YglWORLD

Ygl Convergence Berhad
(649013-W)

WHOLESALE & DISTRIBUTION • LABORATORY • APPLICATION PERFORMANCE & SECURITY • MANUFACTURING • HOSPITALITY

TAXATION • HUMAN RESOURCE MANAGEMENT • PROPERTY MANAGEMENT • BUSINESS INTELLIGENCE • HOTELS & CLUBS • BUSINESS PROCESS AUTOMATION

Annual Report 2015

YgI WORLD

Annual Report 2015

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twelfth (12th) Annual General Meeting of Ygl Convergence Berhad (or "the Company") will be held at The Northam Hotel, No. 55, Jalan Sultan Ahmad Shah, 10050 Penang on Friday, 27 May 2016 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 2015 together with the Auditors' Report thereon. *(Please refer to Note 1)*

2. To approve the payment of Directors' fees of RM80,000 for the financial year ended 31 December 2015. **Resolution 1**

3. To re-elect the following Directors who are retiring in accordance with Article 29.1 of the Company's Articles of Association and are offering themselves for re-election: -
   a) Mr. Yeap Kong Chean **Resolution 2**
   b) En. Ahmad Fuad Bin Mohd Ali **Resolution 3**

4. 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:-

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

   i) **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**

   ii) **Special Resolution:-**
   Proposed Amendments to the Articles of Association of the Company

   "**THAT** the amendments to the Articles of Association of the Company as set out in the Appendix I annexed to the Annual Report 2015 be and are hereby approved and adopted.

   AND THAT the Directors and/or Secretaries of the Company be hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments to the Articles of Association of the Company." **Resolution 6**

Notice of Annual General Meeting (cont'd)

6. 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 (MIA 24701)
Company Secretaries

Penang
Date: 29 April 2016

Explanatory Notes to Special Business:-

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

The Ordinary Resolution proposed under item 5(i) is primarily to seek for new general mandate to give flexibility to the Board of Directors to issue and allot shares up to 10% of the issued share capital (excluding treasury shares) of the Company for the time being, at anytime in their absolute discretion without convening a general meeting (hereinafter referred to as the **"General Mandate"**).

The purpose to seek for the General Mandate is to enable the Directors to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time-consuming and costly to organise a general meeting. This General Mandate, 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.

The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), acquisitions, working capital and/or settlement of banking facilities.

Resolution 6 – Proposed Amendments to the Articles of Association of the Company

The Proposed Amendments are to align the Company's Articles of Association with the amendments made to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

Notes:

1. The first agenda of this meeting is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 ("the Act") does not require a formal approval for the audited financial statements from the shareholders. Hence, this Agenda is not put forward to the shareholders for voting.

2. In respect of deposited securities, only members whose name appears on the Record of Depositors as at 20 May 2016 shall be entitled to attend, speak and vote at the meeting.

Notice of Annual General Meeting (cont'd)

3. A member entitled to attend and vote at the meeting is entitled to appoint two (2) or more proxies to attend and vote in his or her stead. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as members to speak at the general meeting.

4. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.

5. The instrument appointing a proxy and the power of attorney or other authority (if any) shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. In the case where a member is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

6. Where a member of the Company is an Exempt Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") 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. Where an Exempt Authorised Nominee appoints more than 1 proxy in respect of each Omnibus Account, the appointment shall be invalid unless the Exempt Authorised Nominee specifies proportion of its shareholding to be represented by each proxy.

7. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at No. 35, Scotland Road, 10450 Penang not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

Special resolution
Proposed Amendments to the Articles of Association of the Company

The Articles of Association of the Company are proposed to be amended in the following manner:-

Existing	Proposed Amendment
Article 43.5 A copy of the reports by the Directors and auditors of the Company, the profit and loss accounts, balance sheets and group accounts (if any) (including all documents required by law to be annexed or attached to all or any of them) in the printed form or in CD-ROM form or in such other form of electronic media shall be sent (not later than 6 months after the close of the financial year and at least 21 days before the general meeting at which they are to be laid) to all Members, holders of debentures and all other persons entitled to receive notices of general meetings under the Act or these Articles. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports shall not exceed 4 months. The required number of copies of each of these documents (as required by the applicable Listing Requirements of Bursa Securities) shall at the same time be sent to Bursa Securities.	Article 43.5 A copy of the reports by the Directors and auditors of the Company, the profit and loss accounts, balance sheets and group accounts (if any) (including all documents required by law to be annexed or attached to all or any of them) in the printed form or in ~~CD-ROM form~~ **electronic format** or in such other form of electronic media **permitted under the Listing Requirements or any combination thereof** shall be sent **not less than** ~~(not later than 6 months after the close of the financial year and at least~~ 21 days before the general meeting at which they are to be laid~~)~~ to all Members, holders of debentures and all other persons entitled to receive notices of general meetings under the Act or these Articles. ~~The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports shall not exceed 4 months.~~ The required number of copies of each of these documents (as required by the applicable Listing Requirements of Bursa Securities) **as may be required by Bursa Securities and Securities Commission Malaysia** shall at the same time be **likewise** sent to Bursa Securities **and Securities Commission Malaysia**.

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 ("AGM").

- **General Mandate for issue of securities in accordance with Rule 6.04(3) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad**

  On September 2015, the Company has issued 17,597,000 new ordinary shares of RM0.10 each at an issue price of RM0.10 pursuant to the Private Placement exercise and general mandate obtained from its shareholders at the 11th AGM held on 30 June 2015. The total gross proceeds of approximately RM1.936 million was raised from the Private Placement. The details and status of the utlisation of the said proceeds are disclosed in Additional Compliance Information in this Annual Report.

Corporate Information

BOARD OF DIRECTORS

Yeap Kong Chean
Chief Executive Officer

Tan Hoay Leng
Executive Director

Ahmad Fuad Bin Mohd Ali
Independent Non-Executive Director

Dr. Ch'ng Huck Khoon
Independent Non-Executive Director

Chua Kiat Eng
Independent Non-Executive Director

COMPANY SECRETARIES
Ooi Eng Choo (BC/O/102)
Thum Sook Fun (MIA 24701)

REGISTERED OFFICE
No. 35, Scotland Road,
10450 Penang.
Tel: 04-229 0619
Fax: 04-228 3379

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 (AF0886)
No. 8-2 & 10-2, 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
Ground Floor, Tower A,
PJ City Development,
15-A, Jalan 219, Section 51A,
46100 Petaling Jaya,
Selangor.
Tel: 03-7877 1629
Fax: 03-7876 1384

Public Bank Berhad
456, Ground & 1st Floor,
Jalan Datuk Keramat,
10460 Penang.
Tel: 04-2292 459
Fax: 04-2291 978

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 54, Malaysian

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

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

He commenced his career in 1985 with Ernst & Young Malaysia, and 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 49, 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)

AHMAD FUAD BIN MOHD ALI
Independent & Non-Executive Director
Aged 63, Malaysian

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

DR. CH'NG HUCK KHOON
Independent & Non-Executive Director
Aged 47, Malaysian

Dr. Ch'ng Huck Khoon was appointed to the Board on 28 February 2012. He was a member of the Audit Committee of the Company before redesignated as the Chairman of the Audit Committee of the Company on 1 January 2013. He is also a member of the Nominating 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).

Currently, he is an Independent Non-Executive Director and Chairman of the Audit Committee of CNI Holdings Berhad ("CNI"). He is also an Independent Non-Executive Director and member of the Audit Committee of AT Systematization Berhad ("ATS") and MQ Technology Berhad ("MQTECH"), where all of these three are the companies listed on either the Main or ACE Market of Bursa Malaysia Securities Berhad.

Profile of Directors (cont'd)

CHUA KIAT ENG
Independent & Non-Executive Director
Aged 52, Malaysian

Chua Kiat Eng was appointed to the Board on 28 March 2013. He is also a member of the Audit Committee and Nominating Committee of the Company.

He is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants (MIA).

He started his career with Messrs. Kassim Chan & Co. for a few years, before he moved into manufacturing sector in 1990. He served in various key positions in Isuta Group which had presence throughout Asia Pacific region. He was also appointed as Chief Executive Officer of Isuta International and a few other manufacturing companies.

Besides playing a commanding role in corporate and finance, he is also a corporate strategist who has involved in a number of corporate exercises, including asset acquisition by investment institution.

i. Family Relationships with Director and/or Major Shareholders

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 this 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 2015.

Looking back at 2015 which was supposed to be post implementation period for the Malaysia Goods and Services Tax ("GST") which commenced on 1 April 2015, Ygl is continuing the momentum in penetrating its proprietary products namely Ygl E-Corporate Suite and Ygl E-Manufacturing Suite to its corporate customers. This is very encouraging for Ygl because this demonstrated the fact that Ygl's proprietary solution was selling on its own strength, rather than selling based on the strength of certified GST functions alone.

Ygl has seen an increase in deal size as large corporation and market leaders saw the functionalities and benefits in Ygl's proprietary software. In year 2015, there were some multi-national projects cutting live overseas with Ygl's proprietary software. This is very encouraging for Ygl as illustrated the capabilities of Ygl proprietary product versus the international offerings. This will definitely pave way for more export sales in the foreseeable future.

Financial Overview

Ygl Group recorded revenue of RM6.555 million for the financial year ended 31 December 2015, representing a decrease of 17.43% as compared with the revenue of RM7.939 million for the financial year ended 31 December 2014. Net loss for financial year 2015 was RM175,179 as compared to net loss of RM1.282 million for financial year 2014, representing a decrease of 86.33%. The decrease in net loss was due to increase in sales of Ygl's proprietary products which provided better margin contributions. As such, it seemed to be in contrary to our understanding that year 2014 should be a better year for Enterprise Software provider due to implementation of Malaysia GST. Correspondingly, Ygl had net loss per share of 0.11 sen for the year ended 31 December 2015 as compared to net loss per share of 0.71 sen for the year ended 31 December 2014.

Corporate Development

With the effort of the team, Ygl has recorded the following achievements during the year:

1. YglWorld's partner network has been extended to Tricor Services (Malaysia) Sdn. Bhd. ("Tricor") with the signing of the Memorandum of Understanding ("MOU") between Ygl and Tricor. Under this MOU, Tricor will standardise its expertise solution platform with Ygl E-Corporate Suite software and offer to Tricor's existing and potential customers in Asia Pacific region.

Chief Executive Officer's Statement (cont'd)

2. The YglWorld corporate centre was fully operational in 2015. The corporate centre has provided a professional and conducive environment for business partners and customers of Ygl Group to exchange ideas and networking. The corporate centre also provides the environment under which Ygl staff may contribute with the peace of mind towards the development of Ygl Group.

3. New issue of securities under Private Placement exercise for Ygl has been completed upon the listing of and quotation for 17,597,000 ordinary shares of RM0.10 each on the ACE Market of Bursa Malaysia Securities Malaysia on 22 September 2015.

4. Ygl Group has procured a contract from King Hup Group of Companies ("Kinghup") whereby Ygl will provide system and implementation of Ygl e-Corporate Suite to Kinghup. Ygl E-Corporate Suite will be specially custom made for automotive spare parts industry. The value of the software contract is RM854,360, while the further support after live under Ygl services & maintenance contract is amounting to RM153,700.

Research and Development ("R&D")

For financial year 2015, Ygl Group invested RM1.482 million in R&D of Ygl's proprietary product. This represents an increase of 7.27% as compared to the R&D's expenditure of RM1.382 million incurred in financial year 2014.

The increase is in line with the continuous effort of Ygl Group to further enhance its proprietary product in term of functionalities, usability and latest technology.

Prospect

After a challenging year of 2015, with the depreciation of Malaysian Ringgit and wider economic uncertainty holding back IT market growth in general, we expect the Malaysia IT market to move with a stronger growth potential in 2016.

Enterprise software and service market growth are considered positive with cloud computing and Internet of Things application gaining market acceptances. We foresee the majority of spending will continue to be derived from enterprise solution that offer specialisation and cost efficiency that will enable the local enterprise in the region to respond to the heightened competition across Asia Pacific region.

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 continued support.

Yeap Kong Chean
Chief Executive Officer

Date: 12 April 2016

Audit Committee Report

The Board is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2015 ("FY2015").

The Company has fulfilled the requirements of Rule 15.09 of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and the recommendations of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") with regard to the composition of the AC. The present composition of the AC is as follows:-

Chairman	-	Dr. Ch'ng Huck Khoon (Independent Non-Executive Director)
Members	-	Ahmad Fuad Bin Mohd Ali (Independent Non-Executive Director) Chua Kiat Eng (Independent Non-Executive Director)

ATTENDANCE OF MEETINGS

A total of five (5) AC meetings were held during FY2015, of which all the AC members have attended all the five (5) meetings.

SUMMARY OF THE TERMS OF REFERENCE

1. COMPOSITION

The AC members shall be appointed by the Board of Directors with at least three (3) members, of which all the AC members must be Non-Executive Directors, with a majority of them being Independent Directors.

The members of the AC 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 AC shall be nominated as Chairman for the Meeting.

If a member of the AC 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 AC shall, within its terms of reference:-

a) have explicit authority to investigate any matters within its term of reference;
b) have full and unrestricted access to any information as required to perform its duties;
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;
e) be able to convene meetings with external auditors or both, without the presence of the other directors and management, whenever deemed necessary; and
f) where the AC is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the AC shall promptly report such matter to Bursa Malaysia Securities Berhad ("Bursa Securities").

Audit Committee Report (cont'd)

3. SUMMARY OF DUTIES AND RESPONSIBILITIES

a) to oversee the functions of the internal audit and ensure compliance with relevant regulatory requirements;
b) to review the internal audit programme, processes, the results of the internal audit activities or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal auditors;
c) to review the effectiveness of internal controls and risk management processes;
d) to review the appointment of external auditors, the audit fee and any question of resignation or dismissal and to make recommendations to the Board;
e) to review with the external auditors, their evaluation of the system of internal controls and their audit report;
f) to review the audit findings raised by external auditors and ensure that issues are being managed and rectified appropriately and in a timely manner;
g) to review and report to the Board of Directors on the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particulars on:-
   i) changes in or implementation of major accounting policy changes;
   ii) significant adjustments arising from the audit;
   iii) the going concern assumption;
   iv) significant and unusual events; and
   v) compliance with accounting standards and other legal requirements;
h) to review 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.

4. SUMMARY OF ACTIVITIES

The AC activities in discharging their duties and responsibilities during the financial year under review included the following:-

i) Reviewed the quarterly and financial statements of the Group and the Company prior to submission to the Board of Directors for consideration and approval;

ii) Reviewed with the external auditors, their audit planning memorandum, audit approach and reporting requirements prior to the commencement of audit work;

iii) Reviewed the external auditors' management letter and Management's responses;

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

v) Reviewed and recommended the re-appointment of the external auditors for ensuing year prior to submission to the Board and shareholders for considerations;

vi) 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 auditors;

Audit Committee Report (cont'd)

vii) Reviewed the related party transactions and conflict of interest situation that may arise within the Company and its subsidiaries including any transaction, procedure and course of conduct that raises questions of management integrity;

viii) Reviewed the AC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report; and

ix) Have dialogue session with external auditors without the presence of the Management.

During the FY2015, the AC met with the external auditors twice without the presence of the Management in compliance with the recommendation of the MCCG 2012.

5. INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit ("IA") functions to Messrs. Tan & Loh and during FY2015, they have conducted two IA reviews relating to the implementation of internal controls systems 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 AC and the Management was required to undertake adequate measures to address the operational weaknesses.

The activities carried out by the IA team include:-
i) Risk management review;
ii) Reviewing the adequacy of accounting and financial controls;
iii) Reviewing the application of operational procedures;
iv) Reviewing compliance with established company policies;
v) Ascertaining the extent of compliance with operational procedures; and
vi) Recommending improvements to the existing internal control procedures.

The total cost incurred by the Group for the IA functions in respect of FY2015 amounted to approximately RM10,600.

This Statement is made in accordance with the resolution of the Board of Directors dated 31 March 2016.

Statement on Corporate Governance

The Board of Directors ("Board") of Ygl Convergence Berhad ("Ygl") recognises the importance of good corporate governance and fully subscribes to the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") as key factors towards achieving an optimal governance framework which is fundamental to enhancing the shareholders' value, protecting stakeholder's interests and ensuring sustainability and growth of the Group.

With this in mind, the Board strongly supports the Group in implementing the relevant measures to culture best practices within the Group in accordance with the key principles and recommendations of MCCG 2012. During the financial year under review, the Board is satisfied that the Group is in substantial compliance with the principles and recommendations of MCCG 2012 with the exception of one area as explained in section Board Committees under Principle 2: Strengthen Composition in this Statement.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

(1) Clear functions of the Board and Management

The Board is entrusted with the stewardship of the Company in charting future corporate direction, achieving sustainable growth, discharging its social responsibilities, safeguarding the interests of its shareholders and stakeholders in addition to optimising the Group's resources.

The Board has also delegated specific matters to various Board Committees which operates within their respective approved Terms of Reference.

There is a division of function between the Board and the Management, whereby the former focuses more on the Company's governance; the latter on management in accordance with the direction of and delegation by the Board. Thus, the Board leads the Group and plays a strategic role in overseeing the overall activities of the Management in carrying out the delegated duties in achieving the Group's corporate objectives and long terms strategic plans of the business.

(2) Clear roles and responsibilities of the Board

The Board consists 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 8 to 10 of this Annual Report.

The Board complies with Rule 15.02 of Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market ("Listing Requirements") 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. All the independent directors do not participate in the management and are independent of any business or other relationships with the Group that would influence on their objective deliberation and judgment.

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

Statement on Corporate Governance (cont'd)

(2) Clear roles and responsibilities of the Board (cont'd)

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 presence of the existing Independent Non-Executive Directors, are of sufficient caliber and experience to bring objectivity, balance and independent judgments to Board's decision.

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

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

The Board has entrusted the Nominating Committee ("NC") with the responsibility to give full consideration to succession planning for Directors in the course of its works, taking into account the challenges and opportunities facing by the Company and what skills and expertise are therefore needed on the Board in the future. The Board has also entrusted the Executive Directors with the responsibility to review candidates and compensation packages for key management positions.

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

The Board is ultimately responsible for the adequacy and integrity of the Group's internal control system. The Board ensures that there is a sound framework of reporting on internal controls and regulatory compliance. Details relating to the internal control system and review of effectiveness are available in the Statement on Risk Management and Internal Control as set out in this Annual Report.

(3) Code of Conduct

The Board views adherence to the best practices of corporate governance as the means to uphold high standard of corporate conduct. The Code of Ethics and Conducts of the Company set out the ethical standards and appropriate conduct at work adopted by the Group and applicable to all the employees and Board members.

Areas covered by the Code of Ethics and Conducts encompass information confidentiality and security, conflict of interests, protection of asset, insider trading etc.

(3) Code of Conduct (cont'd)

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

The Directors of the Group is guided by the Code of Ethics established by the Companies Commission of Malaysia for Company Directors. The Code of Ethics sets out the principles in relation to sincerity, integrity, responsibility and corporate social responsibility.

(4) Access to information and advice

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

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

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

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

(5) Qualified and Competent Secretaries

The Board is supported by qualified and competent Company Secretaries who are also a member of a professional body. The Board is regularly updated and apprised by the Company Secretaries on new regulations issued by the regulatory authorities.

The Company Secretaries ensure the Board procedures and all other rules and regulations applicable to the Company are complied with.

The Company Secretaries work closely with the Management to ensure that there are timely and appropriate information flow within and to the Board and Board Committees.

(6) Board Charter

The roles and responsibilities of the Board are outlined the Board Charter. The Board Charter provides guidelines to benchmark the performance of the Board as a whole as well as that of the individual director. The terms of the Board Charter are periodically reviewed and updated to meet the needs of the Company as well as changing requirements set by the authorities. The Board Charter is available on the Company's website at www.yglworld.com.

Statement on Corporate Governance (cont'd)

PRINCIPLE 2: STRENGTHEN COMPOSITION

(1) Board Committees

The Board is supported by the following Board Committees whose compositions are in accordance with the best practices as prescribed by the MCCG 2012 to ensure the Board's effectiveness and to efficiently discharge its duties and responsibilities. Each Board Committee operates within its terms, which clearly define its functions and responsibilities.

i) Audit Committee ("AC")

The AC assists the Board in ensuring integrity of financial reporting and that there is in place sound internal control systems. Its main responsibilities are to ensure that there are effective risk monitoring and compliance procedures in place and to act in the interest of the shareholders in respect of matters or issues that affect the financial performance of the Group. The composition and the key functions of the AC as well as the summary of its activities are as set out in the AC Report on pages 13 to 15 of this Annual Report.

ii) Nominating Committee ("NC")

The Board has established the NC on 23 April 2013 and currently comprises exclusively of Independent Non-Executive Directors. The NC is charged with the responsibility of overseeing the selection and assessment of Directors. The NC is responsible for developing selection criteria, assessing the suitability and recommending the appropriate candidates with the relevant capabilities and experience to be appointed to the Board and Board Committees. Considerations are given to the skills and experience in the selection process while competence, commitment, contribution and performance are taken into account in the assessment process. The NC is also tasked to review the continuous education and training needs of the Directors and conduct on-going review of the set criteria and expectations of the Board from the Directors.

The NC comprises of the following Board members:-

Chairman
Ahmad Fuad Bin Mohd Ali *(Independent Non-Executive Director)*

Committee Members
Dr. Ch'ng Huck Khoon *(Independent Non-Executive Director)*
Chua Kiat Eng *(Independent Non-Executive Director)*

Statement on Corporate Governance (cont'd)

(1) Board Committees (cont'd)

ii) Nominating Committee ("NC") (cont'd)

The NC meets when necessary. During the financial year ended 31 December 2015, the NC met once with full attendance from its members.

During the financial year ended 31 December 2015, the key activities carried by NC are summarised as follows:-

1) The NC conducted the annual assessment of the performance of the Board as a whole for the year ended 31 December 2014 based on the following criteria:-

   - Board mix & composition
   - Quality of Information & decision making
   - Boardroom activities
   - Board committee performance evaluation

   Arising therefrom, several actions were identified to improve Board operations. Based on the assessment of Board effectiveness as a whole, it was concluded that the Board has discharged its duties and responsibilities adequately.

2) Further, in line with Recommendation 3.1 of the MCCG 2012, the NC conducted its annual assessment of the Independent Directors and made its recommendations to the Board. The Board was satisfied with the level of independence demonstrated by each and every one of the Independent Directors on Board of the Company.

3) The NC had duly considered and recommended the re-election of the Directors who were subject to retirement by rotation at the last AGM held on 30 June 2015. Apart from the qualifications and competencies of the said Director, the NC's review on the proposed re-election as Directors takes into account the mix of skills, experience and contribution bring to the Board.

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

The NC and Board affirm its commitment to boardroom diversity as a truly diversified Board can enhance the Board's effectiveness, creativity and capacity. The Board has not set any measure for boardroom diversity but nevertheless works to ensure that there is no discrimination on the basis of, but not limited to ethnicity, race, age, gender, nationality, political affiliation, religious affiliation, marital status, education or geographic region, during the recruitment of new Board members.

The Board adopts an open boardroom gender diversity policy whereas a female Executive Director namely, Madam Tan Hoay Leng was appointed to the Board in year 2009. She has been in the management team since the inception of listing of the Company.

(1) Board Committees (cont'd)

ii) Nominating Committee ("NC") (cont'd)

The NC adopts a transparent practice to assess the suitability of an individual to be appointed to the Board. Recruitment is based on preset criteria such as the individual's skills, knowledge, expertise and experience, professionalism and integrity. The NC also ensure that the procedures for appointing new Director are transparent and that appointments are made on the merit and against objective criteria for the purpose.

(2) Formal and transparent remuneration procedures

Remuneration Committee

After due consideration, the Board has not established a Remuneration Committee for the reason that Director's remuneration should be a matter of the full Board to decide based on market conditions, responsibilities held and the Group's overall financial performance.

Such departure does not have significant impact on the governance as the Board size of the Company is relatively small, which comprises only two Executive Directors and three Independent Non-Executive Directors.

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 to be determined by the Company in general meeting.

In general, the remuneration is structured so as to link rewards to corporate and individual performance, as in the case of the Executive Directors. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken individually by the Director concerned.

The summary of the Directors' remuneration in the Company and its subsidiaries for the financial year ended 31 December 2015 is as follows:-

Directors	Company			Group		
	Salaries RM	Bonus RM	Fee RM	Salaries RM	Bonus RM	Fee RM
Executive	-	-	20,000	242,520	-	-
Non-Executive	-	-	60,000	-	-	-
Total	-	-	80,000	242,520	-	-

(2) Formal and transparent remuneration procedures (cont'd)

Directors' Remuneration (cont'd)

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

Range	Executive	Non-Executive
Below RM50,000	-	3
RM50,001 – RM100,000	1	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	1	-

PRINCIPLE 3: REINFORCE INDEPENDENCE

(1) Review of Directors' Independence

The Board acknowledges the importance of independence and objectivity in its deliberations and decision making. The Board and its NC in their annual review concluded that each of the three Independent Non-Executive Directors have upheld high standard of conduct and behavior essentially traits of independence. Each of them continues to fulfill the definition and criteria of independence as set out by Bursa Securities.

(2) Tenure of Independent Directors

Pursuant to recommendation 3.2 of MCCG 2012, the tenure of an Independent Director should not exceed a cumulative term of nine years. None of the Independent Non-Executive Directors has served tenure for more than nine years.

(3) Separation of Position of the Chairman and CEO

The Board recognises the important of having a clearly accepted division of roles and responsibilities at the Head of the Company to ensure a balance of power and authority.

The Chairman is able to lead the Board in oversight of Management and Mr. Yeap Kong Chean as CEO is focusing on the business and day-to-day management of the Company.

The Board has assessed the situation and taken action to look for a high caliber Chairman, a person who will bring new excitement, ideas and perspective to the Group to be appointed as Chairman of the Company.

PRINCIPLE 4: FOSTER COMMITMENT OF DIRECTORS

(1) Time commitments

The Board requires its members to devote sufficient time and effort into Board matters, update their knowledge, enhance their skills to effectively carry out their responsibilities and to use their best endeavor to attend meeting.

Board Meetings

The Board meetings are held at quarterly intervals and additional meetings are held should the need arise. All relevant reports and board papers are distributed to all Directors in advance of the Board Meeting and to allow the Directors have susfficient time to peruse for effective discussion and decision making during the meetings. At the meetings, the Board reviewed the Group's financial performance, business operations, report of the committees and relevant matters.

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

For the financial year ended 31 December 2015, the Board had held five meetings which were attended by the Directors with full attendance.

(2) Protocol for accepting new directorship

The Board has formalised vide the Code of Conduct its expectation on time commitment for its members as well as the requirement to notify the Board prior to accepting new directorship in any entity's board.

(3) Continuing education programmes

Pursuant to the Listing Requirements, a newly appointed Director is required to attend Mandatory Accreditation Programme ("MAP") within four (4) months of his or her appointment. All the Directors have attended the MAP.

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

The NC reviews the continuing development of the Directors, whereby training programmes, conferences and seminars deemed beneficial to the Directors are identified on an on-going basis. The Directors are regularly updated of the latest development in the field of the Group's business, competitive environment and regulatory changes.

Statement on Corporate Governance (cont'd)

(3) Continuing education programmes (cont'd)

The training programmes, conferences and forums attended by the Directors during the financial year under review among others, were as follows:-

Directors	Title of Seminar / Workshops / Courses	Mode of Training	No. of Hours / Days Spent
Yeap Kong Chean	Tax Deductible Expenses – Principles and Latest Developments	Seminar	8 hours
	Seminar Percukaian Kebangsaan 2015	Seminar	10 hours
	2016 Budget Seminar: Summary & Highlights for Corporate Accountants	Seminar	8 hours
Tan Hoay Leng	Understanding and Applying the 24 Malaysian GST Tax Codes for the Preparation GST-03 Tax Return & GST Audit File (GAF)	Workshop	16 hours
	Impact of GST on Accounting and Income Tax	Seminar	16 hours
	Tax Updates	Seminar	8 hours
	GST Latest Developments and Its Practical Implications	Seminar	8 hours
	Preparing to transit from PERS to MPERs – are you ready for the first time adoptions?	Workshop	8 hours
	Seminar Percukaian Kebangsaan 2015	Seminar	10 hours
	2016 Budget Seminar: Summary & Highlights for Corporate Accountants	Seminar	8 hours
	GST Seminar on Tax Agents	Seminar	8 hours
Ahmad Fuad Bin Mohd Ali	Corporate Strategy and Choices	Course	8.5 hours
Dr. Ch'ng Huck Khoon	ASEAN Economic Community 2015 (AEC) and Its Impact on Malaysia Economy	Seminar	8 hours
	Trans-Pacific Partnership Agreement (TPPA) – Enhancing Trade and Investment, Economic Growth and Development	Seminar	8 hours
Chua Kiat Eng	Corporate Strategy and Choices	Course	8.5 hours

In addition, the Company Secretaries update the Board on a regular basis the respective changes and amendments to regulatory requirements to assist Directors keep abreast of such development.

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board supported by the AC, upholds the integrity of financial reporting functions and overseeing the effectiveness of internal control policies and measures of the Group. The Board aims to disclose accurate, adequate, meaningful and true and fair presentation of the Group's state of affairs in its financial statements.

(1) Compliance with Applicable Financial Reporting Standards

The Directors are aware of their responsibilities to present a balance and understandable assessment of the Group's financial performance and prospect to the shareholders through annual and quarterly financial statements. The AC ensures that financial reporting of the Group is in compliance with the approved accounting standards set by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965.

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

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 AC is separately set out on pages 13 to 15 of this Annual Report.

(2) Sustainability and Independence of External Auditors

The Board maintains a formal and good working relationship with the external auditors, Messrs. Cheng & Co. in seeking their professional advice and towards ensuring compliance with the accounting standards through AC.

The Independent Non-Executive Directors also met with the external auditors without the presence of Management on 27 April 2015 and 25 November 2015 respectively in compliance with the recommendations of the MCCG 2012.

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

On an annual basis, the AC also reviews and monitors the suitability and independence of the external auditors.

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

The AC 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 AC on all matters relating to the financial audit of the Group. They are also invited to attend the AC Meetings as and when necessary.

Statement on Corporate Governance (cont'd)

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

The Company has in place a risk management framework and internal control system to identify existing and potential risk areas faced by the Company and monitor the effectiveness of the action plans undertaken by the Management to mitigate such risks. The AC and Management are assisted by the internal auditors who assess the internal control system periodically and make due recommendations to the Board.

(1) Risk Management and Internal Control

Internal controls are important for risk management to preserve the integrity of the business operation and corporate policies of the Group. 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 internal control system is subject to periodic internal audit to review the effectiveness and efficiency of the internal control procedures and processes. The internal auditor reports directly to the AC.

The Board, through the AC, 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.

(2) Internal Audit Function

The internal audit function of the Group is outsourced to a professional services firm to provide the AC and the Board with the assurance they require pertaining to the adequacy and effectiveness of internal control.

The AC had conducted a review and assessment the adequacy and independence of the Company's internal audit function in year 2016 in compliance with Rule 15.12(1)(f) of the Listing Requirements.

The Statement on Risk Management and Internal Control is set out on pages 27 and 28 of this Annual Report.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

(1) Corporate Disclosure Policy

The Board has set up appropriate corporate disclosure policy and exercise close monitoring of all price sensitive information required to be released to Bursa Securities and make material announcements to Bursa Securities in a timely manner.

(2) Dissemination of information

The Board recognises the need for stakeholders and the broader investment community to make discerned decisions based on accurate, useful and timely disclosure of corporate information.

Material information such as the Group's performance and major developments are disseminated via various channels. Annual Reports and circulars are despatched to shareholders and published on the Company's and Bursa Securities' websites, release of announcements including quarterly financial results and convening of AGM.

The Corporate website at www.yglworld.com contains all relevant information about the Company and the Group including all submissions to Bursa Securities.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

(1) Shareholders participation at General Meeting

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 business, performance and corporate development.

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.

(2) Encourage poll voting

The Chairman of the meeting will ensure that shareholders are informed of their rights to demand for a poll at the commencement of the AGM.

(3) Communication and engagement with Shareholders

The Group has maintained an active and constructive communication policy with its shareholders and other stakeholders to keep them in tandem with the major developments and performance of the Group. The communication with its shareholders and investors are made through AGM, Annual Reports, Quarterly Results and various announcements made to Bursa Securities.

Statement of compliance with the recommendations of the MCCG 2012

Save for the exception set out above, the Board is of opinion that the Company has generally adhere to the Principles and Recommendations as set out in MCCG 2012 during the financial year ended 31 December 2015.

This Statement is made in accordance with a resolution of the Board of Directors dated 31 March 2016.

Statement on Risk Management and 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 risk management and internal control of the Group during the financial year under review pursuant to Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") 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 Risk Management and Internal Control (cont'd)

INTERNAL CONTROL

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

- Dissemination of comprehensive financial reports to the Board and Audit Committee ("AC") 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
- Maintain strong internal information and data security in compliance with the Personal Data Protection Act, 2010

AUDIT COMMITTEE & INTERNAL AUDIT

The internal audit function has been outsourced to an independent professional firm Messrs. Tan & Loh to carry out the internal audit work on a regular basis throughout the year. The findings and recommendations by the internal auditors are reported directly to the AC. This is to provide the AC with assurance in respect of continuity, adequacy and integrity of the system of internal controls within the Group. During the financial year under review, the internal auditors performed two internal assignments in accordance with the internal audit plan approved by the AC. The internal auditors deliberated the internal audit findings and proposals for actions in consultation with the AC, and the Management took appropriate actions to address and monitor the areas of weaknesses. The AC, on behalf of the Board, reviews the internal control issues identified and recommendations in the reports prepared by the internal auditor on regular basis. None of these weaknesses identified had resulted in any material loss that would require disclosure in the Group's Annual Report.

CONCLUSION

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

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 Listing Requirements, the external auditors has reviewed this Statement and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

This Statement is made in accordance with a resolution of the Board of Directors dated 31 March 2016.

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, relevant accounting standards and ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

In preparing the financial statements for the financial year ended 31 December 2015, the Directors have:-

- adopted the Malaysian 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 general responsibilities for taking such steps that are reasonably available to them to safe guard the assets of the Group, to prevent and detect fraud and other irregularities.

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 31 March 2016.

Additional Compliance Information

UTILISATION OF PROCEEDS

In September 2015, a total of 17,597,000 new ordinary shares of RM0.10 each were issued pursuant to the Private Placement exercise at an issue price of RM0.11 in accordance with the general mandate for issue of shares pursuant to Section 132D of the Companies Act, 1965 and Rule 6.04(3) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Private Placement") and total proceeds of RM1,935,670 had been raised from the Private Placement exercise of the Company.

As at 31 March 2016, the status of the utilization of the proceeds arising from Private Placement are as follows:-

	Details	RM
1)	Listing and Placement Expenses	67,151
2)	Working capital	1,272,385
3)	Balance of the proceeds which had yet to be utilised	596,134
	Total proceeds arising from Private Placement :	1,935,670

SHARE BUY-BACK

The Company did not seek for shareholders' mandate for the Company to buy back its own shares and hence, there was no share buy-back made by the Company during the financial year 2015.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year 2015.

DEPOSITORY RECEIPT PROGRAMME

During the financial year 2015, 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 2015.

NON-AUDIT FEES

There were no non-audit fees paid to the external auditors by the Group and by the Company for the financial year ended 31 December 2015. The external auditors were only engaged for the statutory audit only.

Additional Compliance Information (cont'd)

VARIATION OF ACTUAL PROFIT FROM THE UNAUDITED RESULTS

There is a deviation of more than 10% between the loss after tax of the Group for the year ended 31 December 2015 stated in the unaudited results and the audited financial statements for the financial year ended 31 December 2015 ("AFS 2015"). The deviation is reconciled and explained as below:-

Consolidated Statement of Comprehensive Income	Unaudited results	AFS 2015	Variance (RM)	Variance (%)
Income				
Revenue	6,555,156	6,555,156	-	
Cost of Sales	(5,085,522)	(5,085,522)	-	
Gross Profit	1,469,634	1,469,634	-	
Other Operating Income	115,247	115,247	-	
Selling & Distribution Costs	(7,547)	(7,547)	-	
Administrative Expenses	(520,171)	(509,210)	10,960	2.11
Other Operating Expenses	(1,235,176)	(1,235,036)	140	0.01
Loss from Operations	(178,013)	(166,912)	11,101	
Finance Costs	(63,728)	(63,728)	-	
Share of Associate's Results	73,349	118,723	45,374	61.86
Loss Before Tax	(168,392)	(111,917)	56,475	
Income Tax Expense	(83,533)	(63,262)	20,271	24.27
Loss After Tax	(251,925)	(175,179)	76,746	30.46
Profit Attributable to:				
Owners of the Company	(290,771)	(198,922)	(91,849)	31.59
Non-Controlling Interests	38,846	23,743	(15,103)	38.88
	(251,925)	(175,179)	(76,746)	30.46

The major causes of the variances between the announced unaudited results and the AFS 2015 are mainly attributable to:

i. Over provision of income tax (RM20,271) by Malaysian subsidiary companies namely Ygl Convergence Malaysia Sdn Bhd and Ygl Multimedia Resources Sdn Bhd due to lower actual imputed interest income than previously estimated; and

ii. Under recognition of net profit (RM45,374) of associate company namely Ygl iBay International (HK) Ltd., comprising:
   - gain in foreign exchange (RM63,775) due to conversion of HK Dollar to Ringgit Malaysia; and
   - under provision of income tax (RM34,341) due to utilization of unabsorbed losses; and
   - under taken up of sales (RM14,914) due to dispute but subsequently settled by customer; and
   - over taken up of expenses (RM1,026) paid on behalf of third party.

Additional Compliance Information (cont'd)

PROFIT GUARANTEE

The Company did not issue any profit guarantee during the financial year 2015.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

For the financial year 2015, there were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests.

Corporate Social Responsibility Statement

Ygl Convergence Berhad ("Ygl") recognises the importance of sustainable development and supports this belief through its Corporate Social Responsibilities ("CSR") initiatives for the betterment of society, the well-being of its employees, the protection of environment, developing and providing quality products and services to customers and building robust relationships with its stakeholders.

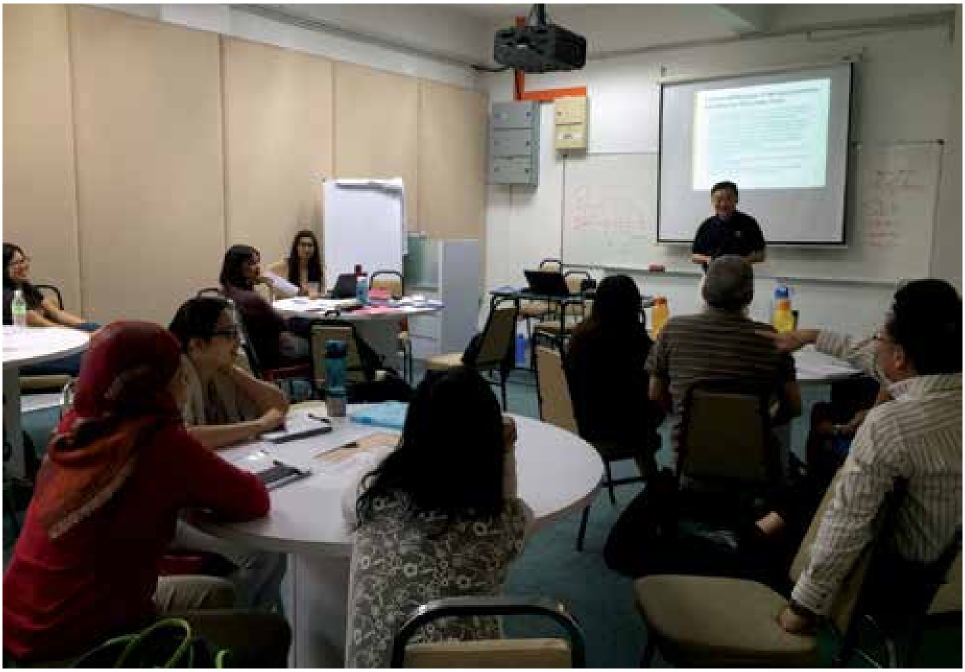
COMMUNITY

Globalisation On SME

On 21 November 2015 Mr. Yeap Kong Chean, Group Chief Executive Officer ("Group CEO") of Ygl was invited to present a talk on globalisation of small and medium size enterprises ("SMEs") to the Master of Business Administration ("MBA") class of the University of Hertfordshire, Penang Branch that has from time to time, identified and invited prominent business leaders as guest speakers. The repertoire of invitees included the President of Schneider Electric Malaysia, Mr. Soo Pow Leong; author and SME business coach, Mr. Leow Leik Hong.

Mr. Yeap covered the following topics in his talk:

1) Globalisation and SME;
2) Cultural Differences in Various Countries and Ways to Overcome Them;
3) Hiring in the Global Landscape;
4) Impact of Goods and Services Tax ("GST") on Malaysia Companies doing Global Business;
5) World Events Impacting Malaysian Companies; and
6) Latest Budget Announcement and its Implication on SMEs.



Corporate Social Responsibility Statement (cont'd)

MARKET PLACE

E-PAYMENT, GST and MARKET OUTLOOK 2015

Hong Leong Bank Berhad had invited Mr. Yeap on 18 April, 9 May and 16 May 2015 to give talk on GST to their SME customers. The events were held at Klang Executive Club, Bangsar South and Cititel Hotel respectively.

The response was overwhelming when Ygl Group CEO Mr. Yeap presented 'The Pre & Post GST Implementation' critical issues to the audiences.

At Klang Executive Club

Bangsar South City Connexion@Nexus KL

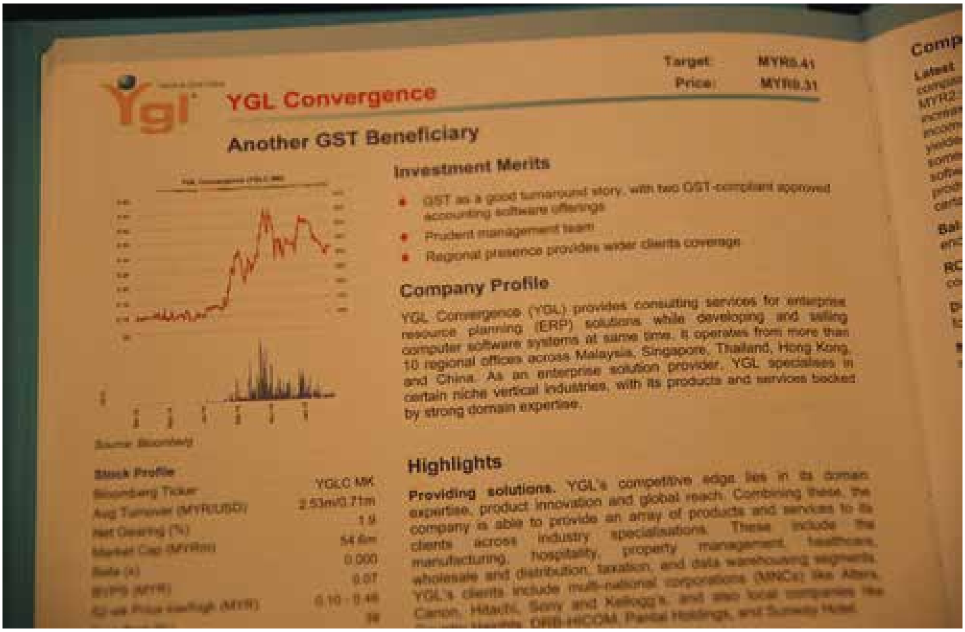
From Left:	*Mr. Lim Kok Siang*	*Position : Regional Community Manager of Hong Leong Bank Berhad*
	Ms Tan Hoay Leng	*Position : Ygl McMillan Woods Outsourcing GST Consultant*
	Mr. Hor Kwok Wai	*Position : COO of Global Markets Hong Leong Bank Berhad*
	Mr. Yeap Kong Chean	*Position : Ygl Convergence Berhad Group CEO*
	Ms Soon Mun Har	*Position : Regional Community Manager of Hong Leong Bank Berhad*
	Mr. Suren Thavarajah	*Position : Transaction Banking, Hong Leong Bank Berhad*

Corporate Social Responsibility Statement (cont'd)

RHB JEWEL FORUM 2015

Kuala Lumpur: On 28 May 2015

RHB Private Banking division had invited Ygl Group CEO Mr. Yeap to present Ygl portfolio to their privilege customers at Majestic Hotel in Kuala Lumpur.



Corporate Social Responsibility Statement (cont'd)

NATIONAL TAX CONFERENCE 2015 THEMED "PARTNERING STAKEHOLDERS IN A CHALLENGING ENVIRONMENT"

From left: Mr. Humphrey Ho, Tan Sri Dr Mohd Shukor Mahfar, Mr. Kwok Chee Sheng and Mr. Danny Lee.

KUALA LUMPUR, August 25, 2015 – The launching of the National Tax Conference 2015 was graced by the Prime Minister Datuk Seri Najib Tun Razak, accompanied by the Chief Executive Officer of the Inland Revenue Board, Tan Sri Dr Mohd Shukor Mahfar.

Ygl Multimedia Resources Sdn Bhd was pleased to support the National Tax Conference (NTC) 2015 which was jointly organised by the Inland Revenue Board of Malaysia (IRBM) and the Chartered Tax Institute of Malaysia (CTIM) on 25 & 26 August 2015 at the Kuala Lumpur Convention Centre, Kuala Lumpur.

Corporate Social Responsibility Statement (cont'd)

THE MEMORANDUM OF UNDERSTANDING EXCHANGE BETWEEN TRICOR SERVICES (MALAYSIA) SDN BHD AND YGL 2015

The Board of Directors of Ygl was pleased to announce that the Ygl has on 30 September 2015 entered into a Memorandum of Understanding ("MOU") with Tricor Services (Malaysia) Sdn. Bhd. ("Tricor") to establish co-operation and close working relationship between the parties in order to create synergy through Ygl providing high quality and cost efficient solutions through Ygl e-Corporate Suite software and professional services by Tricor to existing and potential customers in the Asia Pacific region.

The signing of the MOU was witnessed by Datuk Chua Tee Yong, Deputy of Finance Minister from Ministry of Finance.

PARTNERSHIP WITH TELEKOM MALAYSIA

As the Elite Partner of Telekom Malaysia ("TM"), Ygl has the privilege of presenting its proprietary solutions namely, Ygl e-Corporate Suite' and 'Hotel2U software, to TM's team in Kuala Lumpur on 19 November 2015. The workshop was to impart Ygl solution knowledge to TM team.

Corporate Social Responsibility Statement (cont'd)

NATIONAL POST BUDGET 2016 RELATED TO PROPERTY

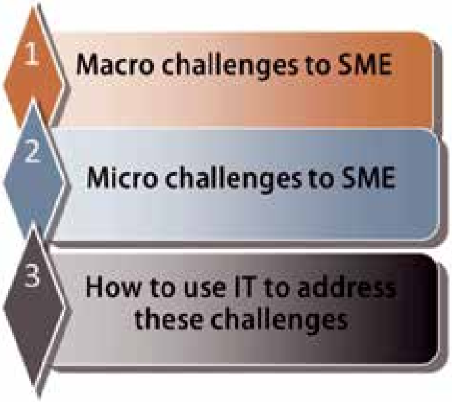
On 7 November 2015, Mr. Yeap was honoured to be the guest speaker of **MALAYSIA SME**® for a session of talk held in Bandar Sri Sendayan, Negeri Sembilan. This half day event with a target audience of about 100 entrepreneur SMEs highlighted Budget 2016 critical issues particularly those affecting property market.

The Biz Networking and Seminar (BNS) organised by MSME EVENTS and in collaboration with Matrix Concepts Holdings Berhad.

Corporate Social Responsibility Statement (cont'd)

SMEs AND THEIR SELECTION ENTERPRISE RESOURCE PLANNING ("ERP")

On 21 December 2015, Mr. Yeap had the opportunity to share with the Vistage KEY-18 Group Meeting in Selangor, Malaysia on "SME and Their Selection ERP". This 3 hour presentation to the high level of Management from various established companies focused on many key operating and IT related issues.



Directors' Report

The directors hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

Principal activities

The Company is engaged in management, investment holding and sales of computer hardware. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

Results

	Group RM	Company RM
Net loss for the financial year	(175,179)	(1,173,434)
Attributable to:		
Owners of the Company	(198,922)	(1,173,434)
Non - controlling interests	23,743	-
	(175,179)	(1,173,434)

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

Dividends

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

Reserves and provisions

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

Issue of shares and debentures

During the financial year, the Company has increased the share capital from RM 17,597,514 to RM19,357,214 through an issuance of 17,597,000 new ordinary shares of RM0.10 at RM0.11 for the purpose of providing additional working capital. These newly issued shares rank pari passu with the existing shares of the Company except that the shares shall not be entitled to any dividend, rights, allotment and other distribution declared for the financial year.

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

Directors' Report (cont'd)

Options granted over unissued shares

No options have been granted by the Company to any parties during the financial year to take up any unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any options to take up unissued shares of the Company. At the end of the financial year, there were no unissued shares of the Company under options.

Directors

The directors who have held office since the date of the last report are:

Yeap Kong Chean
Tan Hoay Leng
Ahmad Fuad Bin Mohd Ali
Dr. Ch'ng Huck Khoon
Chua Kiat Eng

In accordance with the Articles of Association, Mr. Yeap Kong Chean and Encik Ahmad Fuad Bin Mohd Ali shall retire by rotation under Article 29.1 at the forthcoming annual general meeting and, being eligible, offer themselves for re - election.

Directors' interests

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept by the Company under Section 134 of the Companies Act, 1965 on interest in shares of the Company or its related corporations (other than wholly-owned subsidiaries) during the financial year as follows:

	Number of ordinary shares of RM0.10 each			
The Company	**At 1-1-2015**	**Bought**	**Sold**	**At 31-12-2015**
Yeap Kong Chean				
- direct interest	40,666,668	-	-	40,666,668

	Number of ordinary shares			
The subsidiary YGL Convergence (Asia Pacific) Pte. Ltd.	**At 1.1.2015**	**Bought**	**Sold**	**At 31.12.2015**
Yeap Kong Chean				
- direct interest	1	-	-	1
- indirect interest	192,000	-	-	192,000

Directors' Report (cont'd)

The subsidiary YGL Convergence (China) Limited	Number of ordinary shares At 1.1.2015	Bought	Sold	At 31.12.2015
Yeap Kong Chean				
- indirect interest	2,760,000	-	-	2,760,000
Tan Hoay Leng				
- indirect interest	2,760,000	-	-	2,760,000

The subsidiary YGL Technologies Sdn. Bhd.	Number of ordinary shares of RM1 each At 1.1.2015	Bought	Sold	At 31.12.2015
Yeap Kong Chean				
- indirect interest	203,501	-	-	203,501

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

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares of the Company or of related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, none of the director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company or of related corporations) 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, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other statutory information

Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that no known bad debts need to be written off and adequate allowance has been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their values as shown in accounting records in the ordinary course of business had been written down to their estimated realisable values.

Directors' Report (cont'd)

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

(a) which would require the writing off of bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

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

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability 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 Group and of the Company to meet their obligations as and when they fall due.

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

Auditors

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

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

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

Penang,
Date: 12 April 2016

Statement by Directors

We, Yeap Kong Chean and Tan Hoay Leng, being two of the directors of Ygl Convergence Berhad, do hereby state that in our opinion, the financial statements set out on pages 48 to 113, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 at 31 December 2015 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date.
The supplementary information set out in Note 33 on page 114 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

Penang,
Date: 12 April 2016

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 the financial statements set out on pages 48 to 113, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at)
Georgetown in the State of Penang)
on this 12 April 2016)

Before me,

TAN HOAY LENG
Director

Liew Juan Leng (P162)
Commissioner for Oath

Independent Auditors' Report

to the Members of YGL Convergence Berhad

Report on the Financial Statements

We have audited the financial statements of Ygl Convergence Berhad, which comprise statements of financial position as of 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flow of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 48 to 113.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Independent Auditors' Report

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

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 accounts and the auditors' report of the subsidiaries of which we have not acted as auditors which are indicated in Note 7 to the financial statements.

(c) We are satisfied that the accounts 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 audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 33 to the financial statements is disclosed to meet the requirements 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 Disclosures 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 respects, in accordance with MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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.

CHENG & CO
AF : 0886
Chartered Accountants

HONG THUAN BOON
2233/03/18 (J)
Chartered Accountant

Kuala Lumpur,
12 April 2016

Consolidated Statement of Financial Position

as at 31 December 2015

	Note	2015 RM	2014 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	5,139,489	5,440,344
Investment property	5	285,707	286,184
Intangible assets	6	6,709,645	6,362,891
Investment in associates	8	516,351	397,628
		12,651,192	12,487,047
Current assets			
Trade and other receivables	9	3,357,606	3,491,635
Amount due from associate	11	-	3,600
Current tax assets		26,978	34,553
Cash and bank balances	12	1,897,210	643,126
		5,281,794	4,172,914
Total assets		17,932,986	16,659,961
LIABILITIES			
Current liabilities			
Trade and other payables	13	987,477	1,375,778
Other liabilities	14	1,194,783	1,099,906
Amount due to directors	15	709,768	671,836
Loans and borrowings	16	16,896	17,876
Finance lease liabilities	17	-	7,077
Bank overdraft	19	2,105	677,749
Current tax liabilities		10,471	625
		2,921,500	3,850,847
Non-current liabilities			
Loans and borrowings	16	682,262	705,607
Deferred tax liabilities	18	24,326	5,000
		706,588	710,607
Total liabilities		3,628,088	4,561,454
Net assets		14,304,898	12,098,507
EQUITY			
Share capital	20	19,357,214	17,597,514
Share premium (non-distributable)		2,420,349	2,308,629
Exchange translation reserve (non-distributable)		496,053	(14,097)
Accumulated losses		(8,037,413)	(7,838,491)
Equity attributable to owners of the Company		14,236,203	12,053,555
Non-controlling interests		68,695	44,952
Total equity		14,304,898	12,098,507

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2015

	Note	2015 RM	2014 RM
Revenue	21	6,555,156	7,939,206
Cost of sales		(5,085,522)	(6,664,648)
Gross profit		1,469,634	1,274,558
Other operating income		115,247	82,164
Selling and distribution expenses		(7,547)	(8,000)
Administrative and general expenses		(509,210)	(836,883)
Other operating expenses		(1,235,036)	(1,595,229)
Loss from operations		(166,912)	(1,083,390)
Finance costs		(63,728)	(68,300)
Share of results of associates		118,723	(102,541)
Loss before tax	22	(111,917)	(1,254,231)
Income tax expense	23	(63,262)	(27,693)
Net loss for the financial year		(175,179)	(1,281,924)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		510,150	37,602
Total comprehensive income/(loss) for the financial year		334,971	(1,244,322)
Loss attributable to:			
Owners of the Company		(198,922)	(1,247,108)
Non-controlling interests		23,743	(34,816)
Net loss for the financial year		(175,179)	(1,281,924)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		311,228	(1,209,506)
Non-controlling interests		23,743	(34,816)
Total comprehensive income/(loss) for the financial year		334,971	(1,244,322)

	Note	2015 Sen	2014 Sen
Loss per share attributable to owners of the Company	24	(0.11)	(0.71)

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2015

	--------------------- Attributable to owners of the Company --------------------						
	Share capital RM	Share premium RM	Exchange translation reserve RM	Accumulated losses RM	Equity attributable to the owners of the Company RM	Non-controlling interests RM	Total equity RM
At 1 January 2014	17,597,514	2,308,629	(51,699)	(6,591,383)	13,263,061	79,768	13,342,829
Net loss for the financial year	-	-	-	(1,247,108)	(1,247,108)	(34,816)	(1,281,924)
Other comprehensive income:							
Currency exchange differences	-	-	37,602	-	37,602	-	37,602
Total comprehensive income	-	-	37,602	(1,247,108)	(1,209,506)	(34,816)	(1,244,322)
At 31 December 2014 and 1 January 2015	17,597,514	2,308,629	(14,097)	(7,838,491)	12,053,555	44,952	12,098,507
Net loss for the financial year	-	-	-	(198,922)	(198,922)	23,743	(175,179)
Other comprehensive income:							
Currency exchange differences	-	-	510,150	-	510,150	-	510,150
Total comprehensive income	-	-	510,150	(198,922)	311,228	23,743	334,971
Transactions with owners:							
Issue of shares (note 20)	1,759,700	111,720	-	-	1,871,420	-	1,871,420
Total transactions with owners	1,759,700	111,720	-	-	1,871,420	-	1,871,420
At 31 December 2015	19,357,214	2,420,349	496,053	(8,037,413)	14,236,203	68,695	14,304,898

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2015

	2015 RM	2014 RM
Cash flows from operating activities		
Loss before tax	(111,917)	(1,254,231)
Adjustments for:		
Allowance for doubtful debts	-	291,513
Amortisation of intangible assets	1,568,736	1,552,625
Depreciation of property, plant and equipment	320,035	337,577
Depreciation of investment property	477	477
Interest expense	63,728	68,300
Property, plant and equipment written off	5,499	4,011
Shares of result of associates	(118,723)	102,541
Interest income	(7,383)	(389)
Unrealised (gain)/loss on foreign exchange	(55,078)	29,217
Operating profit before working capital changes	1,665,374	1,131,641
Changes in:		
Receivables	192,707	281,941
Payables	(293,424)	(814,555)
Director account	37,932	652,716
Cash generated from operations	1,602,589	1,251,742
Interest received	7,383	389
Tax paid	(27,344)	(50,037)
Net cash from operating activities	1,582,628	1,202,095
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,864)	(180,737)
Software development costs	(1,482,276)	(1,381,786)
Net cash used in investing activities	(1,498,140)	(1,562,523)

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows
for the financial year ended 31 December 2015 (cont'd)

	2015 RM	2014 RM
Cash flows from financing activities		
Interest paid	(63,728)	(68,300)
Net proceeds from issuance of shares	1,871,420	-
Payment of term loan instalments	(24,326)	(16,966)
Payment of finance lease instalments	(7,077)	(27,282)
Net cash from/(used in) financing activities	1,776,289	(112,548)
Net increase/(decrease) in cash and cash equivalents	1,860,777	(472,976)
Effect of currency exchange differences	68,951	10,280
Cash and cash equivalents at beginning of financial year	(34,623)	428,073
Cash and cash equivalents at end of financial year	1,895,105	(34,623)
Represented by:-		
Cash and bank balances (note 12)	1,897,210	643,126
Bank overdraft (note 19)	(2,105)	(677,749)
	1,895,105	(34,623)

The accompanying notes form an integral part of these financial statements

Statement of Financial Position

as at 31 December 2015

	Note	2015 RM	2014 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,026,934	4,264,779
Investment in subsidiaries	7	8,981,820	8,981,820
Investment in associates	8	1,475,000	1,475,000
Amount due from subsidiaries	10	4,514,908	4,559,354
		18,998,662	19,280,953
Current assets			
Trade and other receivables	9	189,812	35,325
Amount due from subsidiaries	10	5,600	5,600
Current tax assets		3,599	7,165
Cash and bank balances	12	839,711	22,901
		1,038,722	70,991
Total assets		20,037,384	19,351,944
LIABILITIES			
Current liabilities			
Trade and other payables	13	73,625	6,944
Other liabilities	14	52,937	32,204
Amount due to subsidiaries	10	37,180	76,140
Amount due to directors	15	-	60,000
		163,742	175,288
Non-current liability			
Deferred tax liabilities	18	4,000	5,000
		4,000	5,000
Total liabilities		167,742	180,288
Net assets		19,869,642	19,171,656
EQUITY			
Share capital	20	19,357,214	17,597,514
Share premium (non-distributable)		2,420,349	2,308,629
Accumulated losses		(1,907,921)	(734,487)
Total equity		19,869,642	19,171,656

The accompanying notes form an integral part of these financial statements

Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2015

	Note	2015 RM	2014 RM
Revenue	21	222,133	48,564
Cost of sales		(129,131)	(29,476)
Gross profit		93,002	19,088
Other operating income		184,752	214,529
General and administration expenses		(430,657)	(392,765)
Loss from operations		(152,903)	(159,148)
(Loss)/Gain on financial assets measured at fair value		(991,527)	151,094
Loss before tax	22	(1,144,430)	(8,054)
Income tax expense	23	(29,004)	(23,933)
Net loss for the financial year		(1,173,434)	(31,987)
Other comprehensive income		-	-
Total comprehensive loss for the financial year		(1,173,434)	(31,987)

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity
for the financial year ended 31 December 2015

	Non-distributable		Distributable	
	Share capital RM	**Share premium RM**	**Accumulated losses RM**	**Total RM**
At 1 January 2014	17,597,514	2,308,629	(702,500)	19,203,643
Net loss for the financial year, representing total comprehensive loss for the financial year	-	-	(31,987)	(31,987)
At 31 December 2014 and 1 January 2015	17,597,514	2,308,629	(734,487)	19,171,656
Net loss for the financial year, representing total comprehensive loss for the financial year	-	-	(1,173,434)	(1,173,434)
Issuance of shares (note 20)	1,759,700	111,720	-	1,871,420
At 31 December 2015	19,357,214	2,420,349	(1,907,921)	19,869,642

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

for the financial year ended 31 December 2015

	2015 RM	2014 RM
Cash flows from operating activities		
Loss before tax	(1,144,430)	(8,054)
Adjustments for:		
Depreciation of property, plant and equipment	237,845	238,189
Interest income	(184,752)	(214,530)
Operating (loss)/profit before working capital changes	(1,091,337)	15,605
Changes in:		
Trade and other receivables	(154,487)	135,861
Trade and other payables	66,681	(15,672)
Other liabilities	20,733	(9,356)
Cash (used in)/generated from operations	(1,158,410)	126,438
Interest received	184,752	214,530
Tax paid	(32,805)	(20,000)
Tax refund	6,367	-
Net cash (used in)/from operating activities	(1,000,096)	320,968
Cash flows from investing activities		
Acquisition of subsidiary companies	-	(99,998)
Purchase of property, plant and equipment	-	(102,354)
Advances to subsidiaries	-	(179,083)
Net cash used in investing activities	-	(381,435)
Cash flows from financing activities		
Proceeds from issuance of shares	1,871,420	-
Financing from subsidiary companies	5,486	-
(Repayment)/Financing from directors	(60,000)	60,000
Net cash from financing activities	1,816,906	60,000
Net increase/(decrease) in cash and cash equivalents	816,810	(467)
Cash and cash equivalents at beginning of financial year	22,901	23,368
Cash and cash equivalents at end of financial year (note 12)	839,711	22,901
Represented by:		
Cash and cash balances	839,711	22,901

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements
for the financial year ended 31 December 2015

1. General information

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

The registered office and principal place of business is located at No. 35, Scotland Road, 10450 Penang, Malaysia.

The principal activities of the Company are management, investment holding and sale of computer hardware. The principal activities of the subsidiary companies are disclosed in Note 7.

2. Summary of significant accounting policies

2.1. Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

2.2. Basis of measurement

The financial statements, which are presented in Ringgit Malaysia ("RM"), have been prepared under the historical cost except as disclosed in the accounting policies below.

2.3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning as at 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and of the Company.

2.4. Standards issued but not yet effective

The Group has not adopted the following standards that have been issued as at the reporting date but are not yet effective:

Description	Effective for annual periods beginning on or after
MFRS 14, *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture - Agriculture: Bearer Plants*	1 January 2016
Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*	1 January 2016

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.4. Standards issued but not yet effective (cont'd)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure Initiative*	1 January 2016
Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures: Investment Entities = Applying the Consolidation Exception*	1 January 2016
MFRS 9, *Financial Instruments*	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application except as mentioned below:

MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The Group is currently assessing the financial impact of adopting MFRS 9.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The Group is currently assessing the financial impact of adopting MFRS 15.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. **Summary of significant accounting policies** (cont'd)

2.5. Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidation financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises the any surplus or deficit in profit or loss;
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Acquisition-related costs are recognised as expense in the period in which the costs are incurred and the services are received.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.5. Basis of consolidation and business combinations (cont'd)

(b) Business combinations (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combinations, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another MFRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquire (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9 (a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

(c) Non-controlling interests

Non controlling interests at reporting date, being the equity in a subsidiary not attributable directly or indirectly to the owners of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2.6 Foreign currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. Summary of significant accounting policies (cont'd)

2.6 Foreign currency (cont'd)

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange difference arising on the settlement of monetary items or on translating monetary item at the reporting date are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

(a) 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 profit or loss in the year in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any 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 profit or loss.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment (cont'd)

(b) Depreciation

Freehold land and construction work-in-progress are not depreciated. Depreciation of other property, plant and equipment is calculated to write off the cost 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	5% - 20%

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.

2.8 Investment properties

(a) Measurement

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Freehold land in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are measured at cost are accounted for similarly to property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

2. Summary of significant accounting policies (cont'd)

2.8 Investment properties (cont'd)

(b) Depreciation

Freehold land has an unlimited useful life and therefore 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.

(c) Determination of fair value

The directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the fair value is determined by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

2. **Summary of significant accounting policies** (cont'd)

2.9 Intangible assets (cont'd)

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

(b) 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 profit or loss. Cost represents staff costs directly incurred in the development of the computer software.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.9 Intangible assets (cont'd)

(b) Computer software development costs (cont'd)

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 of 5 to 10 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 2.12.

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investments is included as income in the determination of the entity's share of the associate profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains or losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.11 Associates (cont'd)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associated companies are stated at cost less impairment losses.

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase to its recoverable amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. **Summary of significant accounting policies** (cont'd)

2.13 Financial instruments

(a) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured to fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains or losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity instruments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

2. **Summary of significant accounting policies** (cont'd)

2.13 **Financial instruments** (cont'd)

(a) Financial assets (cont'd)

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way of purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date. i.e. the date that the Group commits to purchase or sale the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.13 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement (cont'd)

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.14 Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Financial 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 profit or loss.

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 the carrying amount of the financial asset.

2. **Summary of significant accounting policies** (cont'd)

2.14 **Impairment of financial assets** (cont'd)

Financial assets carried at amortised cost (cont'd)

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

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 profit or loss.

Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) 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.

Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include: (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. Significant is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on the investment previously recognised in profit and loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.15 Leases

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.18 (d).

2.16 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 profit or loss.

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

2.17 Deferred revenue

Deferred revenue represents technical support income for ERP System and annual software subscription received in advance from customers. The revenue is recognised in profit or loss on a time proportion basis over the contract period.

2. Summary of significant accounting policies (cont'd)

2.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

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 profit or loss when significant risks and rewards of ownership have been transferred to the customers.

(b) Rendering of services

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

(c) Dividend income

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

(d) Rental income

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

(e) Management fees

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

(f) Interest income

Interest income is recognised using the effective interest method.

2.19 Employee benefits

(a) 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.

(b) Post-employment benefits

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

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.19 Employee benefits (cont'd)

(b) Post-employment benefits (cont'd)

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 EPF are charged to profit or loss 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 profit or loss as incurred which is also a defined contribution plan.

(c) 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.

2.20 Borrowing cost

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. **Summary of significant accounting policies** (cont'd)

2.21 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax liabilities are recognised for all temporary differences, except:

(i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

(i) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. **Summary of significant accounting policies** (cont'd)

2.21 Taxes (cont'd)

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

(i) Where the goods and services tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) Receivables and payables that are stated with the amount of sales tax included.

2.22 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, bank overdraft and 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.

2.23 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent liability is not recognised in the statement of financial position, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.24 Provision

Provision are recognised when there is a present obligation (legal or constructive) as a result of a past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

2. **Summary of significant accounting policies** (cont'd)

2.24 Provision (cont'd)

Provision are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reserved. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision is due to the passage of time is recognised as a finance cost.

2.25 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of the third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefits of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or joint-controlled by a person identified in (a) above.

(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

3. Significant accounting judgements and estimates

The preparation of the financial statements requires directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Accounting judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Judgements made in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements which 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 MFRS 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.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed as below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

3.2 Key sources of estimation uncertainty (cont'd)

(a) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated economic useful lives. The directors estimate the useful lives of these property, plant and equipment to be within 2 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment is disclosed in Note 4.

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.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The value in use calculation is based on a discounted cash flow model. The directors estimate the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amounts of non-financial assets are disclosed in Notes 4, 5, 6, 7 and 8 respectively.

(c) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of loans and receivables is disclosed in Note 30 (a).

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

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

3.2 Key sources of estimation uncertainty (cont'd)

(d) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective countries in which the Group domiciles.

The carrying amount of current tax assets at 31 December 2015 is RM26,978 (2014: RM34,553) and RM3,599 (2014 : RM7,165) of the Group and of the Company, respectively.

The carrying amount of current tax liabilities at 31 December 2015 is RM10,471 (2014: RM625) and Nil (2014: Nil) of the Group and of the Company, respectively.

The carrying amounts of deferred tax liabilities are disclosed in Note 18.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group has unrecognised unused tax losses amounting RM 23,937,531 (2014: RM 21,292,276).

4. Property, plant and equipment

Group

	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 2014	1,038,825	679,423	871,536	594,285	165,375	4,387,700	7,737,144
Currency exchange differences	-	-	18,563	18,362	-	-	36,925
Additions	-	-	14,011	132,372	34,354	-	180,737
Disposal / written off	-	-	-	(12,267)	-	-	(12,267)
Reclassification	-	-	-	-	4,387,700	(4,387,700)	-
At 31 December 2014 and 1 January 2015	1,038,825	679,423	904,110	732,752	4,587,429	-	7,942,539
Currency exchange differences	-	-	107,270	37,799	-	-	145,069
Additions	-	-	2,349	13,515	-	-	15,864
Disposal / written off	-	-	(5,499)	-	-	-	(5,499)
At 31 December 2015	1,038,825	679,423	1,008,230	784,066	4,587,429	-	8,097,973

4. Property, plant and equipment (cont'd)

Group

	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
Accumulated depreciation							
At 1 January 2014	55,176	606,434	858,767	523,064	105,344	-	2,148,785
Currency exchange differences	-	-	25,070	(981)	-	-	24,089
Charge for the financial year	5,016	24,328	13,255	58,868	236,110	-	337,577
Written off	-	-	-	(8,256)	-	-	(8,256)
At 31 December 2014 and 1 January 2015	60,192	630,762	897,092	572,695	341,454	-	2,502,195
Currency exchange differences	-	-	104,997	36,756	-	-	141,753
Charge for the financial year	5,016	24,330	10,452	44,127	236,110	-	320,035
Written off	-	-	(5,499)	-	-	-	(5,499)
At 31 December 2015	65,208	655,092	1,007,042	653,578	577,564	-	2,958,484
Net carrying amount							
At 31 December 2014	978,633	48,661	7,018	160,057	4,245,975	-	5,440,344
At 31 December 2015	973,617	24,331	1,188	130,488	4,009,865	-	5,139,489

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

4. Property, plant and equipment (cont'd)

Company

	Computer equipment RM	Furniture and fittings RM	Renovation RM	Total RM
Cost				
At 1 January 2014	27,917	14,491	4,387,700	4,430,108
Additions	-	68,000	34,354	102,354
At 31 December 2014 1 January 2015 and 31 December 2015	27,917	82,491	4,422,054	4,532,462
Accumulated depreciation				
At 1 January 2014	18,484	11,010	-	29,494
Charge for the financial year	2,617	14,470	221,102	238,189
At 31 December 2014 and 1 January 2015	21,101	25,480	221,102	267,683
Charge for the financial year	2,272	14,470	221,103	237,845
At 31 December 2015	23,373	39,950	442,205	505,528
Net carrying amount				
At 31 December 2014	6,816	57,011	4,200,952	4,264,779
At 31 December 2015	4,544	42,541	3,979,849	4,026,934

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

The motor vehicles of the Group are acquired under finance lease.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

5. Investment property

	Group	
	2015	2014
	RM	RM
Cost		
At beginning and end of financial year	290,000	290,000
Accumulated depreciation		
At beginning of financial year	3,816	3,339
Charge for the financial year	477	477
At end of financial year	4,293	3,816
Net carrying amount		
At end of financial year	285,707	286,184

Investment property comprises an office lot, which is a commercial property that is leased to third parties.

The following are recognised in profit or loss in respect of investment property:

	Group	
	2015	2014
	RM	RM
Rental income	53,400	50,700
Direct operating expense		
- income generating investment property	4,882	4,882

The estimated fair value the investment property is as follows:

	Group	
	2015	2014
	RM	RM
At 31 December	850,000	800,000

The estimation of the fair value was made based on the following key assumptions:

- the comparison of the Group's investment property with similar property that was listed for sales within the same locality or other comparable localities; or

- enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

5. Investment property (cont'd)

The disclosure of fair value above was measured at the reporting date using the following method:

Significant unobservable inputs (Level 3)

The valuation of commercial property is based on market comparable approach. The significant unobservable input is yield adjustment based on directors' assumptions. The yield adjustments are made for any difference in the nature, location or condition of the specific property.

6. Intangible assets

Group

	Software development costs RM	Goodwill RM	Club membership RM	Total RM
Cost				
At 1 January 2014	11,911,716	2,272,892	50,000	14,234,608
Currency exchange differences	134,368	-	-	134,368
Additions	1,307,310	-	-	1,307,310
At 31 December 2014 and 1 January 2015	13,353,394	2,272,892	50,000	15,676,286
Currency exchange differences	525,271	-	-	525,271
Additions	1,482,276	-	-	1,482,276
At 31 December 2015	15,360,941	2,272,892	50,000	17,683,833
Accumulated amortisation				
At 1 January 2014	7,695,487	-	3,232	7,698,719
Currency exchange differences	60,051	-	-	60,051
Amortisation for the financial year	1,551,009	-	1,616	1,552,625
At 31 December 2014 and 1 January 2015	9,306,547	-	4,848	9,311,395
Currency exchange differences	92,057	-	-	92,057
Amortisation for the financial year	1,567,114	-	1,622	1,568,736
At 31 December 2015	10,965,718	-	6,470	10,972,188

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

6. Intangible assets (cont'd)

Group

	Software development costs RM	Goodwill RM	Club membership RM	Total RM
Impairment loss				
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	-	-	2,000	2,000
Net carrying amount				
At 31 December 2014	4,046,847	2,272,892	43,152	6,362,891
At 31 December 2015	4,395,223	2,272,892	41,530	6,709,645

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

For the purpose of impairment testing, goodwill is allocated to the Group's operating division 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 directors 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:

	2015	2014
Gross margin	10% to 35%	15% to 30%
Growth rate	10% to 15%	10% to 16%
Discount rate	15.97%	13.76%

The following describes each key assumption on which the directors have 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.

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

6. Intangible assets (cont'd)

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

(iii) Discount rate

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

(iv) Risk free rate

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

(c) Sensitivity to changes in assumptions

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

7. Investment in subsidiaries

	Company	
	2015	**2014**
	RM	**RM**
Unquoted shares - at cost	8,981,820	8,881,822
Additions	-	99,998
	8,981,820	8,981,820

The subsidiaries are as follows:

Subsidiaries of the Company	**Gross equity interest 2015**	**Gross equity interest 2014**	**Countries of incorporation**	**Principal activities**
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

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

7. Investment in subsidiaries (cont'd)

Subsidiaries of the Company	Gross equity interest 2015	Gross equity interest 2014	Countries of incorporation	Principal activities
*Ygl Convergence (China) Limited	60%	60%	Hong Kong	Investment holding
**Ygl Convergence (Asia Pacific) Pte. Ltd	60%	60%	Singapore	Provision of software consultancy and computer systems integrated services
**Ygl Technologies Sdn. Bhd.	55%	55%	Malaysia	Provision of computer, automation solution and electronic commerce services
**Ygl Technologies Pte. Ltd.	100%	100%	Singapore	Provision of software and related services
**Ygl E Manufacturing Sdn. Bhd.	100%	100%	Malaysia	Provision of software consultancy and implementation services
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 audited by oversea affiliate of Cheng & Co*
*** Subsidiaries not audited by Cheng & Co*

(a) Impairment test for investment in subsidiaries

The directors review the carrying amount of the investment in subsidiaries at each reporting date to determine whether there is any indication of impairment. The assessment on whether there is any 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.

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

7. Investment in subsidiaries (cont'd)

(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 directors. The following describes the key assumptions on which the directors have 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 in line with the inflation rate.

(iii) Discount rate

The discount rate used is 15.97%. (2014: 13.76%)

The directors believe that no reasonable possible changes in any of the key assumptions would cause the carrying amounts of the investment in subsidiaries to exceed their recoverable amounts.

The Group does not have material non-controlling interests as at end of the reporting date.

8. Investment in associates

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Unquoted shares - at cost	1,475,000	1,475,000	1,475,000	1,475,000
Group's share of post-acquisition results	(958,649)	(1,077,372)	-	-
	516,351	397,628	1,475,000	1,475,000

The associates are as follows:

Associate of the Company	Gross equity interest 2015	Gross equity interest 2014	Countries of incorporation	Principal activities
Ygl iBay International Sdn Bhd*	19.21%	19.21%	Malaysia	Providing consultancy services, supplier management and business solutions services and trading of computer software

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

8. Investment in associates (cont'd)

Associate of the Company	Gross equity interest 2015	Gross equity interest 2014	Countries of incorporation	Principal activities
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

* *The directors regard the 19.21% investment as associate because the Company has power to ' participate in the financial statements and operating policy decisions of the investee company*

** *Not audited by Cheng & Co*

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

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 9,863 (2014: RM 13,352) and RM 90,828 (2014: RM 80,965) 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.

The summarised financial information of the associates are as follows:

	Group 2015 RM	Group 2014 RM
Assets and liabilities		
Non-current assets	2,771,441	3,021,920
Current assets	18,171,069	18,904,812
Total assets	20,942,510	21,926,732
Non-current liabilities	20,290	-
Current liabilities	16,798,044	19,053,065
Total liabilities	16,818,334	19,053,065
Results		
Revenue	12,419,708	35,878,524
Profit / (Loss) for the financial year	741,161	(533,909)

9. Trade and other receivables

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Gross trade receivables	3,291,645	3,241,027	174,812	15,064
Less: Allowance for doubtful debts	(1,133,608)	(1,041,957)	-	-
	2,158,037	2,199,070	174,812	15,064
Other receivables	234,797	352,494	6,000	14,255
Deposits	109,820	89,627	9,000	5,950
Prepayments	23,268	34,251	-	56
Deferred expenses	32,339	132,479	-	-
Service contract in progress	799,345	683,714	-	-
	3,357,606	3,491,635	189,812	35,325

Movement in allowance for doubtful debts are as follows:

	Group	
	2015 RM	2014 RM
At beginning of financial year	1,041,957	735,872
Addition during the financial year	16,162	291,513
Currency exchange differences	75,489	14,572
At end of financial year	1,133,608	1,041,957

Trade receivables that are individually determined to be impaired relate to debtors that are more than 360 days past due and there were no repayment arrangement. These receivables are not secured by any collateral or credit enhancement. At the reporting date, the directors believe that the allowance for doubtful debts was adequately provided.

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

An aging analysis of trade receivables as at reporting date is as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current	688,813	1,361,819	174,812	15,064
90 to 180 days	447,829	261,839	-	-
180 to 360 days	385,102	136,656	-	-
>360 days	1,769,901	1,480,713	-	-
	3,291,645	3,241,027	174,812	15,064

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

9. Trade and other receivables (cont'd)

The currency profile of the trade and other receivables are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade receivables				
- Ringgit Malaysia	2,204,080	2,040,364	174,812	15,064
- Hong Kong Dollar	375,305	599,319	-	-
- Chinese Renminbi	402,472	380,126	-	-
- Singapore Dollar	309,788	221,218	-	-
	3,291,645	3,241,027	174,812	15,064
Other receivables				
- Ringgit Malaysia	29,338	35,822	6,000	14,255
- Chinese Renminbi	205,443	316,672	-	-
- Singapore Dollar	16	-	-	-
	234,797	352,494	6,000	14,255
Deposits				
- Ringgit Malaysia	17,004	14,004	9,000	5,950
- Hong Kong Dollar	91,296	74,298	-	-
- Singapore Dollar	1,520	1,325	-	-
	109,820	89,627	9,000	5,950
Prepayments				
- Ringgit Malaysia	16,942	21,839	-	56
- Hong Kong Dollar	4,709	9,191	-	-
- Singapore Dollar	1,617	3,221	-	-
	23,268	34,251	-	56
Deferred expenses				
- Ringgit Malaysia	-	6,000	-	-
- Hong Kong Dollar	32,339	126,479	-	-
	32,339	132,479	-	-
Service contract in progress				
- Hong Kong Dollar	799,345	683,714	-	-

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

10. Amount due from / (to) subsidiaries

	Company	
	2015 RM	2014 RM
Non-current		
Non- trade		
Advances to subsidiaries	4,514,908	4,559,354
Current		
Non- trade		
Advances to subsidiaries	5,600	5,600
Total amount due from subsidiaries	4,520,508	4,564,954

Amount due from subsidiaries totalling RM 4,514,908 (2014: RM 4,559,354) bears interest at BLR -1.90% per annum is unsecured and has 5 years fixed terms of repayment.

The current amount due from / (to) subsidiaries are unsecured, interest free and repayable on demand.

The currency profile of the amount due from subsidiaries are as follows:

	Company	
	2015 RM	2014 RM
Ringgit Malaysia	3,375,551	3,279,585
Hong Kong Dollar	1,144,957	1,285,369
	4,520,508	4,564,954

11. Amount due from associate

Amount due from associate is non-trade in nature,interest free, unsecured and recoverable on demand.

12. Cash and bank balances

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Ringgit Malaysia	1,469,321	300,676	839,711	22,901
Hong Kong Dollar	191,517	225,045	-	-
Chinese Renminbi	26,451	2,323	-	-
Singapore Dollar	209,921	115,082	-	-
	1,897,210	643,126	839,711	22,901

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

13. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Trade payables	378,071	505,099	70,225	3,544
Other payables	599,106	652,373	3,400	3,400
Deposits	10,300	218,306	-	-
	987,477	1,375,778	73,625	6,944

The currency profile of trade and other payables are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Trade payables				
- Ringgit Malaysia	60,558	13,442	70,225	3,544
- Hong Kong Dollar	288,767	451,990	-	-
- Chinese Renminbi	28,746	39,667	-	-
	378,071	505,099	70,225	3,544
Other payables				
- Ringgit Malaysia	110,703	113,791	3,400	3,400
- Hong Kong Dollar	-	135,255	-	-
- Singapore Dollar	27	5,114	-	-
- Chinese Renminbi	488,376	398,213	-	-
	599,106	652,373	3,400	3,400
Deposits				
- Ringgit Malaysia	10,300	8,000	-	-
- Hong Kong Dollar	-	210,306	-	-
	10,300	218,306	-	-

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

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

14. Other liabilities

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Accruals	524,812	478,806	52,937	32,204
Deferred revenue	669,971	621,100	-	-
	1,194,783	1,099,906	52,937	32,204

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

The currency profile of other liabilities are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Accruals				
- Ringgit Malaysia	179,212	141,968	52,937	32,204
- Hong Kong Dollar	327,331	322,778	-	-
- Chinese Renminbi	-	2,704	-	-
- Singapore Dollar	18,269	11,356	-	-
	524,812	478,806	52,937	32,204
Deferred revenue				
- Ringgit Malaysia	361,273	234,390	-	-
- Hong Kong Dollar	301,099	373,475	-	-
- Singapore Dollar	7,599	13,235	-	-
	669,971	621,100	-	-

15. Amount due to directors

The amount due to directors are non-trade in nature, unsecured, interest free and is repayable on demand.

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

16. Loans and borrowings

	Group 2015 RM	Group 2014 RM
Classified as:		
Non-current liabilities	682,262	705,607
Current liabilities	16,896	17,876
	699,158	723,483
Present value of term loan is analysed as follows:		
Payable within 1 year	16,896	17,876
Payable after 1 year but not later than 5 years	67,583	80,514
Payable after 5 years	614,679	625,093
	699,158	723,483

Borrowing facilities:

Term loan up to a limit of RM 780,000 (2014: RM 780,000) extended to the subsidiary.

Interest rate, terms of repayment and security:

(a) Repayable by three hundred (300) monthly instalment of RM 4,292 each.
(b) Interest is charged at 1.9% per annum below base lending rate of lending bank.
(c) Secured by property of a subsidiary (Note 4).
(d) Joint and several guarantee by directors of the subsidiary.

17. Finance lease liabilities

	Group 2015 RM	Group 2014 RM
Future minimum lease payments:		
Current liabilities	-	7,148
	-	7,148
Less: Finance charges	-	(71)
	-	7,077
Present value of payments is analysed as follow:		
Less than 1 year	-	7,077

The effective interest rate of the finance lease liabilities is 3.37% (2014: 3.37%) per annum.

18. Deferred tax liabilities

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
At beginning of financial year	5,000	-	5,000	-
Recognised in profit or loss (Note 23)	19,326	5,000	(1,000)	5,000
At end of financial year	24,326	5,000	4,000	5,000

Presented after appropriate offsetting as follows:

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Deferred tax assets	(973)	-	-	-
Deferred tax liabilities	25,299	5,000	4,000	5,000
	24,326	5,000	4,000	5,000

The estimated deferred tax liabilities of the Group and of the Company arising from temporary differences recognised in the financial statements are as follows:-

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Differences between the carrying amount of roperty, plant and equipment and their tax base	24,326	5,000	4,000	5,000

The estimated temporary differences of which no deferred tax assets are recognised in the financial statements are as follows:

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Unabsorbed capital allowances	259,554	232,757	-	-
Unutilised tax losses	5,984,383	6,185,750	-	-
	6,243,937	6,418,507	-	-

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

19. Bank overdraft

	Group 2015 RM	Group 2014 RM
Secured bank overdraft	2,105	677,749

Bank overdraft facility up to a limit of RM 700,000 (2014: RM 700,000) extended to the Group.

Details of security and rates of interest

(a) Interest is charged at 1.2% per annum below base lending rate of lending bank.
(b) Secured by property of a subsidiary (Note 4).
(c) Joint and several guarantee by directors of the subsidiary.

20. Share capital

	Group and Company 2015 Number of shares	Group and Company 2015 Nominal value RM	Group and Company 2014 Number of shares	Group and Company 2014 Nominal value RM
Ordinary shares of RM 0.10 each				
Authorised:-				
At January 1/December 31,	200,000,000	20,000,000	200,000,000	20,000,000
Issued and fully paid:				
At 1 January	175,975,140	17,597,514	175,975,140	17,597,514
Increased during the financial year	17,597,000	1,759,700	-	-
At 31 December	193,572,140	19,357,214	175,975,140	17,597,514

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

During the financial year, the Company has increased the share capital from RM 17,597,514 to RM19,357,214 through an issuance of 17,597,000 new ordinary shares of RM0.10 at RM0.11 for the purpose of providing additional working capital. These newly issued shares rank pari passu with the existing shares of the Company except that the shares shall not be entitled to any dividend, rights, allotment and other distribution declared for the financial year.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

21. Gross revenue

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Revenue from sale of computer software and hardware and consulting services	6,555,156	7,939,206	217,133	38,564
Management fees	-	-	5,000	10,000
	6,555,156	7,939,206	222,133	48,564

22. Loss before tax

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
This is stated after charging:				
Allowance of doubtful debts	16,162	291,513	-	-
Amortisation of intangible assets	1,568,736	1,552,625	-	-
Audit fee				
: Cheng & Co				
- curent	40,000	35,000	31,000	28,000
- underprovision in prior year	-	2,330	-	2,330
: Oversea affiliate of Cheng & Co				
- curent	13,044	11,465	-	-
: Other auditor				
- curent	22,835	21,935	-	-
- underprovision in prior year	660	788	-	-
Depreciation				
- investment property	477	477	-	-
- property, plant and equipment	320,035	337,577	237,845	238,189
Directors' remuneration				
- fees	80,000	80,000	80,000	80,000
- other emoluments	354,058	226,722	-	-
Finance costs				
- finance lease	71	1,350	-	-
- loans and borrowings	34,911	30,718	-	-
- bank overdraft	28,746	36,232	-	-

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

22. Loss before tax (cont'd)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
This is stated after charging:				
Loss on financial asset measured at fair value	-	-	991,527	-
Loss on realised foreign exchange				
- trade	529	12,666	-	-
- non-trade	-	12	-	-
Loss on unrealised foreign exchange	-	29,217	-	-
Property, plant and equipment written off	5,499	4,011	-	-
Rental of equipment	-	1,280	-	-
Rental of premises	149,935	189,289	742	636
And crediting:				
Gain on financial assets measured at fair value	-	-	-	151,094
Gain on foreign exchange				
- realised	6,796	-	-	-
- unrealised	55,078	-	-	-
Interest income				
- subsidiary companies	-	-	179,621	212,559
- other	7,383	389	5,131	-
Rental income	75,000	72,300	-	-

23. Income tax expense

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Income tax				
- current	44,432	30,951	30,500	25,300
- deferred	20,326	-	-	-
	64,758	30,951	30,500	25,300
(Over)/Under provision in prior year				
- current	(496)	(8,258)	(496)	(6,367)
- deferred	(1,000)	5,000	(1,000)	5,000
	(1,496)	(3,258)	(1,496)	(1,367)
	63,262	27,693	29,004	23,933

23. Income tax expense (cont'd)

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

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Loss before tax	(111,917)	(1,254,231)	(1,144,430)	(8,054)
Tax at applicable tax rate of 25% (2014: 25%)	(27,979)	(313,558)	(286,108)	(2,014)
Tax effect of expenses not deductible in determining taxable profit	346,433	1,104,762	316,608	65,087
Tax effect of income not taxable in determining taxable profit	(428,266)	(352,828)	-	(37,773)
Deferred tax expenses/(income) relating to origination and reversal of temporary difference not recognised during the financial year	174,570	(407,425)	-	-
	64,758	30,951	30,500	25,300
(Over) / under provision of income tax in previous financial year				
- current	(496)	(8,258)	(496)	(6,367)
- deferred	(1,000)	5,000	(1,000)	5,000
	63,262	27,693	29,004	23,933

Subject to the agreement by the tax authorities, the unabsorbed capital allowances and unutilised tax losses available for utilisation against future taxable profits are approximated to be as follows:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Unabsorbed capital allowances	1,038,217	931,026	-	-
Unutilised tax losses	23,937,531	24,743,002	-	-
	24,975,748	25,674,028	-	-

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

24. Loss per share

The loss per share is calculated based on the loss attributable to owner of the Company of RM 198,922 (2014: RM 1,247,108) and on 180,374,390 (2014: 175,975,140) weighted average number of ordinary shares.

25. Employee benefits expense

	Group	
	2015 RM	2014 RM
Employee benefits expense	3,267,970	3,064,490

Included in employee benefit expenses is post-employment benefits amounting to RM 290,385 (2014: RM 247,265).

26. Related party disclosures

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

(a) Transactions with subsidiaries and associates

	Group	
	2015 RM	2014 RM
Transactions with associates:		
Advances to associate	-	3,600

	Cokmpany	
	2015 RM	2014 RM
Transactions with subsidiary companies:		
Interest income	179,621	212,559
Management fee received	5,000	10,000
Advances from subsidiary	133,311	646,783
Repayment from subsidiaries	150,000	100,000
Advances to subsidiaries	1,050,772	779,400

26. Related party disclosures (cont'd)

(b) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The director and senior management staff of the Group and of the Company are considered as key management personnel.

Key management personnel compensation payable to directors and senior management staff of the Group during the financial year is as follows:

	Group	
	2015	**2014**
	RM	**RM**
Director remuneration		
Short-term employee benefits	253,500	217,240
Post employment benefits		
- defined contribution plan	28,730	24,570
Total director remuneration	282,230	241,810
Senior management staff		
Short-term employee benefits	425,036	303,760
Post employment benefits		
- defined contribution plan	35,742	34,240
Total senior management staff	460,778	338,000
Total compensation	743,008	579,810

Key management personnel compensation payable directors of the Company during the financial year is as follows:

	Company	
	2015	**2014**
	RM	**RM**
Short-term employee benefits	80,000	80,000

27. Segment analysis

(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.

2015	**Malaysia RM**	**Asia Pacific RM**	**Group RM**
Revenue	4,370,669	2,184,487	6,555,156
Less: Inter-segment sales	-	-	-
External sales	4,370,669	2,184,487	6,555,156
Results			
Segment operating loss	(111,018)	(55,894)	(166,912)
Finance costs	(63,728)		(63,728)
Share of associate's loss	118,723		118,723
Loss before tax			(111,917)
Income tax	(60,807)	(2,455)	(63,262)
Net loss for the financial year			(175,179)
Other information			
Segment assets	14,192,872	3,740,114	17,932,986
Segment liabilities	2,142,800	1,485,288	3,628,088
Capital expenditure	15,864	-	15,864
Depreciation and amortisation	1,671,618	217,630	1,889,248

27. Segment analysis (cont'd)

(a) Primary reporting format - geographical segment (cond't)

2014	**Malaysia RM**	**Asia Pacific RM**	**Group RM**
Revenue	5,454,766	2,484,440	7,939,206
Less: Inter-segment sales	-	-	-
External sales	5,454,766	2,484,440	7,939,206
Results			
Segment operating loss	(654,117)	(429,273)	(1,083,390)
Finance costs	(68,300)	-	(68,300)
Share of associate's loss	(102,541)	-	(102,541)
Loss before tax			(1,254,231)
Income tax	(26,411)	(1,282)	(27,693)
Net loss for the year			(1,281,924)
Other information			
Segment assets	10,522,494	6,137,467	16,659,961
Segment liabilities	2,576,955	1,984,499	4,561,454
Capital expenditure	149,754	30,983	180,737
Depreciation and amortisation	1,738,827	151,852	1,890,679

(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.

28. Operating lease commitment

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.

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

28. Operating lease commitment (cont'd)

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

	Group 2015 RM	Group 2014 RM
Future minimum lease payments		
- payable not later than 1 year	85,316	119,024
- payable later than 1 year and not later than 5 years	-	69,431
	85,316	188,455

29. 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 2015, the Group is in a net cash surplus position.

	Group 2015 RM	Group 2014 RM
Term loan	699,158	723,483
Finance lease liabilities	-	7,077
Bank overdraft	2,105	677,749
	701,263	1,408,309
Less: Cash and bank balances	(1,897,210)	(643,126)
Net (cash) / borrowings	(1,195,947)	765,183

	Group 2015 RM	Group 2014 RM
Total equity	14,304,898	12,098,507
Debt-to-equity ratio	-8%	6%

30. Financial instruments

(a) Classification of financial instruments

The Group and the Company have classified its financial assets and liabilities in the following categories:

Group

	2015 RM	2014 RM
Financial assets:		
Loans and receivables		
Trade and other receivables	3,357,606	3,491,635
Amount due from associate	-	3,600
Cash and bank balances	1,897,210	643,126
	5,254,816	4,138,361
Financial liabilities:		
Measured at amortised cost		
Trade and other payables	987,477	1,375,778
Amount due to directors	709,768	671,836
Loans and borrowings	699,158	723,483
Finance lease liabilities	-	7,077
Bank overdraft	2,105	677,749
	2,398,508	3,455,923

Company

	2015 RM	2014 RM
Financial assets:		
Loans and receivables		
Trade and other receivables	189,812	35,325
Amount due from subsidiaries	4,520,508	4,564,954
Cash and bank balances	839,711	22,901
	5,550,031	4,623,180
Financial liabilities:		
Measured at amortised cost		
Trade and other payables	73,625	6,944
Amount due to directors	-	60,000
Amount due to subsidiaries	37,180	76,140
	110,805	143,084

All other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2015 and 2014.

30. Financial instruments (cont'd)

(b) Financial risk management objectives and policies

The Group's operating, investing and financing activities are exposed to credit risk, interest rate risk, market risk (foreign currency risk) and liquidity risk. The Group's risk management objectives and policies are to minimise 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 minimise liquidity risk by proper cash flow planning, management and control.

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instrument should a counterparty default on its obligations.

The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

Exposure to credit risk

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

Credit risk concentration profile

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

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash at banks that are neither past due nor impaired are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 9.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

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

30. Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(ii) Interest rate risk (cont'd)

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 were:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Fixed rate instruments				
Financial liabilities	-	(7,077)	-	-
Floating rate instruments				
Financial assets	-	-	4,514,908	4,559,354
Financial liabilities	(701,263)	(1,401,232)	-	-
	(701,263)	(1,401,232)	4,514,908	4,559,354

Sensitivity analysis for interest rate risk

Sensitivity analysis for fixed rate instrument

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.

Sensitivity analysis for floating rate instrument

A change of 25 basis point ("bp") in interest rate at the end of reporting period would have increased equity and decreased post-tax loss by the amount shown below.

The analysis assumes that all other variables, in particular foreign currency rates, remain unchanged.

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

30. Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(ii) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk (cont'd)

Group	Profit or loss	
	25bp Increase	25bp Decrease
2015	**RM**	**RM**
Floating rate instrument	(1,315)	1,315
2014	**RM**	**RM**
Floating rate instrument	(2,627)	2,627

Company	Profit or loss	
	25bp Increase	25bp Decrease
2015	**RM**	**RM**
Floating rate instrument	(8,465)	8,465
2014	**RM**	**RM**
Floating rate instrument	(8,549)	8,549

(iii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The currencies giving rise to this risk are primarily Hong Kong Dollar ("HKD"), Chinese Renminbi ("RMB") and Singapore Dollar ("SGD").

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

30. Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iii) Foreign currency risk (cont'd)

Currency risk sensitivity analysis

A 5% strengthening of the following currencies against the at the end of the reporting period would have increased equity and decreased post-tax loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	Equity RM	Loss after tax RM	Equity RM	Loss after tax RM
2015				
Hong Kong Dollar	63,645	(42,936)	42,936	(42,936)
Chinese Renminbi	4,397	-	-	-
Singapore Dollar	18,636	-	-	-
2014				
Hong Kong Dollar	55,845	(48,201)	48,201	(48,201)
Chinese Renminbi	9,695	-	-	-
Singapore Dollar	8,813	2,855	(2,855)	2,855

(iv) Liquidity risk

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2015 (cont'd)

30. Financial instruments (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(iv) 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:

2015

Group	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Trade and other payables	987,477	-	987,477	987,477	-	-
Loans and borrowings	699,158	4.95%	1,112,396	54,708	54,708	1,002,980
Bank overdraft	2,105	5.65%	2,105	2,105	-	-
	1,688,740		2,101,978	1,044,290	54,708	1,002,980
Company						
Trade and other payables	73,625	-	73,625	73,625	-	-

2014

Group	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Trade and other payables	1,375,778	-	1,375,778	1,375,778	-	-
Loans and borrowings	723,483	4.95%	1,167,104	54,708	54,708	1,057,688
Finance lease liabilities	7,077	3.37%	7,148	-	-	-
Bank overdraft	677,749	5.65%	677,749	677,749	-	-
	2,784,087		3,227,779	2,108,235	54,708	1,057,688
Company						
Trade and other payables	6,944	-	6,944	6,944	-	-

Notes to the Financial Statements
for the financial year ended 31 December 2015 (cont'd)

31. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that ' the Company can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the ' assets or liability, either directly or indirectly, and

Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant

(b) Fair value of financial instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements as reasonable approximation of fair values due to the short term in nature or that they are floating rate instruments that are repriced to market interest rates on or near to the reporting dated except for following:

	2015		2014	
Group	**Carrying amount RM**	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Finance lease liabilities	-	-	7,077	6,846

32. Authorisation for issue of financial statements

These financial statements were authorised for issue on 12 April 2016 by the Board of Directors.

33. Supplementary information the breakdown of accumulated losses into realised and unrealised

The disclosure as required by Bursa Malaysia Securities Berhad on the realised and unrealised unappropriated profits or accumulated losses as at 31 December 2015 is as follows:

	2015 RM	2014 RM
Total accumulated losses of the Company:		
- Realised	(7,133,842)	(6,734,645)
- Unrealised	55,078	(26,474)
	(7,078,764)	(6,761,119)
Total share of accumulated losses from associates		
- Realised	(958,649)	(1,077,372)
- Unrealised	-	-
Total group accumulated losses as per consolidated accounts	(8,037,413)	(7,838,491)

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	16	973,618
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	8	285,708

Analysis of Shareholdings

as at 31 March 2016

Authorised Capital	:	RM20,000,000.00
Issued and Fully Paid-up Capital	:	RM19,357,214.00 comprising 193,572,140 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	-	-
493	100 - 1,000	93,340	0.05
482	1,001 - 10,000	3,335,000	1.72
684	10,001 to 100,000 shares	26,203,768	13.54
144	100,001 to less than 5% of issued shares	80,486,700	41.58
3	5% and above of issued shares	83,453,332	43.11
1,806	**Total**	**193,572,140**	**100.00**

30 Largest Securities Account Holders

No.	Name	No. of Shares held	%
1	YEAP KONG CHEAN	40,666,668	21.01
2	YEAP KONG TAI (Deceased)	32,786,664	16.94
3	TRICOR SERVICES (MALAYSIA) SDN BHD	10,000,000	5.17
4	CHAN LI KHENG	7,597,000	3.92
5	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YEAP KONG TAI*	6,680,000	3.45
6	YEAP CHOR BENG & SONS SDN BHD	5,500,000	2.84
7	CHENG MEI WAN	4,060,000	2.10
8	LOH GIM CHUAN	3,260,000	1.68
9	YEAP KONG YEOW	2,433,000	1.26
10	TAN LAN WAH	2,362,000	1.22
11	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR WONG AH YONG*	1,770,000	0.91
12	NG CHENG GUAN	1,604,100	0.83
13	CHEAH YIT WOON	1,179,400	0.61
14	TAN TEIK CHAI	1,120,000	0.58
15	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG AH YONG*	1,100,000	0.57
16	AMBANK (M) BERHAD *PLEDGED SECURITIES ACCOUNT FOR WONG AH YONG*	1,060,000	0.55
17	WONG HON PUN	1,046,500	0.54
18	YEAP KAH PHAIK	1,000,000	0.52

Analysis of Shareholdings
as at 31 March 2016 (cont'd)

30 Largest Securities Account Holders (cont'd)

No.	Name	No. of Shares held	%
19	KUAN YUEN SOONG @ KUAN CHU TENG	938,800	0.48
20	YEAP KING JIN	888,000	0.46
21	YEAP KONG YEOW	868,400	0.45
22	YAP EAN SIN	804,000	0.42
23	AMSEC NOMINEES (TEMPATAN) SDN BHD *CHOW CHONG CHEK*	800,000	0.41
24	YEAP TEIK EE	750,000	0.39
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG AH YONG*	700,000	0.36
26	LEUNG KIT MAN	700,000	0.36
27	LIM WUAY CHERN	700,000	0.36
28	YEAP CHOR BENG	700,000	0.36
29	YEAP LAY HOON	700,000	0.36
30	YEAP TECK CHEONG	700,000	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	21.01	-	-
2	Yeap Kong Tai (Deceased)	39,466,664	20.39	-	-
3	Tricor Services (Malaysia) Sdn Bhd	10,000,000	5.17	-	-

Directors' Shareholdings

		No. of Shares beneficially held			
No.	**Name of Directors**	**Direct Interest**	**%**	**Indirect Interest**	**%**
1	Yeap Kong Chean	40,666,668	21.01	-	-
2	Tan Hoay Leng	-	-	40,666,668	21.01
3	Ahmad Fuad Bin Mohd Ali	-	-	-	-
4	Dr. Ch'ng Huck Khoon	-	-	-	-
5	Chua Kiat Eng	-	-	-	-

Interests in the related corporations

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

Save as disclosed above, none of the Directors had any interest in shares in the related corporations.

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 Twelfth (12th) Annual General Meeting of the Company to be held at The Northam Hotel, No. 55, Jalan Sultan Ahmad Shah, 10050 Penang on Friday, 27 May 2016 at 11.00 a.m. at any adjournment thereof.

NO.	RESOLUTIONS	For	Against
1.	To approve the payment of Directors' fees for the financial year ended 31 December 2015		
2.	To re-elect Mr. Yeap Kong Chean as Director of the Company		
3.	To re-elect En. Ahmad Fuad Bin Mohd Ali as 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		
6.	Special Resolution – Proposed Amendments to the Articles of Association of the Company.		

** Strike out whichever not applicable*

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

Note: Please note that the short description given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. Shareholders are encouraged to refer to the Notice of 12th Annual General Meeting for the full purpose and intent of the Resolutions to be passed.

As witness *my/our hand(s) this _______ day of ____________, 2016.

____
Signature of Member / Common Seal of the Corporate Shareholders

Notes:-

1. *In respect of deposited securities, only members whose name appears on the Record of Depositors as at 20 May 2016 shall be entitled to attend, speak and vote at the meeting.*
2. *A member entitled to attend and vote at the meeting is entitled to appoint two (2) or more proxies to attend and vote in his or her stead. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as members to speak at the general meeting.*
3. *A proxy may but need not 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. There shall be no restriction as to the qualification of the proxy.*
4. *The instrument appointing a proxy and the power of attorney or other authority (if any) shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. In the case where a member is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*
5. *Where a member of the Company is an Exempt Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") 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. Where an Exempt Authorised Nominee appoints more than 1 proxy in respect of each Omnibus Account, the appointment shall be invalid unless the Exempt Authorised Nominee specifies proportion of its shareholding to be represented by each proxy.*
6. *The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at No. 35, Scotland Road, 10450 Penang not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.*
7. *The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy.*
8. *Any alteration in this form must be initialed.*

Affix Stamp

To:

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