure as required by Bursa Malaysia Securities Berhad on the realised and unrealised unappropriated profits or accumulated losses as at 31 December 2011 are as follows:

	2011 RM	2010 RM
Total accumulated profits / (losses) of the Company:		
Realised	(916,225)	(2,630,970)
Unrealised	55,871	(54,530)
	(860,354)	(2,685,500)
Total share of accumulated losses from associated company:		
Realised	(678,529)	(527,050)
Unrealised	-	-
Total group accumulated profits / (losses) as per consolidated accounts	(1,538,883)	(3,212,550)

30. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on 24 April 2012 by the board of directors.

Statement by Directors

In the opinion of the directors, the financial statements set out on pages 38 to 89 are drawn up:

(a) so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2011 and of their financial performance and cash flows for the year then ended; and

(b) in accordance with Financial Reporting Standards and the provisions of the Companies Act 1965.

Signed on behalf of the directors in accordance
with a directors' resolution dated
24 April 2012

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

Statutory Declaration

I, Tan Hoay Leng, being the director primarily responsible for the financial management of Ygl Convergence Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 38 to 89 are correct.

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

Subscribed and solemnly declared at)
Kuala Lumpur in the Federal Territory)
)
this 24 April 2012)
)
) **TAN HOAY LENG**

Before me:

Leong See Keong (W494)
Commissioner for Oaths

List of Properties

Location	Description and Existing Use	Tenure	Land area / Built-up area (sq ft)	Date of acquisition / Completion	Approximate age of Building (Years)	Net Book Value (RM)
Unit 9-10, 9th Floor, Wisma UOA II, No.21, Jalan Pinang, 50450 Kuala Lumpur	One office unit held under GRN46212 master issue document for title at HS(D) 87450, PT 35, Section 57, Town of Kuala Lumpur, District of Wilayah Persekutuan Office Use	Freehold	2,508	08/12/2000	12	993,682
Unit 5.04, Plaza GM, No.12, Lorong Haji Taib Lima, 50350 Kuala Lumpur	One shop lot held under Geran 54264 Lot 2000 Seksyen 46 (formerly known as H.S (D) 81954 P.T. No. 86, GRN 26997 & 26998 for Lot Nos. 1728 & 1729 all of Seksyen 46) in the town and District of Kuala Lumpur, State of Wilayah Persekutuan Rented Out	Freehold	238.46	29/01/2008	4	287,615

Analysis of Shareholdings
as at 23 April 2012

Authorised Capital	:	RM20,000,000.00
Issued and Fully Paid-up Capital	:	RM15,997,740.00 comprising 159,977,400 Ordinary Shares of RM0.10 each
Class of Equity Securities	:	Ordinary Shares of RM0.10 each ("Shares")
Voting Rights	:	One vote per Share

Distribution Schedule of Shareholders

No. of Holders	Size of Shareholdings	No. of Shares	%
-	Less than 100	-	-
482	100 - 1,000	64,500	0.04
175	1,001 - 10,000	1,066,300	0.67
240	10,001 to 100,000 shares	10,544,300	6.59
94	100,001 to less than 5% of issued shares	81,528,968	50.96
2	5% and above of issued shares	66,773,332	41.74
993	**Total**	**159,977,400**	**100.00**

30 Largest Securities Account Holders

No.	Name	No. of Shares held	%
1	YEAP KONG CHEAN	33,986,668	21.24
2	YEAP KONG TAI (Deceased)	32,786,664	20.49
3	ASPIRE SUCCESS SDN. BHD.	7,000,000	4.38
4	SUCCESS MERGE SDN. BHD.	7,000,000	4.38
5	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YEAP KONG CHEAN*	6,680,000	4.18
6	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YEAP KONG TAI*	6,680,000	4.18
7	KUAN YUEN SOONG @ KUAN CHU TENG	6,538,000	4.09
8	CHAN LI KHENG	5,459,700	3.41
9	CHEONG YEN YOON	5,000,000	3.13
10	YEAP CHOR BENG & SONS SDN. BHD.	4,800,000	3.00
11	YEAP KONG YEOW	2,433,000	1.52
12	NG CHENG GUAN	1,604,100	1.00
13	YEAP TEIK EE	1,300,000	0.81
14	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KOH YAP HENG*	1,171,500	0.73
15	HLB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KOH YAP HENG*	1,000,000	0.63
16	YEAP KAH PHAIK	1,000,000	0.63
17	YEAP KING JIN	948,000	0.59
18	YEAP KONG YEOW	868,400	0.54
19	YAP EAN SIN	704,000	0.44
20	TEOH CHENG SIANG	700,000	0.44

Analysis of Shareholdings
as at 23 April 2012 (cont'd)

30 Largest Securities Account Holders (cont'd)

No.	Name	No. of Shares held	%
21	YEAP CHOR BENG	700,000	0.44
22	YEAP LAY HOON	700,000	0.44
23	YEAP TECK CHEONG	700,000	0.44
24	KHOO YONG AI	670,000	0.42
25	YEAP GEOK LAN	664,000	0.42
26	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TEO CHEE PENG*	600,000	0.38
27	HO BENG CHUAN	600,000	0.38
28	THONG NYOK SEEN	600,000	0.38
29	YEAP KAH PHAIK	590,000	0.37
30	LOH CHOW PHIN	572,000	0.36

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

		No. of Shares beneficially held			
No.	**Name of Substantial Shareholders**	**Direct Interest**	**%**	**Indirect Interest**	**%**
1	Yeap Kong Chean	40,666,668	25.42	-	-
2	Yeap Kong Tai (Deceased)	39,466,664	24.67	-	-

Directors' Shareholdings

		No. of Shares beneficially held			
No.	**Name of Directors**	**Direct Interest**	**%**	**Indirect Interest**	**%**
1	Yeap Kong Chean	40,666,668	25.42	-	-
2	Tan Hoay Leng	-	-	40,666,668*	25.42
3	Ahmad Fuad Bin Mohd Ali	-	-	-	-
4	Dr. Ch'ng Huck Khoon	-	-	-	-
5	Lim Hoo Teck	-	-	-	-

Note:

* *Disclosure of deemed interests through her spouse, Mr Yeap Kong Chean pursuant to Section 134 (12) of the Companies Act, 1965*

Interests in the related corporations

By virtue of his interests in shares in the Company, Mr Yeap Kong Chean is deemed to have 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.

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Form of Proxy

No. of Shares held	

I / We ________________________________ NRIC / Passport / Company No. ______________________
(BLOCK LETTERS)

of, ____
(full address)

being a member/members of **Ygl Convergence Berhad (Company No. 649013-W)** hereby appoint ______________
________________________________ NRIC / Passport No. ______________________________

of ____

or failing him, __________________________ NRIC / Passport No. ___________________________

of ____

or the Chairman of the Meeting as *my/our proxy to vote in my/our name(s) on *my/our behalf at the Eighth (8th) Annual General Meeting of the Company to be held at Hotel Royal Penang, No. 3, Jalan Larut, 10050 Georgetown, Penang on Tuesday, 19 June 2012 at 11.00 a.m. at any adjournment thereof.

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

AGENDA			
To receive the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2011 together with the Auditors' Report thereon			
Resolutions		**For**	**Against**
1.	To approve the payment of Directors' fees for the financial year ended 31 December 2011		
2.	To re-elect Ms. Tan Hoay Leng as Director of the Company		
3.	To re-elect Dr. Ch'ng Huck Khoon as the Director of the Company		
4.	To re-appoint Messrs. Cheng & Co. as Auditors for the ensuing year and to authorise Directors to fix their remuneration		
5.	Ordinary Resolution - Authority to the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965		

** Strike out whichever not applicable*

As witness *my/our hand(s) this _______ day of ___________, 2012.

____
Signature of Member / Common Seal

Notes:-

1. In respect of deposited securities, only members whose name appears on the Record of Depositors on 13 June 2012 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at the Meeting.
2. A Member of the Company entitled to attend and vote at the Meeting is entitled to appoint 2 or more proxies to attend and vote in his stead. If a Member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. A proxy may but does not need to be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
4. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
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.
6. The instrument appointing a proxy or (in the case of a power of attorney appointing an attorney) such power of attorney or a notarially certified copy of such power of attorney and any authority under which such proxy or power of attorney is executed or a copy of such authority certified notarially or in some other way approved by the Directors shall be deposited at the Registered Office of the Company at No. 10, China Street, 10200 Penang at least 48 hours before the time for holding the Meeting or any adjournment thereof.
7. Any alteration in this form must be initialed.

Affix Stamp

To:

The Company Secretaries

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10200 Penang

Malaysia

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