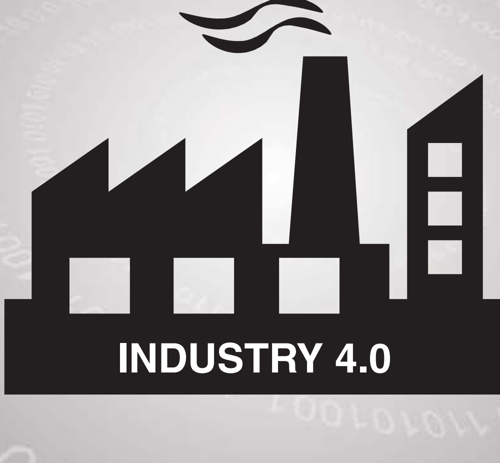
Ygl WORLD

Ygl Convergence Berhad

(649013-W)

Annual Report 2017



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourteenth (14th) Annual General Meeting of Ygl Convergence Berhad ("Ygl" or "the Company") will be held at Vouk Hotel Suites, 57-G-3, Mansion One, Jalan Sultan Ahmad Shah, Georgetown, 10050 Penang, on Monday, 28 May 2018 at 10.30 a.m. for the following purposes:-

As Ordinary Business:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. *(Please refer to Note 2)*

2. To approve the payment of Directors' fees of RM75,000.00 for the financial year ended 31 December 2017. **Resolution 1**

3. To renew the mandate for the payment of benefits payable to the Directors up to an amount of RM20,000.00 for the ensuing period up to the conclusion of the next Annual General Meeting of the Company pursuant to Section 230(1)(b) of the Companies Act, 2016. **Resolution 2**

4. To re-elect the following Directors who are retiring in accordance with Article 29.1 of the Constitution of the Company:-
   (i) Dr. Ch'ng Huck Khoon; and **Resolution 3**
   (ii) Mr. Chua Kiat Eng. **Resolution 4**

5. To re-elect Dato' Lee Wai Mun, D.I.M.P., J.P. who is retiring in accordance with Article 29.6 of the Constitution of the Company and is offering himself for re-election. **Resolution 5**

6. 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 6**

As Special Business:-

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

   i) **Ordinary Resolution:-**
   Authority to issue and allot shares

   "**THAT** subject always to the Companies Act, 2016 ("Act"), the Constitution of the Company and approvals of the relevant governmental/regulatory authorities, if applicable, the Directors be and are hereby empowered to issue and allot shares in the Company, pursuant to the Act, 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 total number of issued share (excluding treasury shares) 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**

Notice of Annual General Meeting (cont'd)

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

   i) **Ordinary Resolution:-** (cont'd)
   Authority to issue and allot shares

   THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company, or the expiration of the period within which the next AGM is required to be held, whichever is earlier, unless such authority is revoked or varied by resolution passed by the shareholders in general meeting." **Resolution 7**

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

By Order of the Board

THUM SOOK FUN (MIA 24701)
LOW SEOW WEI (MAICSA 7053500)
Company Secretaries

Penang
Date: 30 April 2018

Notice of Annual General Meeting (cont'd)

Notes:-

1) Information for Shareholders/Proxies

1.1 For the purpose of determining a member who shall be entitled to attend, speak and vote at this 14th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 20.3 of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 22 May 2018. Only a depositor whose name appears on the Record of Depositors as at 22 May 2018 shall be entitled to attend, speak and vote at the said meeting or appoint proxy to attend, speak and vote on his/her behalf.

1.2 A member entitled to attend and vote at the Meeting is entitled to appoint his or her proxy 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 or she specifies the proportions of his or her shareholdings to be represented by each proxy.

1.3 A proxy may but need not to be a member of the Company. There shall be no restriction as to the qualification of the proxy. Any proxy or duly authorised representative appointed to vote and attend instead of a member, shall have the same right as the member to speak at the meeting.

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

1.5 Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.

1.6 Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 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 EAN may appoint in respect of each omnibus account it holds.

1.7 The instrument appointing a proxy must be deposited at the registered office of the Company at No. 35, Scotland Road, 10450 Penang, not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof.

1.8 Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this notice will be put to vote by way of a poll.

2) Audited Financial Statements for the financial year ended 31 December 2017

This Agenda is meant for discussion only, as Section 340(1) of the Act does not require a formal approval for the Audited Financial Statements from the shareholders. Therefore, this Agenda is not put forward for voting.

Notice of Annual General Meeting (cont'd)

3) Payment of Directors' fees

The proposed Directors' fees of RM75,000.00 to be paid to all Directors (except for the Chief Executive Officer) for the financial year ended 31 December 2017 are based on the annual fee of RM20,000.00 each for Madam Tan Hoay Leng, Dr. Ch'ng Huck Khoon and Mr. Chua Kiat Eng, which are similar to the preceding years and RM15,000.00 for Mr. Lee Tiam Nam, who was appointed as a Director of the Company on 1 March 2017.

4) Payment of benefits made payable to the Directors

Section 230(1) of the Act provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

Under Ordinary Resolution 2, the benefits payable to the Executive and Non-Executive Directors pursuant to Section 230(1)(b) of the Act have been reviewed by the Board of Directors of the Company, which recognises that the benefits payable are in the best interest of the Company for the ensuing period up to the conclusion of next AGM. The benefits comprise of customary benefits such as business travel and accommodation, communication, insurance, medical coverage and other claimable benefits.

In this respect, the Board wishes to seek shareholders' approval for the benefits payable to the Directors for the ensuing period up to the conclusion of next AGM.

5) Re-election of Directors

Article 29.1 of the Company's Constitution states that one-third (1/3) of the Directors shall retire from office and shall be eligible for re-election at each AGM. All Directors shall retire from office at least once in each three (3) years but shall be eligible for re-election.

Article 29.6 of the Company's Constitution states that any Director who is appointed either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the next AGM and shall be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotations at that meeting.

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

(i) Evaluation on the effectiveness of the Individual Directors, the Board as a whole and all Board Committees; and
(ii) For Independent Non-Executive Directors ("INEDs") only, the level of independence demonstrated by the INEDs and their ability to act in the best interest of the Company.

In line with Practice 5.1 of the Malaysian Code on Corporate Governance 2017 ("MCCG"), the Board has conducted a separate assessment of independence of the INEDs, the evaluation criteria adopted as well as the process of assessment by the Board have been duly elaborated in the Corporate Governance Overview Statement of the Annual Report 2017 and the Corporate Governance Report ("CG Report") of the Company.

The Board approved the NC's recommendation for the retiring Directors pursuant to Article 29.1 and 29.6 of the Company's Constitution, respectively. All the retiring Directors have consented to their re-election and abstained from deliberation as well as decision on their own eligibility to stand for re-election at the relevant NC and Board meetings, where applicable.

6) Re-appointment of Auditors

The Board had at its meeting held on 2 April 2018 approved the recommendation by the Audit Committee ("AC") on the re-appointment of Messrs. Cheng & Co. as Auditors of the Company. The Board and AC collectively agreed that Messrs. Cheng & Co. has met the relevant criteria prescribed by Rule 15.21 of ACE Market Listing Requirements of Bursa Securities.

The AC have assessed the suitability and independence of the External Auditors and recommended the re-appointment of Messrs. Cheng & Co. as External Auditors of the Company for the financial year ending 31 December 2018. The Board has in turn reviewed the recommendation of the AC and recommended the same be tabled to the shareholders for approval at the forthcoming AGM of the Company under Resolution 6. The evaluation criteria adopted as well as the process of assessment by the AC and Board, respectively, have been duly elaborated in the Corporate Governance Overview Statement of the Annual Report 2017 and CG Report of the Company.

7) Authority to issue and allot shares

The Ordinary Resolution proposed under Resolution 7 is primarily to seek for renewal of 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 Company has been granted a general mandate by its shareholders at the last AGM held on 26 May 2017 (hereinafter referred to as the "**Previous Mandate**") and it will lapse at the conclusion of 14th AGM.

As at the date of this Notice, the Company did not implement its proposal for new allotment of shares under the Previous Mandate.

The purpose to seek for the renewal of 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 AGM 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.

Personal data privacy:

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

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Rule 8.29(2) of the 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 Requirement of Bursa Malaysia Securities Berhad**

  Details of the General Mandate to issue securities in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016 are set out in Note 7 of the Notice of the 14th AGM.

Corporate Information

BOARD OF DIRECTORS

Yeap Kong Chean
Chief Executive Officer

Tan Hoay Leng
Executive Director

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

Chua Kiat Eng
Independent Non-Executive Director

Dato' Lee Wai Mun, D.I.M.P, J.P.
Non-Independent Non-Executive Director
(Appointed w.e.f. 20.04.2018)

Lee Tiam Nam
Independent Non-Executive Director
(Resigned w.e.f. 08.02.2018)

COMPANY SECRETARIES
Thum Sook Fun (MIA 24701)
Low Seow Wei (MAICSA 7053500)

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 Georgetown, Penang.
Tel: 04-263 1966
Fax: 04-262 8544

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 Georgetown, Penang.
Tel: 04-263 6685
Fax: 04-263 6645

Hong Leong Bank Berhad
Ground Floor, Tower A,
PJ City Development,
15-A, Jalan 219, Section 51A,
46100 Petaling Jaya,
Selangor.
Tel: 03-787 71629
Fax: 03-787 61384

Public Bank Berhad
456, Ground & 1st Floor,
Jalan Datuk Keramat,
10460 Georgetown, Penang.
Tel: 04-229 2459
Fax: 04-229 1978

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 56, Male, 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.

He has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

He attended all the five (5) Board of Directors' Meetings held in the financial year ended 31 December 2017.

TAN HOAY LENG
Executive Director
Aged 51, Female, 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 (3) years. Madam Tan Hoay Leng was subsequently involved in public practice, providing consultation services to customers in various industries. She has vast experience in public accounting, taxation, outsourcing and human resource management.

She has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

She attended all the five (5) Board of Directors' Meetings held in the financial year ended 31 December 2017.

DR. CH'NG HUCK KHOON
Independent Non-Executive Director
Aged 49, Male, Malaysian

Dr. Ch'ng Huck Khoon was appointed to the Board on 28 February 2012. He is the Chairman of the Audit Committee of the Company. He is also a member of the Nominating Committee and Remuneration 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, Chairman of the Nomination and Remuneration Committee, Risk Management Committee, a member of the Audit Committee of CNI Holdings Berhad ("CNI"). He is also an Independent Non-Executive Director and Chairman of the Audit Committee, Nominating Committee and Remuneration Committee of AT Systematization Berhad ("ATS"). CNI and ATS are companies listed on Main Market and ACE Market of Bursa Malaysia Securities Berhad respectively.

He has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

He attended all the five (5) Board of Directors' Meetings held in the financial year ended 31 December 2017 .

CHUA KIAT ENG
Independent Non-Executive Director
Aged 54, Male, Malaysian

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

He has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

He attended all the five (5) Board of Directors' Meetings held in the financial year ended 31 December 2017.

Profile of Directors (cont'd)

DATO' LEE WAI MUN, D.I.M.P., J.P.
Non-Independent Non-Executive Director
Aged 45, Male, Malaysian

Dato' Lee Wai Mun, D.I.M.P., J.P. was appointed to the Board on 20 April 2018. He is also a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company.

He graduated with an Advance Diploma, Business Administration from ATC College in year 1992. In 2017, he attended the Strategy Emerging Industrial Investment CEO Seminar from School Of Continuing Education, Tsinghua University, one of the oldest traditional technical universities in China.

Dato' Lee has been the Chief Executive Officer of Edubest Group of Companies since November 2005. He is also a Director and Chief Executive Officer of Ygl iBay International Group of Companies. He has twenty six (26) years of experience as a businessman with diverse expertise in mining, construction, property development and trading.

He is instrumental in the marketing of Malaysian iron ores to China based steel manufacturers. Dato' Lee is an active member of the Pahang Iron Ore Association and the Malaysian Chamber of Mines.

Dato' Lee was awarded the title of Dato' by Sultan of Pahang in year 2013. In year 2017, he was appointed as Jaksa Pendamai (J.P.) by the Sultan of Kelantan.

He has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

He did not attend any Board of Directors' Meetings held in the financial year ended 31 December 2017, prior to his appointment on 20 April 2018.

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.

Profile of Key Senior Management

YONG CHENG YEW
Senior R&D Manager
Aged 40, Male, Malaysian

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

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

When he joined the Company in 2011 as Senior Development Manager, he started developing Ygl ERP system, managing resource allocation and management to ensure delivery of quality software on time. He assumed the role of Senior R&D Manager in 2015 and he has been overseeing the development of ERP solutions and ePortal.

He has no family relationship with other directors and/or major shareholders of the Company, nor any conflict of interest with the Company. He does not hold any directorships in any other public listed companies. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

YEAP KAH PHAIK
Project Manager
Aged 53, Female, Malaysian

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

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

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

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

She holds 1 million ordinary shares in the Company which is 0.43% shareholding. She does not hold any directorships in any other public listed companies. She has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

Profile of Key Senior Management (cont'd)

LEONG VAI LONG
General Manager
Aged 48, Male, Malaysian

Leong Vai Long joined the Company as General Manager on 1 September 2008. He graduated from EU Institute College with a Diploma in Accounting in 1989.

He started his career with Genting Group in 1989 where he spent 3 years as Finance Executive. In Genting Group, he was in charge of Awana Golf and Country Club accounts and membership billings.

He joined Kuala Lumpur Golf and Country Club Berhad ("KLGCC") in 1992 where he spent another 3 years as Membership & Finance Executive. During his tenure with KLGCC, he was part of the pre-opening team involving in setting up of standard operating procedures for after sales services for membership, club accounts and application of the club operation prospectus. At the same time, he handled back end accounting which was linked to front end operation.

With his 6 years' experience in hospitality industry, he moved up to become the Financial Controller of Berjaya Golf Resort Berhad for another 3 years. In addition to overseeing the financial aspects, he helped the said golf resort to set up the entire club operation system.

He later joined Bukit Unggul Golf and Country Club as Finance Manager from 1997 to 2003. His tasks including handling the finance and accounts for the hospitality division and its travel and tour side.

During 2003 to 2007 while he was with MK Land Holdings Berhad as Personal Assistant to the Chairman, he further gained immense knowledge about the business flow of the hospitality and property industry.

When he joined the Company in 2008, his domain knowledge in wide array of hospitality industry contributed in helping the Company to develop its hospitality software for the hotels, timeshare facilities and clubs.

He has no family relationship with other directors and/or major shareholders of the Company, nor any conflict of interest with the Company. He does not hold any directorships in any other public listed companies. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

Profile of Key Senior Management (cont'd)

HO SOO WEE
Group Marketing Manager
Aged 50, Male, Malaysian

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

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

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

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

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

He has no family relationship with other directors and/or major shareholders of the Company, nor any conflict of interest with the Company. He does not hold any directorships in any other public listed companies. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

Chief Executive Officer's Operation Review
- Management Discussion & Analysis

On behalf of the Board of Directors and the management team of Ygl Convergence Berhad ("Ygl"), we 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 2017 ("FYE2017").

The digital transformation of the business world is reshaping and challenging the conventional way of doing business. As an enterprise resource planning ("ERP") solution provider, we are upgrading our product to embrace Internet of Things ("IoT") which leverages on artificial intelligence and smart devices on the manufacturing floor to achieve new level of efficiency and productivity.

In 2017, we leveraged on our existing programming expertise and business know-how to venture into the business of internet portal development and deployment for our customers, who were transacting through the cloud.

We saw a niche in Industry 4.0 integration to Ygl E-Manufacturing Solution and Ygl business analytics and we made considerable research and development efforts in integrating Ygl E-Manufacturing Solution to machines in different manufacturing verticles.

The year 2017 also posed some challenges in terms of delayed and cut down of certain semi-government projects overseas and this inevitably impact profitability amidst the necessity to maintain our direct workforce overseas.

Chief Executive Officer's Operation Review - Management Discussion & Analysis (cont'd)

Overview of Group's Business and Operations

The vision of Ygl is to digitalise the business operations of our customers and empowering our customers' human capital.

Ygl provides e-Portal solutions and enterprise business solutions focusing on the five key business industries namely manufacturing, large wholesale & distribution, taxation, vacation clubs & hotels and government turnkey projects.

Ygl Group operates from 3 locations in Malaysia and other Asian countries namely Singapore, Hong Kong and Mainland China.

The product line specifically developed for business enterprises that Ygl owns the intellectual properties are Ygl e-Manufacturing Suite, Ygl e-Corporate Suite, Ygl TAXcom, Ygl Vacation2U and Ygl Hotel2U. These products cater for businesses in the manufacturing, large wholesale & distribution, taxation, vacation clubs and hotel industries respectively.

As of to date, Ygl Propriety software has been used by customers in 7 countries namely Malaysia, Singapore, Australia, India, Mauritius, China and the Philippines.

Ygl Information Technology (Suzhou) Co. Ltd. ("Ygl Suzhou") was officially established in July 2017. We intend to synergise our research and development ("R&D") efforts in Malaysia, Hong Kong and China.

Financial Performance Review

Ygl Group recorded a revenue of RM5.440 million for the FYE2017, representing an increase of 11.2% as compared with the revenue of RM4.891 million for the financial year ended 31 December 2016 ("FYE2016"). Net loss attributable to ordinary equity holders of the parent was RM0.329 million as compared to net loss of RM0.295 in FYE2016. This was mainly due to RM0.864 million losses incurred in its Asia Pacific segment as a result of lower revenue from delay in projects awarded by Hong Kong authority, and the high project costs charged out in Hong Kong. Ygl Suzhou operation was new and there were overheads incurred to bring the startup into full operation. The losses incurred in Asia Pacific segment was offset by the Malaysian segment profit contribution.

Net loss per share for the FYE2017 was 0.17 sen as compared to 0.14 sen for the FYE2016 against a bigger share capital base.

Research and Development

For the FYE2017, Ygl Group invested of RM1.317 million in the R&D of Ygl's proprietary products. The R&D's expenditure was consistent with RM1.465 million incurred in the FYE2016. Continuous R&D activities are vital to ensure that Ygl products are innovative and advance in line with the evolution of the digital economy.

Chief Executive Officer's Operation Review - Management Discussion & Analysis (cont'd)

Strategies and Initiatives

Ygl has revisited our Core Values to contribute to the environment and society at large. We believe in building a responsible and aspired team of professionals with integrity to serve all our stakeholders and contribute to our country.

In line with creating a big family of Ygl personnel working towards a common value, on 6 November 2017, the Company established the employment share options scheme ("ESOS") involving the issuance of up to 30% of the total number of issued shares in Ygl for eligible employees. On 27 November 2017, the Company announced an offer of 18,000,000 shares option under ESOS at the price of RM0.1612 to eligible directors and employees subject to the achievement of their key performance indexes.

Ygl 'CIRCLE OF LOVE' was established to spread our love messages to the community through monetary contributions and voluntary social work participated by all employees including our senior management.

A number of collaborations were initiated and they include synergistic collaboration between Ygl and Penang Skills Development Centre ("PSDC") and Collaborative Research in Engineering, Science and Technology ("CREST") for cost effective Industry 4.0 solutions to upgrade the SMEs manufacturers in Malaysia.

The formation of Ygl Suzhou in July 2017 will double up as a research and development centre to collaborate with Ygl existing research and development centres in Malaysia and Hong Kong.

A private placement exercise was completed in July 2017 where 38,714,400 new ordinary shares were placed out to private investors for a sum of RM5,613,588. This was to provide the fund necessary for business expansion, R&D and working capital of Ygl Group.

Future and Prospects of Ygl Group

The Group is currently venturing into the areas of cloud based ERP and ePortals beyond the traditional on-premise ERP solutions even though according to International Data Corporation ("IDC") on-premise ERP software will continue to have its market share occupying more than 50% of the global market. Among the various modules, finance module is expected to drive the ERP software market by the year 2022 and will contribute to nearly one third of the overall market revenue. There are prospects for Ygl to position its solutions to complement the functionalities of other internet applications.

We look forward to the year 2018 with optimism in view of the fundamentals we have put in place throughout these years for our product line. We own the combination of business know-how and technology platform to drive how web based businesses are run today. Advancement for our product offering into the domain of Industry 4.0 are also in line with the world trend. The Government in the 2018 Budget will also be providing grants worth RM245 million under the Domestic Investment Strategic Fund to upgrade Smart Manufacturing services in supporting investment and business activities under the Industrial Revolution 4.0. We foresee the majority of spending will continue to be derived from enterprise solutions that offer Industry 4.0 enablement.

Chief Executive Officer's Operation Review
- Management Discussion & Analysis (cont'd)

Appreciation

We take this opportunity to acknowledge and extend our appreciation to:

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

Last but not least, we would like to thank our previous Independent Non-Executive Director, Mr. Lee Tiam Nam who joined the board on 1 March 2017 for his valuable contribution but had left us on his own accord on 8 February 2018.

Yeap Kong Chean
Chief Executive Officer

Date: 2 April 2018

Audit Committee Report

The Board is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2017 ("FYE2017").

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 2017 ("MCCG 2017") with regard to the composition of the AC for FYE2017.

The present composition of the AC is as follows:-

Chairman - Dr. Ch'ng Huck Khoon *(Independent Non-Executive Director)*

Members - i) Chua Kiat Eng *(Independent Non-Executive Director)*

ii) Lee Tiam Nam *(Independent Non-Executive Director)*
(resigned 8 February 2018)

The Company currently has two (2) members with the resignation of Mr. Lee Tiam Nam, and is currently looking for a suitable candidate to fill up the above vacancy within three (3) months thereof to comply with Rule 15.09(1)(a) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirement").

The Nominating Committee has reviewed the terms of office of the AC and assessed their performance for FYE2017. The Nominating Committee is satisfied that the AC and its members had discharged their functions, duties and responsibilities in accordance with the Terms of Reference of the AC in supporting the Board in ensuring that Ygl Group upholds appropriate Corporate Governance standards.

MEETINGS

The AC has held five (5) meetings during the FYE2017 with full attendance. The details of attendance of the AC members are as follows:-

Directors	No. of Meetings Attended	Total No. of Meetings held during tenure of office for FYE2017	%
Dr. Ch'ng Huck Khoon	5	5	100
Chua Kiat Eng	5	5	100
Lee Tiam Nam *(appointed 1 March 2017, resigned 8 February 2018)*	4	4	100

The AC meets quarterly and as when required. The dates of the quarterly meetings are preset prior to FYE2017. For all meetings, the notice and agenda together with the papers and relevant reports are distributed to members prior to each meeting to enable members to prepare for the meeting.

The Chairman of AC verbally briefs the Board on the proceedings of the AC meeting at the Board meetings held subsequently to the AC meetings.

The Chief Executive Officer and Executive Director are invited to attend the AC meetings. The external auditors are also invited to attend AC meetings to present their plan, audit findings and to assist the AC in its review of the year-end financial statements. The representatives of the internal auditors were invited to the AC meetings to table the Internal Audit ("IA") reports covered under the approved IA plan for FYE2017.

MEETINGS (cont'd)

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. The Company Secretaries are also the Secretaries of the AC. Minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting.

AUTHORITY AND DUTIES OF THE AUDIT COMMITTEE

The AC is governed by its Terms of Reference, which is available on the Company's website at www.yglworld.com.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The AC carried out the following activities during the FYE2017:-

1. **Financial Reporting**

- Reviewed the annual audited financial statements of the Company and the Group for FYE2016 prior to the submission to the Board of Directors for consideration and approval at its meeting on 31 March 2017. The annual audited financial statements for FYE2017 were reviewed by the AC on 2 April 2018. The Board had, based on the AC's recommendation, approved and adopted the audited financial statements for FYE2017 and will accordingly table the said financial statements to the shareholders at its forthcoming Annual General Meeting.

- Reviewed the quarterly financial reports which were prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134 Interim Financial Reporting and Appendix 9B of the Listing Requirement at its meeting held on 27 February 2017, 26 May 2017, 28 August 2017 and 27 November 2017 before recommending the same for the Board's approval.

- Reviewed the AC report and Statement on Risk Management and Internal Control for inclusion in the Annual Report.

2. **External Audit**

- Reviewed with the external auditors, FYE2017 audit planning memorandum, audit approach and reporting requirements at its meeting held on 27 November 2017 prior to the commencement of audit work.

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

- Met with the external auditors without the presence of Management on 26 May 2017 and 27 November 2017 in order to provide the external auditors an avenue to candidly express any concerns they may have, including those relating to their ability to perform their work without interference.

- Reviewed and recommended the re-appointment of the external auditors on 31 March 2017 prior to submission to the Board and shareholders for considerations.

3. Internal Audit

- Reviewed and approved the internal audit ("IA") plan for the financial year 2018 to ensure adequate scope and coverage of the Group's activities based on identified and assessed key risk areas.

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

4. Risk Review

- Reviewed and recommended to the Board for approval, the steps to improve the Company's internal control systems derived from the findings of the internal and external auditors.

5. Related Party Transactions

- Reviewed the related party transactions of a recurring nature, if any which was reported quarterly and to ensure that the related party transactions were carried out on normal commercial terms and not prejudicial to the interests of the Group or its minority shareholders.

INTERNAL AUDIT FUNCTION

The Group has outsourced the IA functions to Messrs. Tan & Loh and during FYE2017, they have conducted two IA reviews relating to the implementation of internal controls by the Group and the Company and provide reasonable assurance that the operations of the business were carried out under adequate internal controls and compliance with company policies and operational procedures. The internal control weaknesses identified were reported to the AC and the Management was required to undertake adequate measures to address the operational weaknesses.

The activities carried out by the IA team include:-

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

The total cost incurred by the Group for the IA functions in respect of FYE2017 amounted to approximately RM10,600.

This Statement is made in accordance with the resolution of the Board of Directors dated 2 April 2018.

Corporate Governance Overview Statement

The Board of Directors ("Board") of Ygl Convergence Berhad (the "Company") presents this statement to provide shareholders and investors with an overview of the corporate governance ("CG") practices of the Company under the stewardship of the Board during the financial year 2017 ("FYE2017") to be in line with the Company's Constitution, Malaysian Code on Corporate Governance 2017 ("MCCG"), where possible, and the applicable laws to be a dynamic framework within which the Company would conduct its business.

This statement is to be read in conjunction with the CG Report 2017 of the Company during the FYE2017. The CG Report details the application of each Practice as set out in the MCCG, which is accessible online at www.yglworld.com.

The objective of this overview is to compare the CG practices in the Company and the standards as set out in MCCG. Review of internal CG practices revolves around the key focus areas prescribed in MCCG.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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

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

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

The Board should model the way of high CG practices by focusing on strategy, governance and compliance. During the year 2017, the Independent Non-Executive Directors ("NEDs") had always been informed of the progress and status of the Company. The NEDs could have their own sessions to discuss with the Company Secretaries, internal and external auditors or any relevant persons and to form their opinion to present to the Board on the whole. Their input on any matters was taken seriously by the Board who would commission any actions to address any issues raised.

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

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 Independent NEDs, are of sufficient caliber and experience to bring objectivity, balance and independent judgments to the Board's decision.

Corporate Governance Overview Statement (cont'd)

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

I. Board Responsibilities (cont'd)

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

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

There were five (5) Board of Directors Meeting held during FYE2017 with full attendance.

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.

Directors' Training

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

Yeap Kong Chean

Title of Seminar/Workshop/Courses	Mode of Training	No. of Hours/ Days Spent
Employers' Statutory Requirements in 2017	Seminar	8 hours
National Tax Conference 2017	Seminar	16 hours
Strategic Performance Management	Workshop	8 hours
Seminar Percukaian Kebangsaan 2017	Seminar	10 hours
2018 Budget Seminar	Seminar	8 hours

Corporate Governance Overview Statement (cont'd)

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

I. Board Responsibilities (cont'd)

Directors' Training (cont'd)

Tan Hoay Leng

Title of Seminar/Workshop/Courses	Mode of Training	No. of Hours/ Days Spent
GST Audit Framework	Seminar	8 hours
Practical Accounting in GST Regime & MPERS for Intermediate Level	Workshop	16 hours
Income Tax & GST Implication and Application and Leveraging the New Companies Act 2016	Workshop	8 hours
Practical Accounting in GST Regime & MPERS for Advanced Level	Workshop	16 hours
Property Sector Updates and Issues on GST	Workshop	8 hours
Comprehensive GST Compliance through a Structured Review	Workshop	8 hours
GST Conference 2017	Seminar	16 hours
Bengkel Perlindungan Keselamatan Sosial Peringkat Nasional 2017	Workshop	8 hours
Seminar Percukaian Kebangsaan 2017	Seminar	10 hours
2018 Budget Seminar	Seminar	8 hours

Dr. Ch'ng Huck Khoon

Title of Seminar/Workshop/Courses	Mode of Training	No. of Hours/ Days Spent
Brand Entrepreneurs Conference 2017	Conference	8 hours
Effective Internal Audit Function for Audit Committee Workshop	Workshop/ Seminar	4 hours
Sun Tzu's Art of War for Traders and Investors Series: Effective Corporate Strategy in Current Environment	Seminar	8 hours

Chua Kiat Eng

Title of Seminar/Workshop/Courses	Mode of Training	No. of Hours/ Days Spent
Sun Tzu's Art of War for Investors	Seminar	8 hours
Automation Incentives Post-Budget 2018	Seminar	8 hours

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

I. Board Responsibilities (cont'd)

Board Charter

The Board has adopted a charter to provide the terms of reference for its members in relation to their roles and responsibilities, division of responsibilities among the Board as a whole, the individual Executive and Independent NEDs. The Board Charter is subject to review periodically so as to ensure alignment of the Board's strategic commitment with the relevant principles of corporate governance. The Board Charter is available on the Company's website at www.yglworld.com.

Code of Conduct

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

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

Whistleblowing Policy

Currently the Company does not have any whistleblower policy for its Directors and employees due to the relatively small size of the Board and small number of employees. Nevertheless the Board is aware that a whistleblower policy will protect the interests of the Company.

Qualified and Competent Secretaries

The Company Secretaries are suitably qualified, well experienced, competent and able to support the Board in carrying out its roles and responsibilities.

The brief profile of the existing Company Secretaries are as follows:-

Ms. Thum Sook Fun, FCIS, C.A. (M), FCCA
Ms. Thum is a Company Secretary by profession. Ms. Thum has been elected as a Fellow member of the Malaysian Association of the Institute of Chartered Secretaries and Administrators ("MAICSA") and also a Fellow member of the Association of Chartered Certified Accountants ("ACCA"). She is also a member of Malaysian Institute of Accountants ("MIA"). She has more than twenty years of professional experience in the field of corporate secretarial with working knowledge of many industries. Ms. Thum is also the named company secretary for a number of public listed companies and private limited companies.

Ms. Thum has been appointed as Company Secretary of the Company since 14 July 2005.

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

I. Board Responsibilities (cont'd)

Qualified and Competent Secretaries (cont'd)

Ms. Low Seow Wei, ACIS
Ms. Low is a Company Secretary by profession. Ms. Low has been elected as an Associate member of MAICSA. She has more than fifteen years' experience in the Corporate Secretarial practice. Ms. Low is also the named company secretary for a number of public listed companies and private limited companies.

Ms. Low has been appointed as Company Secretary of the Company with effect from 26 February 2018.

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

- Statutory duties as required under the Companies Act 2016, Listing Requirements of the Bursa Securities, Capital Market and Services Act, 2007;
- Facilitating and attending Board Meetings and Board Committee Meetings, respectively;
- Facilitating and attending the General Meeting(s);
- Ensuring that Board Meetings and Board Committee Meetings respectively are properly convened and the proceedings are properly recorded;
- Ensuring timely communication of the Board level decisions to the Management for further action;
- Ensuring that all appointments to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations;
- Maintaining records for the purpose of meeting statutory obligations of applicable jurisdictions;
- Facilitating the provision of information as may be requested by the Directors from time to time in a timely manner and ensuring adherence to Board policies and procedures;
- Facilitating the conduct of the assessments to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committee's notation;
- Assisting the Company on the lodgements of documents with relevant statutory and regulatory bodies;
- Assisting the Board with the preparation of announcements for release to Bursa Securities and Securities Commission Malaysia; and
- Rendering advice and support to the Board and Management.

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

Corporate Governance Overview Statement (cont'd)

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

I. Board Responsibilities (cont'd)

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.

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 (Company's Constitution) allow for such meeting to be conducted via video conference, telephone or any other form of electronic communication.

II. Board Composition

During the year 2017, the Board consists of five (5) Directors, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. Even though collectively the composition equipped the Board with a mix of industry-specific knowledge and broad business, financial, regulatory and technical experience, it was not a truly diverse Board in terms of age, ethnicity, thoughts and perspective. As the Company operates in the highly evolving information technology sector, the thoughts and perspective of a younger generation may provide the Company with a boost of new concepts and approach. The woman representation on the Board is 20% with one woman Executive Director. A brief profile of each Director is set out in this Annual Report.

Based on the review of the Board composition in 2017, the Board shall maintain its size at 5 members, which is the minimum numbers to comply with the mix of independent and non-independent with the requirements of Bursa Malaysia. A Board of 5 members is reasonable size for effective oversight and delegation of responsibilities. The Board currently has 4 members with the resignation of Mr. Lee Tiam Nam, an Independent Non-Executive Director on 8 February 2018. The Company is currently looking for a suitable candidate to fill up the above vacancy within 3 months thereof. The Board is mindful to use a variety of approaches and sources to ensure that it is able to identify the most suitable candidates.

Corporate Governance Overview Statement (cont'd)

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

II. Board Composition (cont'd)

The Board has entrusted the NC which is chaired by an Independent Director 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.

Due to the relatively small size of the Board, the NC collectively perform the annual assessment on the effectiveness of the Board, and performance of the Audit Committee ("AC"). Results from the annual assessment on the effectiveness of the Board indicated that the Board has effectively carried out their duties and responsibilities.

III. Remuneration

Human capital is the mainstay of an organisation where remuneration package plays a crucial part in attracting, retaining and motivating individuals to drive and sustain the business. The Board has in place a Remuneration Policy which is applicable to all employees including the Executive Directors and Independent NEDs. The philosophy and principles underpinning the Remuneration Policy are designed to maintain competitiveness for short term business objectives and drive individual growth in line with the long term goals of the Company.

On 28 November 2017, the Board established a Remuneration Committee ("RC") to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board pursuant to the recommendations of MCCG.

The RC had on 2 April 2018 performed its duty to assess the remuneration package of its Executive Director for financial year ending 31 December 2018 and recommended the same to the Board for consideration.

The summary of the Directors' remuneration in the Company and its subsidiaries for the FYE2017 are as follows:-

Directors	Company					Group			
	Salary RM	Bonus RM	Fee RM	Travelling RM	Training RM	Salary RM	Bonus RM	Fee RM	EPF RM
Executive									
Yeap Kong Chean	-	-	-	-	-	180,000	7,500	-	22,500
Tan Hoay Leng	-	-	20,000	-	-	78,000	3,250	-	9,784
Non-Executive									
Ch'ng Huck Khoon	-	-	20,000	-	-	-	-	-	-
Chua Kiat Eng	-	-	20,000	-	-	-	-	-	-
Lee Tiam Nam	-	-	15,000	3,243	2,500	-	-	-	-
Total	-	-	75,000	3,243	2,500	258,000	10,750	-	32,284

Corporate Governance Overview Statement (cont'd)

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

III. Remuneration (cont'd)

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

Range of Remuneration	Name of Senior Management
RM50,001 – RM100,000	Ho Soo Wee
RM100,001 – RM150,000	Yong Cheng Yew
	Yeap Kah Phaik
RM150,001 – RM200,000	Leong Vai Long

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

Pursuant to Section 230 of the Companies Act, 2016 (which is in force with effect from 31 January 2017), the fees of the Directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved by a general meeting.

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

Pursuant to Section 289 of the Companies Act, 2016, the Company may indemnify or directly or indirectly effect insurance for a Director of the Company but not the liability for any act of omission in his capacity as a director or the cost incurred by that Director in defending or settling any claim or proceedings relating to any such liability. The Directors of the Company are covered under the Directors' & Officers' ("D&O") Liability Insurance in respect of liabilities arising from acts committed in their capacity as directors of the Group (of which each of the Director pays a nominal sum of D&O Liability Insurance's premium and the Company pays the balance of premium) as their benefit, provided that such director has not acted negligently, fraudulently or dishonestly, or is in breach of his or her duty of trust.

The relevant resolutions in relation to the Directors' remuneration payable to the Directors are to be presented to the shareholders for approval at the coming 14th Annual General Meeting.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The AC of the Company comprises only Independent NEDs. In 2017, there were three (3) Independent NEDs in the AC which is chaired by Dr. Ch'ng Huck Khoon. The NC reviews the composition of AC annually and recommends to the Board for its approval. Only Independent NEDs who are financially literate or possess relevant business experience are appointed to AC. The AC currently has 2 members with the resignation of an Independent Non-Executive Director in February 2018. The Company is currently looking for a suitable candidate to fill up the above vacancy within 3 months thereof to comply with Rule 15.09(1)(a) of the ACE Market Listing Requirement of Bursa Malaysia Securities Berhad ("Listing Requirements")

The AC annually evaluates the suitability, objectivity and independence of the external auditors based on the guidelines of the external auditor performance and independence checklist. The AC holds two private dialogues with the external auditors in financial year 2017 without the presence of the Management.

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

The AC has 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.

External Auditors

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 AGM. 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.

II. Risk Management and Internal Control Framework

The AC of the Company is entrusted with the responsibility of assessing and monitoring the robustness of the risk management controls and measures taken. The Company does not have a Risk Management Committee.

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

The Board is ultimately responsible for the adequacy and integrity of the Group's internal control system. The Board ensures that there is a sound framework of reporting on internal controls and regulatory compliance. Details relating to the internal control system and review of effectiveness are available in the Statement of Risk Management and Internal Control as set out in pages 33 to 35 of this Annual Report.

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

II. Risk Management and Internal Control Framework (cont'd)

Internal Audit Function

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

The standards and practices adopted by internal auditors are aligned to the International Professional Practices Framework issued by the Institute of Internal Auditors. As at 31 December 2017, the total number of personnel in internal audit firm was 35. The name and qualification of the person responsible for internal audit are as follows:-

1. Loh Chye Teik, Managing Partner in Messrs. Tan & Loh. Graduated with a Bachelor of Accounting (Honours) from University of Malaya in 1984. A member of both the Malaysia Institute of Accountants and the Malaysia Institute of Taxation.
2. Sugaintharan, Person-In-Charge for internal audit of the Group. Graduated with a Bachelor of Accounting from Anglia Ruskin University, United Kingdom in 2016.

The AC had on 2 April 2018 conducted a review and assessment on the adequacy and independence of the Company's internal audit function in year 2017 in compliance with Rule 15.12 (1)(f) of the Listing Requirements.

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

I. Communication with Stakeholders

The Group believes in, and emphasises, the importance of communication among shareholders, stakeholders and the Company. Adequate communication generates and builds public confidence towards the Company. The Board endeavours 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 Company ensures that it maintains a transparent communication channel with the shareholders and stakeholders of the Company. Disclosures are timely, relevant and accurately made via announcements in Bursa LINK and Ygl's website.

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

There was no other investor relation function held in 2017 except for the AGM and Extraordinary General Meeting ("EGM") held in May 2017. At the AGM and EGM, the Directors and external auditors were present to answer any relevant questions that the shareholders may ask.

Corporate Governance Overview Statement (cont'd)

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

II. Conduct of General Meetings

All members of the Board were present at the AGM held on 26 May 2017 to reply to questions put forth by the shareholders or proxy holders but more importantly to engage with them. An EGM was also held on the same day for approval of private placement exercise as well as the Employee Share Options Scheme ("ESOS") offered by the Company.

AGM serves as a principal forum for the Company to communicate with the shareholders. During the meeting, shareholders and proxy holders were given ample time to raise their questions. The external auditors and corporate advisers were also present to provide clarification when necessary.

The AGM and EGM were conducted in an orderly manner and all resolutions were approved by the shareholder and proxy holders by way of voting on poll.

Statement of compliance with the recommendations of new MCCG

Save for the exception set out above, the Board is of the opinion that the Company has generally adhere to the practice set out in MCCG during the financial year 2017. The Board is mindful of the shortfall in its practices and to take remedial measures with their best endeavours to close the gap in order to raise the standard of CG practices.

This Statement is made in accordance with a resolution of the Board of Directors dated 2 April 2018.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("the Board") is committed to the Malaysian Code of Corporate Governance 2017 ("MCCG") which requires the Board to maintain and ensure that a sound system of internal control exists and operates effectively within the Group of Companies and is pleased to provide this statement outlining the nature and scope of internal control of the Group during the financial year pursuant to Paragraph 15.27(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

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.

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 Chief Executive Officer ("CEO") and the Executive Director 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 CEO 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 2 April 2018.

Directors' Responsibilities Statement on Financial Statements

In accordance with the Companies Act 2016 ("Act") in Malaysia, 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 their financial performance and cash flows for the year then ended.

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

In preparing the financial statements for the financial year ended 31 December 2017, the Directors have:-

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

– made judgments and estimates that are reasonable and prudent; 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 2 April 2018.

Additional Compliance Information

UTILISATION OF PROCEEDS

In July 2017, a total of 38,714,400 new ordinary shares were issued pursuant to the Private Placement exercise at an issue price of RM0.145 in accordance with the approval obtained from the shareholders during the Company's Extraordinary General Meeting held on 26 May 2017 and total proceeds of RM5,613,588.00 had been raised from the said Private Placement exercise of the Company.

As at 30 March 2018, the status of the utilisation of the proceeds arising from the Private Placement are as follows:-

	Details	RM'000
1)	Listing and Placement Expenses	173
2)	Business Expansion	97
3)	R&D Expenditure	335
4)	Working capital	764
5)	Balance of the proceeds which had yet to be utilised	4,245
	Total proceeds arising from Private Placement	5,614

AUDIT FEES

During the financial year ended 31 December 2017, the audit fees incurred by the Company and on a Group basis amounted to RM31,000 and RM9,000 respectively.

NON-AUDIT FEES

There were no non-audit fees paid to the external auditors by the Company and by the Group for the financial year ended 31 December 2017. The external auditors were only engaged for the statutory audit only.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS INTERESTS

Save for the acquisition of 55% of the equity interest in Ygl Information Technology (Suzhou) Co. Ltd. by a wholly-owned subsidiary of the Company, Ygl Convergence (HK) Limited from Mr. Yeap Kong Chean, a Director and major shareholder of the Company on 13 July 2017 at the cash consideration of approximately RM94,786.28, there were no material contracts entered into by the Company and its subsidiaries involving Directors and major shareholders' interests.

EMPLOYEES' SHARES OPTION SCHEME ("ESOS")

The shareholders of the Company had via its Extraordinary General Meeting held on 26 May 2017 approved the ESOS of up to 30% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS scheme. The ESOS is for a duration of 5 years commencing from the date of implementation of ESOS on 6 November 2017, unless extended further.

Additional Compliance Information (cont'd)

EMPLOYEES' SHARES OPTION SCHEME ("ESOS") (cont'd)

The total number of options granted to the eligible Directors and employees of the Group and outstanding options under the ESOS as at 31 December 2017 are set out in the table below:-

Description	Number of Options as at 31 December 2017
Granted during the financial year	5,880,000
Exercised during the financial year	-
Outstanding options exercisable during the financial year	5,880,000

The total number of options granted to the Directors and Senior Management, and outstanding options under ESOS as at 31 December 2017 are set out in the table below:-

	Number of Options as at 31 December 2017	
Description	Directors	Senior Management
Granted during the financial year	1,150,000	1,500,000
Exercised during the financial year	-	-
Outstanding options exercisable during the financial year	1,150,000	1,500,000

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

	Since commencement up to 31 December 2017
Aggregate maximum allocation applicable to directors and senior management	50%
Actual percentage granted	14.72%

The options granted to Independent Non-Executive Directors pursuant to ESOS in respect of financial year ended 31 December 2017 are as follows:-

Name of Director	**No. of Options Granted**	**No. of Options Exercised**
1. Dr. Ch'ng Huck Khoo	50,000	-
2. Chua Kiat Eng	50,000	-
3. Lee Tiam Nam (Resigned on 8 February 2018) – no longer eligible	50,000	-
Total	150,000	-

Chronology of 2017 Events

Corporate Matters

Opening of Ygl Information Technology (Suzhou) Co. Ltd. ("Ygl Suzhou") Office

A wholly owned subsidiary Company, namely Ygl Convergence (HK) Limited ("Ygl HK") on 13 July 2017 acquired 55% of the equity interest in Ygl Information Technology (Suzhou) Co. Ltd ("Ygl Suzhou") and on 25 July 2017 received the Notice of grant for change of registration of foreign investment company from Suzhou Administration for Industry and Commerce. Ygl Suzhou has become a subsidiary of Ygl HK which in turn is a subsidiary of the Company.

Chronology of 2017 Events (cont'd)

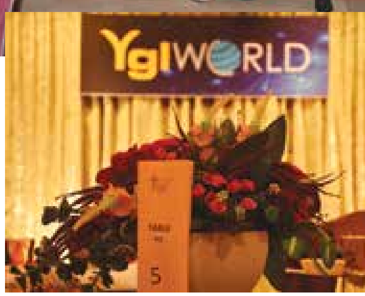
Staff Engagement

Annual Dinner

This yearly event was fully arranged by Ygl staff at Ming Garden Restaurant in Georgetown, Penang on 29 October 2017. Staff and guests came in their best outfits for an evening of enjoyment where they were treated to karaoke session and games specially designed for everyone to mingle and exchange laughter.

Special thanks to:

- Our programmer, Nur Ikhram who was the emcee for the night
- Our programmer, Azham who showed off his photography skill
- Our programming team leader Gabriel, who concocted those fun games
- Our Group Marketing Manager, Humphrey, the man behind the whole event
- Ygl very own 'karaoke singers' comprising administrative staff, programmers and consultants



Chronology of 2017 Events (cont'd)

'Uniforming' Our New Look

On every Friday when all employees wear the same uniform in office, a unified image is projected and a sense of unity is created. The employees can identify themselves as part of the bigger Ygl family. In addition the newly designed uniforms enhance professional image.

Market Place

This visit set tone for Ygl to collaborate with uniMap on Industry 4.0 and IoT research and deployment. A group photo was taken with the UUM University Professors, CREST members and YGL staff.

Chronology of 2017 Events (cont'd)


PSDC CEO Muhamed Ali showed us the operation of the machine at the PSDC Industry 4.0 lab.

Learning Visit to Penang Skills Development Centre("PSDC") - Industry 4.0 Initiative

We communicated with PSDC in December 2017 for collaboration in both parties Industry 4.0 initiatives. The objective is to upgrade the small and medium sized ("SMEs") manufacturers in Malaysia to adopt automation and enterprise solution in their operations to increase productivity, improve their products and export overseas.

Corporate Social Responsibility Statement

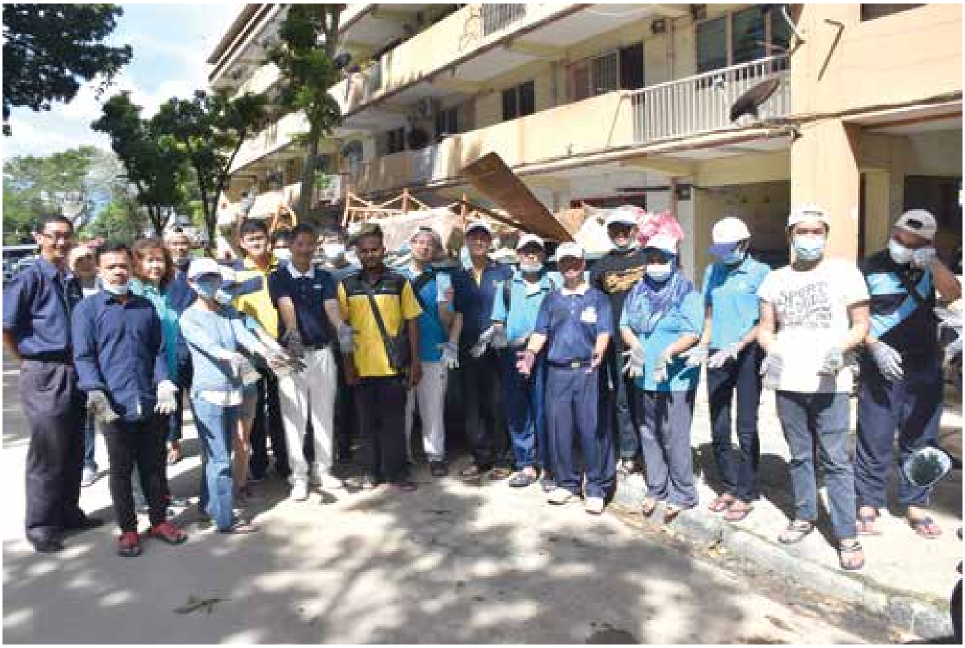
This year we have made it our mission to help others and cultivate spirit of camaraderie with the belief that we can also inspire those around us to lend a helping hand to others. We revisited our Corporate Social Responsibilities ("CSR") agenda and started internally our 'Circle Of Love' initiatives and get every employee involved in caring for one another and the community.

Our CSR objectives for the betterment of society, the well-being of our employees, the protection of environment, developing and providing quality products and services to customers and building robust relationships with our stakeholders are steadfast in our heart.

COMMUNITY

The aftermath of the worst flood in Penang in November 2017 left a trail of destruction and misery. We worked with Buddhist Tzu Chi Merit Society Malaysia and Penang City Council ("MBPP") and deployed our staffs to Jalan P. Ramlee area to help the flood victims to clean their homes and clear debris in the area.

Mr. Humphrey Ho led the Ygl volunteer team of 30 staffs.



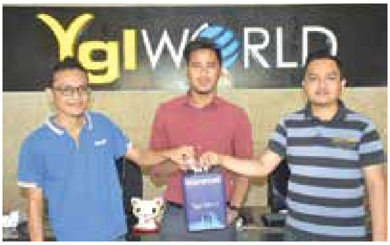
OPERATION "GOTONG ROYONG" to clean-up the flood area on 10th November 2017.

WORKPLACE

Circle Of Love

We want to inculcate the spirit of caring and sharing among the employees and actions speak louder than words so we started a series of activities at the workplace. It also serves as a team building element when co-workers look beyond themselves and think for one another.

There was soul searching in our core values and everyone got together to share their ideas on how to nurture compassion in ourselves by repetitive actions and thoughts.



Our Group CEO launched the internal CSR program with our team members about doing good deed by contributing 10 cents a day for a good cause.

'CIRCLE OF LOVE' is aptly themed by our employees to spread the spirit of giving in our organisation and they have shown their support ever since.

What started as 'a coin a day will circle the LOVE everyday' has spanned to 'Coffee of Love' which proceeds will be donated to a charitable cause.

We invited our customers and friends to attend a corporate mentoring session from 18 to 20 November 2017 which was a CSR event organized by an investment group. This session gave coaching to all attendees on the a to z of doing business in the modern era.

Corporate Social Responsibility Statement (cont'd)

On 28 March 2017

Our Consultants gave a comprehensive income tax training course to lecturers of the Tunku Puteri Intan Safinaz School of Accountancy, College of Business Universiti Utara Malaysia ("TISSA-UUM") by using Ygl TAXcom solution for personal and corporate tax. The course will eventually be extended to students as part of their tax curriculum.

Graduate Tax Curriculum

Universiti Utara Malaysia Graduate Tax Program offers an outstanding curriculum to its students. The courses are taught almost exclusively by full-time members of the tax faculty and the courses typically are restricted to Graduate Tax students.

The full time structure curriculum involves intensive study and preparation to enable students to work with one another and consult their professors outside the classroom.

YGL ENTERPRISE RESOURCE PLANNING ("ERP") Education Programme for UUM University

Coolaboration with UUM to expose the undergraduates and postgraduates to the works of ERP software and its benefits to the industry.

Dr Rosli Mohamad - Head, Department of Audit and Information Systems Dr Aidi Ahmi - Director, Institute of Strategic & Sustainable Accounting Development Dr Raja Haslinda Raja Mohd Ali - Head, Accounting Information Systems Research Unit Dr Yurita Yakimin Abdul Talib - Head of Accounting Information Systems Unit Dr Fariza Hanim Rusly - Coordinator, Training & Certification Unit visited Ygl Corporate office.

Corporate Social Responsibility Statement (cont'd)

Telekom Malaysia Berhad invited Mr. Yeap Kong Chean, Group CEO of YGL Convergence Berhad ("Ygl") to give talk on Industry 4.0 to the SMEs on 23 August 2017 in Penang.

Mr. Yeap first explained the concept of Industry 4.0 and its basic operation, then he talked about mapping Industry 4.0 strategy for individual organization, identifying key issue points such as costing, machine downtime, performance losses, product rejection, customer satisfaction and compliance. The biggest challenge according to him is the lack of digital culture and skills in the organization and that requires a company-wide transformation.

Cyber Security Talk

This talk was jointly organized by Bursa Malaysia Securities Berhad (”Bursa Malaysia”) and Association Of Stockbroking Companies Malaysia (“ASCM”) under the title of “Risk Management in Conducting Business’.

Mr. Yeap Kong Chean, Group CEO of Ygl presented the topic on “Cyber Security Challenges” in three cities namely Kuala Lumpur, Penang and Johore. He was also invited by Bursa Malaysia as a panelist speaker on the same topic where he shed light on how cyber intrusion could happen through clever manipulation of computer system.

The event held at the Sime Darby Convention Centre attracted participants from many financial institutions and stock broking firms that took up approximately 200 seats, consisting of directors, dealer’s representatives, research analysts, senior managers and compliance officers.

Directors' Report

For the financial year ended 31 December 2017

The directors hereby present their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2017.

Principal activities

The Company is principally 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	(410,634)	(87,560)
Attributable to:		
Owners of the Company	(328,984)	(87,560)
Non - controlling interests	(81,650)	-
	(410,634)	(87,560)

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 issued 38,714,400 ordinary shares at an issue price of RM0.145 per ordinary share.

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

Directors' Report

For the financial year ended 31 December 2017 (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 in office during the financial year and during the period from the end of the financial year to the date of report are:

Yeap Kong Chean
Tan Hoay Leng
Dr. Ch'ng Huck Khoon
Chua Kiat Eng
Lee Tian Nam *(resigned on 8 February 2018)*

The name of the directors of the Company's subsidiaries in office at any time during the financial year and during the period from the end of the financial year up to the date of the report, excluding directors who are directors of the Company are:

Tan Wei Keat
Ho Siew Bee
To King

Directors' interests

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were directors at financial year end, as recorded in the Register of Directors' Shareholding kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	Number of ordinary shares			
The Company	**At 1.1.2017**	**Bought**	**Sold**	**At 31.12.2017**
Yeap Kong Chean				
- direct interest	40,666,668	-	-	40,666,668

	Number of ordinary shares			
The subsidiary YGL Convergence (Asia Pacific) Pte. Ltd.	**At 1.1.2017**	**Bought**	**Sold**	**At 31.12.2017**
Yeap Kong Chean				
- direct interest	1	-	-	1
- indirect interest	192,000	-	-	192,000

Directors' Report

For the financial year ended 31 December 2017 (cont'd)

Directors' interests (cont'd)

The subsidiary YGL Convergence (China) Limited	At 1.1.2017	Number of ordinary shares Bought	Sold	At 31.12.2017
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.	At 1.1.2017	Number of ordinary shares Bought	Sold	At 31.12.2017
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 the benefit shown under Directors' Remuneration) 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 except for any benefits which may be deemed to have arisen from the transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 24(a) to the financial statements.

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.

Directors' remuneration

The details of the directors' remuneration are disclosed in Note 24(b) to the financial statements.

Other statutory information

Before the financial statements of the Group and of the Company were prepared, 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.

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.

Indemnities to Directors, Officers or Auditors

There was no indemnity given to or insurance effected for any director, officer or auditors of the Company during the financial year.

Directors' Report

For the financial year ended 31 December 2017 (cont'd)

Auditors' remuneration

The details of the auditors' remuneration are disclosed in Note 20 to the financial statements.

Auditors

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

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

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

Kuala Lumpur,
Date: 02 April 2018

Statement by Directors

(Pursuant To Section 251(2) of The Companies Act, 2016)

We, Yeap Kong Chean and Tan Hoay Leng, being two of the directors of YGL Convergence Berhad, do hereby state on behalf of the directors that in our opinion, the financial statements set out on pages 12 to 82, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

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

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

Kuala Lumpur,
Date: 02 April 2018

Statutory Declaration

(Pursuant To Section 251(2) of The Companies Act, 2016)

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 12 to 82, 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 Puchong)
in the State of Selangor Darul Ehsan)
on this 02 April 2018)

Before me,

TAN HOAY LENG
Director

Samuel John A/L Ponniah (B437)
Commissioner for Oath

Independent Auditors' Report

to the Members of YGL Convergence Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of YGL Convergence Berhad, which comprise the statements of financial position as at 31 December 2017 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 flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 82.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Impairment of goodwill and other intangible assets

Goodwill and other intangible assets arise as a result of acquisition by the Group. The directors conducted their annual impairment test to assess the recoverability of the goodwill and consider whether there are indicators of impairment with respect to other intangible assets. In order to establish whether an impairment exists, fair value less cost to sell and the value in use is determined and compared to the carrying amount of the goodwill and other intangible assets.

As detailed in note 2.9 and 6, this determination of an impairment is highly subjective as significant judgement is required by the directors in determining the fair value less cost to sell or the value in use as appropriate. The value in use is based on the cash flow forecast model for each cash-generating unit and required the estimation of model assumption, most importantly the discount rate and growth rate. Accordingly, due to the high estimation uncertainty, the impairment assessment of these assets is considered to be a key audit matter.

Independent Auditors' Report

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

How our audit addressed the key audit matter

We focused our testing of the impairment of goodwill and other intangible assets on the key assumptions made by the directors.

Our audit procedures included:

- Critically evaluating the determination of the cash-generating units;
- Evaluating whether model used to calculate the fair value less cost to sell and value in use of the individual cash-generating units complies with the requirements of MFRS 136 " Impairment of Assets" and MFRS 138 "Intangible Assets";
- Validating the assumptions applied and inputs in the respective model by comparing it to historical information and approved budgets; and
- Subjecting the key assumptions to sensitivity analyses.

We have determined that, there are no key audit matters to communicate in our report in relation to our audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this annual report we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

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

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

Independent Auditors' Report

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Independent Auditors' Report

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

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

CHENG & CO
AF : 0886
Chartered Accountants

HONG THUAN BOON
02233/03/2020 J
Chartered Accountant

Kuala Lumpur,
Date: 02 April 2018

Consolidated Statement of Financial Position

as at 31 December 2017

	Notes	2017 RM	2016 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,827,245	4,834,888
Investment property	5	284,754	285,230
Intangible assets	6	6,185,979	6,604,045
Investment in associates	8	1,122,831	699,642
		12,420,809	12,423,805
Current assets			
Trade and other receivables	9	4,024,787	3,962,471
Current tax assets		31,892	64,717
Cash and bank balances	11	5,568,381	1,097,656
		9,625,060	5,124,844
Total assets		22,045,869	17,548,649
LIABILITIES			
Current liabilities			
Trade and other payables	12	690,017	770,873
Other liabilities	13	1,064,363	1,370,847
Amount due to directors	14	645,538	667,436
Loans and borrowings	15	21,520	20,529
Current tax liabilities		502	34,850
		2,421,940	2,864,535
Non-current liabilities			
Loans and borrowings	15	635,572	658,060
Deferred tax liabilities	16	450	25,763
		636,022	683,823
Total liabilities		3,057,962	3,548,358
NET ASSETS		18,987,907	14,000,291
EQUITY			
Share capital	17	24,970,802	19,357,214
Share premium (non-distributable)		2,247,330	2,420,349
Exchange translation reserve (non-distributable)		460,964	503,283
Accumulated losses		(8,661,690)	(8,332,706)
Equity attributable to owners of the Company		19,017,406	13,948,140
Non-controlling interests		(29,499)	52,151
TOTAL EQUITY		18,987,907	14,000,291

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 2017

	Notes	2017 RM	2016 RM
Revenue	18	5,440,398	4,891,070
Cost of sales		(4,113,201)	(3,649,224)
Gross profit		1,327,197	1,241,846
Other operating income		195,144	119,220
Selling and distribution expenses		-	-
General and administrative expenses		(599,275)	(584,663)
Other operating expenses		(1,668,663)	(1,187,460)
Loss from operations		(745,597)	(411,057)
Finance costs		(37,416)	(33,821)
Share of results of associates		423,189	183,291
Loss before tax	19	(359,824)	(261,587)
Tax expense	20	(50,810)	(50,250)
Net loss for the financial year		(410,634)	(311,837)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(42,319)	7,230
Total comprehensive loss for the financial year		(452,953)	(304,607)
Loss attributable to:			
Owners of the Company		(328,984)	(295,293)
Non-controlling interests		(81,650)	(16,544)
Net loss for the financial year		(410,634)	(311,837)
Total comprehensive loss attributable to:			
Owners of the Company		(371,303)	(288,063)
Non-controlling interests		(81,650)	(16,544)
Total comprehensive loss for the financial year		(452,953)	(304,607)

	Notes	2017 Sen	2016 Sen
Loss per share attributable to owners of the Company	22	(0.17)	(0.14)

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2017

	← 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 2016	19,357,214	2,420,349	496,053	(8,037,413)	14,236,203	68,695	14,304,898
Net loss for the financial year	-	-	-	(295,293)	(295,293)	(16,544)	(311,837)
Other comprehensive income:							
Currency exchange differences	-	-	7,230	-	7,230	-	7,230
Total comprehensive income	-	-	7,230	(295,293)	(288,063)	(16,544)	(304,607)
Total transactions with owners	-	-	-	-	-	-	-
At 31 December 2016 and 1 January 2017	19,357,214	2,420,349	503,283	(8,332,706)	13,948,140	52,151	14,000,291
Transaction with owners:							
Issuance of shares (Note 17)	5,613,588	(173,019)	-	-	5,440,569	-	5,440,569
Total transactions with owners	5,613,588	(173,019)	-	-	5,440,569	-	5,440,569
Net loss for the financial year	-	-	-	(328,984)	(328,984)	(81,650)	(410,634)
Other comprehensive income:							
Currency exchange differences	-	-	(42,319)	-	(42,319)	-	(42,319)
Total comprehensive loss	-	-	(42,319)	(328,984)	(371,303)	(81,650)	(452,953)
At 31 December 2017	24,970,802	2,247,330	460,964	(8,661,690)	19,017,406	(29,499)	18,987,907

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows
for the financial year ended 31 December 2017

	Notes	2017 RM	2016 RM
Cash flows from operating activities			
Loss before tax		(359,824)	(261,587)
Adjustments for:			
Amortisation of intangible assets	6	1,633,193	1,612,993
Allowance for doubtful debts		51,438	-
Depreciation of investment property	5	477	477
Depreciation of property, plant and equipment	4	362,759	291,967
Interest expenses		37,416	33,820
Interest income		(18,008)	(9,430)
Property, plant and equipment written off		-	24,329
Shares of result of associates		(423,189)	(183,291)
Unrealised loss / (gain) on foreign exchange		18,778	(44,095)
Operating profit before working capital changes		1,628,840	1,465,183
Changes in:			
Receivables		(615,989)	(547,553)
Payables		(221,231)	(88,358)
Director account		(21,898)	(42,332)
Cash generated from operations		769,722	786,940
Interest paid		-	(65)
Interest received		18,008	9,430
Tax paid		(71,999)	(76,031)
Net cash from operating activities		715,731	720,274
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(356,902)	(10,938)
Net cash Outflow from acquisition of subsidiary		(90,450)	-
Software development costs	6	(1,316,871)	(1,464,524)
Net cash used in investing activities		(1,764,223)	(1,475,462)

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2017 (cont'd)

	Notes	2017 RM	2016 RM
Cash flows from financing activities			
Interest paid		(37,416)	(33,755)
Proceeds from issuance of shares	17	5,613,588	-
Repayment of term loan instalments		(21,497)	(20,569)
Net cash from/(used in) financing activities		5,554,675	(54,324)
Net increase/(decrease) in cash and cash equivalents		4,333,164	(809,512)
Cash and cash equivalents at beginning of financial year		1,097,656	1,895,105
Effect of foreign exchange differences		(35,458)	12,063
Cash and cash equivalents at end of financial year	11	5,568,381	1,097,656
Represented by:-			
Cash and bank balances	11	5,568,381	1,097,656

The accompanying notes form an integral part of these financial statements

Statement of Financial Position
as at 31 December 2017

	Notes	2017 RM	2016 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	3,551,247	3,789,090
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	6,635,764	5,438,005
Deferred tax assets	16	852	-
		20,644,683	19,683,915
Current assets			
Trade and other receivables	9	41,007	26,988
Current tax assets		-	6,098
Cash and bank balances	11	4,511,334	123,712
		4,552,341	156,798
Total assets		25,197,024	19,840,713
LIABILITIES			
Current liabilities			
Trade and other payables	12	9,795	9,450
Other liabilities	13	36,098	36,523
Amount due to subsidiaries	10	-	37,180
Current tax liabilities		8,502	-
		54,395	45,973
Non-current liability			
Deferred tax liabilities	16	-	5,120
		-	5,120
Total liabilities		54,395	51,093
NET ASSETS		25,142,629	19,789,620
EQUITY			
Share capital	17	24,970,802	19,357,214
Share premium		2,247,330	2,420,349
Accumulated losses		(2,075,503)	(1,987,943)
TOTAL EQUITY		25,142,629	19,789,620

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 2017

	Notes	2017 RM	2016 RM
Revenue	18	121,636	150,631
Cost of sales		(50,059)	(84,202)
Gross profit		71,577	66,429
Other operating income		297,572	264,864
General and administrative expenses		(461,418)	(415,865)
Loss from operations		(92,269)	(84,572)
Gain on financial assets measured at fair value		60,824	43,019
Loss before tax	19	(31,445)	(41,553)
Tax expense	20	(56,115)	(38,469)
Net loss for the financial year		(87,560)	(80,022)
Other comprehensive income		-	-
Total comprehensive loss for the financial year		(87,560)	(80,022)

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity

for the financial year ended 31 December 2017

	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
At 1 January 2016	19,357,214	2,420,349	(1,907,921)	19,869,642
Net loss for the financial year, representing total comprehensive loss for the financial year	-	-	(80,022)	(80,022)
At 31 December 2016 and 1 January 2017	19,357,214	2,420,349	(1,987,943)	19,789,620
Issuance of shares (Note 17)	5,613,588	(173,019)	-	5,440,569
Net loss for the financial year, representing total comprehensive loss for the financial year	-	-	(87,560)	(87,560)
At 31 December 2017	24,970,802	2,247,330	(2,075,503)	25,142,629

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows
for the financial year ended 31 December 2017

	Notes	2017 RM	2016 RM
Cash flows from operating activities			
Loss before tax		(31,445)	(41,553)
Adjustments for:			
Depreciation of property, plant and equipment	4	237,843	237,844
Interest income		(297,572)	(224,992)
Operating loss before working capital changes		(91,174)	(28,701)
Changes in:			
Trade and other receivables		(14,019)	162,824
Trade and other payables		345	(64,175)
Other liabilities		(425)	(16,414)
Cash (used in)/generated from operations		(105,273)	53,534
Interest received		15,852	4,763
Tax paid		(47,487)	(39,848)
Tax refund		-	-
Net cash (used in)/from operating activities		(136,908)	18,449
Cash flows from financing activities			
Interest income from related companies		281,720	220,229
Proceeds from issuance of shares		5,440,569	-
Advance to subsidiary companies		(1,197,759)	(954,677)
Net cash from/(used in) financing activities		4,524,530	(734,448)
Net increase/(decrease) in cash and cash equivalents		4,387,622	(715,999)
Cash and cash equivalents at beginning of financial year		123,712	839,711
Cash and cash equivalents at end of financial year		4,511,334	123,712
Represented by:			
Cash and bank balances	11	4,511,334	123,712

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements
for the financial year ended 31 December 2017

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 of the Company 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.

The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in a jointly controlled entity. The financial statements of the Company as at and for the year ended 31 December 2017 do not include other entities.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 2 April 2018.

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 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and of the Company.

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

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

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
Amendments to MFRS 1, *Annual Improvements to MFRS Standards 2014 – 2016 Cycle*	1 January 2018
Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
MFRS 9, *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 128, *Annual Improvements to MFRS Standards 2014 – 2016 Cycle*	1 January 2018
Amendments to MFRS 140, *Transfer of Investment Property*	1 January 2018
Clarification to MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Amendments to MFRS 3, *Annual Improvements to MFRS Standards 2015 – 2017 Cycle*	1 January 2019
Amendments to MFRS 9, *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 11, *Annual Improvements to MFRS Standards 2015 – 2017 Cycle*	1 January 2019
Amendments to MFRS 112, *Annual Improvements to MFRS Standards 2015 – 2017 Cycle*	1 January 2019
Amendments to MFRS 119, *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 123, *Annual Improvements to MFRS Standards 2015 – 2017 Cycle*	1 January 2019
Amendments to MFRS 128, *Long-term Interests in Associates and Joint Ventures*	1 January 2019
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*	1 January 2019
MFRS 16, *Leases*	1 January 2019
IC Interpretation 23, *Uncertainty over Income Tax Treatments*	1 January 2019
MFRS 17, *Insurance Contracts*	*1 January 2021*
Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	*Deferred until* further notice

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

2.4 Standard issued but not yet effective (cont'd)

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 addresses the classification, recognition, derecognition, measurement and impairment of financial assets and financial liabilities, as well as general hedge accounting. It replaces MFRS 139. MFRS 9 requires financial assets to be classified into two measurement categories, i.e. at fair value and at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to changes in an entity's own credit risk is recorded in other comprehensive income, unless this creates an accounting mismatch. MFRS 9 contains a new impairment model based on expected losses (as oppose to 'incurred loss' model under MFRS 139), i.e. a loss event need not occur before an impairment loss is recognised, which will result in earlier recognition of losses.

The management expects the financial impact of adopting MFRS 9 for both classification of financial assets and financial liabilities and impairment assessment of financial assets will not be material on the Group's financial position and performance for the financial year ended 31 December 2017.

MFRS 15, *Revenue from Contracts with Customers*

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

i. Identify the contracts with a customer;
ii. Identify the performance obligation in the contract;
iii. Determine the transaction price;
iv. Allocate the transaction price to the performance obligations in the contract;
v. Recognise revenue when (or as) the entity satisfies a performance obligation.

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

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

2.4 Standard issued but not yet effective (cont'd)

MFRS 15, *Revenue from Contracts with Customers* (cont'd)

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The followings MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

1. MFRS 111, *Construction Contracts*
2. MFRS 118, *Revenue*
3. IC Interpretation 13, *Customer Loyalty Programmes*
4. IC Interpretation 15, *Agreements for the Construction of Real Estate*
5. IC Interpretation 18, *Transfers of Assets from Customers*
6. IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The management expects the financial impact of adopting MFRS 15 will not be material on the Group's financial performance for the financial year ended 31 December 2017.

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.

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

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

(a) Basis of consolidation (cont'd)

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.

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.

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

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

(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.

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

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.

(b) Depreciation

Freehold land is 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. **Summary of significant accounting policies** (cont'd)

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.

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.

(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.

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

2.8 Investment properties (cont'd)

(c) Determination of fair value (cont'd)

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.

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.

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

2.9 Intangible assets (cont'd)

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.

Computer software development costs recognised as assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Computer software development costs, which are regarded to have finite useful lives are amortised on a straight line basis over their estimated useful lives or 5 years, whichever is shorter. The carrying amount of these costs is reviewed annually and will be written down when its value had deteriorated or when it ceases to have any economic useful life. The policy for the recognition and measurement of impairment loss is in accordance with Note 2.12.

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

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

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.

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. Summary of significant accounting policies (cont'd)

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.

2.13 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

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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.

(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.

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

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

2.13 Financial instruments (cont'd)

(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.

(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.

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

2.13 Financial instruments (cont'd)

(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.

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.

Notes to the Financial Statements
for the financial year ended 31 December 2017 (cont'd)

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

2.14 Impairment of financial assets (cont'd)

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.

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.

Notes to the Financial Statements
for the financial year ended 31 December 2017 (cont'd)

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

2.15 Leases (cont'd)

As lessee (cont'd)

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.

2.18 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.

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

2.18 Revenue recognition (cont'd)

(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.

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.

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

2.19 Employee benefits (cont'd)

(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.

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

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

2.21 Taxes (cont'd)

(b) Deferred tax (cont'd)

(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.

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.

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 goods and services 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 goods and services 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 good and services tax included.

2.22 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances 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. Summary of significant accounting policies (cont'd)

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.

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.

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

2.25 Related partiess (cont'd)

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

(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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

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

3.1 Judgements made in applying accounting policies (cont'd)

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.

(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.

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

3.2 Key sources of estimation uncertainty (cont'd)

(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 28 (a).

(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 2017 is RM31,892 (2016: RM64,717) and Nil (2016: RM6,098) of the Group and of the Company respectively.

The carrying amount of current tax liabilities at 31 December 2017 is RM502 (2016: RM 34,850) and RM8,502 (2016: Nil) of the Group and of the Company respectively. The carrying amounts of deferred tax liabilities are disclosed in Note 16.

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 26,345,538 (2016: RM 27,468,541).

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	Total RM
Cost						
At 1 January 2016	1,038,825	679,423	1,008,230	784,066	4,587,429	8,097,973
Currency exchange differences	-	-	20,112	8,283	-	28,395
Additions	-	-	9,138	1,800	-	10,938
Disposal / written off	-	(121,643)	-	-	-	(121,643)
At 31 December 2016 and 1 January 2017	1,038,825	557,780	1,037,480	794,149	4,587,429	8,015,663
Currency exchange differences	-	-	(73,200)	(4,169)	-	(77,369)
Additions	-	250,774	5,568	48,751	51,809	356,902
Disposal / written off	-	(393,390)	-	-	-	(393,390)
At 31 December 2017	1,038,825	415,164	969,848	838,731	4,639,238	7,901,806

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	Total RM
Accumulated depreciation						
At 1 January 2016	65,208	655,092	1,007,042	653,578	577,564	2,958,484
Foreign currency exchange adjustments	-	-	21,286	6,352	-	27,638
Charge for the financial year	5,016	-	4,569	46,271	236,111	291,967
Written off	-	(97,314)	-	-	-	(97,314)
At 31 December 2016 and 1 January 2017	70,224	557,778	1,032,897	706,201	813,675	3,180,775
Foreign currency exchange adjustments	-	-	(71,125)	(4,459)	-	(75,584)
Charge for the financial year	5,016	50,155	5,062	56,055	246,471	362,759
Written off	-	(393,389)	-	-	-	(393,389)
At 31 December 2017	75,240	214,544	966,834	757,797	1,060,146	3,074,561
Net carrying amount						
At 31 December 2016	968,601	2	4,583	87,948	3,773,754	4,834,888
At 31 December 2017	963,585	200,620	3,014	80,934	3,579,092	4,827,245

Notes to the Financial Statements
for the financial year ended 31 December 2017 (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 2016, 31 December 2016, 1 January 2017 and 31 December 2017	27,917	82,491	4,422,054	4,532,462
Accumulated depreciation				
At 1 January 2016	23,373	39,950	442,205	505,528
Charge for the financial year	2,272	14,470	221,102	237,844
At 31 December 2016 and 1 January 2017	25,645	54,420	663,307	743,372
Charge for the financial year	2,271	14,469	221,103	237,843
At 31 December 2017	27,916	68,889	884,410	981,215
Net carrying amount				
At 31 December 2016	2,272	28,071	3,758,747	3,789,090
At 31 December 2017	1	13,602	3,537,644	3,551,247

The freehold land and office lot of a subsidiary are charged to a licensed bank for banking facilities granted to the said subsidiary. (Note 15)

Notes to the Financial Statements
for the financial year ended 31 December 2017 (cont'd)

5. Investment property

	Group 2017 RM	Group 2016 RM
Cost		
At beginning and end of financial year	290,000	290,000
Accumulated depreciation		
At beginning of financial year	4,770	4,293
Charge for the financial year	477	477
At end of financial year	5,247	4,770
Net carrying amount		
At end of financial year	284,753	285,230

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 2017 RM	Group 2016 RM
Rental income	54,000	54,000
Direct operating expense		
- income generating investment property	4,449	4,882

The estimated fair value the investment property is as follows:

	Group 2017 RM	Group 2016 RM
At 31 December	1,000,000	720,000

The Group estimates the fair value of its investment property 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 2016	15,360,941	2,272,892	50,000	17,683,833
Currency exchange differences	82,375	-	-	82,375
Additions	1,464,524	-	-	1,464,524
At 31 December 2016 and 1 January 2017	16,907,840	2,272,892	50,000	19,230,732
Currency exchange differences	(187,150)	-	-	(187,150)
Additions	1,316,871	-	-	1,316,871
At 31 December 2017	18,037,561	2,272,892	50,000	20,360,453
Accumulated amortisation				
At 1 January 2016	10,965,718	-	6,470	10,972,188
Currency exchange differences	39,506	-	-	39,506
Amortisation for the financial year	1,611,376	-	1,617	1,612,993
At 31 December 2016 and 1 January 2017	12,616,600	-	8,087	12,624,687
Currency exchange differences	(85,406)	-	-	(85,406)
Amortisation for the financial year	1,631,576	-	1,617	1,633,193
At 31 December 2017	14,162,770	-	9,704	14,172,474

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

6. Intangible assets (cont'd)

Group

	Software development costs RM	Goodwill RM	Club membership RM	Total RM
Accumulated impairment loss				
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	-	-	2,000	2,000
Net carrying amount				
At 31 December 2016	4,291,240	2,272,892	39,913	6,604,045
At 31 December 2017	3,874,791	2,272,892	38,296	6,185,979

(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:

	2017	2016
Gross margin	25% to 40%	20% to 35%
Growth rate	10%	10% to 15%
Discount rate	12.77%	14.05%

Notes to the Financial Statements
for the financial year ended 31 December 2017 (cont'd)

6. Intangible assets (cont'd)

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

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.

(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	
	2017 **RM**	**2016** **RM**
Unquoted shares - at cost	8,981,820	8,981,820

Notes to the Financial Statements
for the financial year ended 31 December 2017 (cont'd)

7. Investment in subsidiaries (cont'd)

Subsidiaries of the Company	Gross equity interest 2017	Gross equity interest 2016	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
*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 (HK) Limited				
** * Ygl Suzhou Information Technology Co Ltd	55%	-	The People's Republic of China	Research and development of portal and provision of industry software and related 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*

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

7. Investment in subsidiaries (cont'd)

(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.

(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 12.77% (2016: 14.05%)

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	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Unquoted shares - at cost	1,475,000	1,475,000	1,475,000	1,475,000
Group's share of post-acquisition results	(352,169)	(775,358)	-	-
	1,122,831	699,642	1,475,000	1,475,000

Notes to the Financial Statements
for the financial year ended 31 December 2017 (cont'd)

8. Investment in associates (cont'd)

The associates are as follows:

Associate of the Company	**Gross equity interest 2017**	**Gross equity interest 2016**	**Countries of incorporation**	**Principal activities**
Ygl iBay International Sdn Bhd*	9.60%	19.21%	Malaysia	Providing consultancy services, supplier management and business solutions services and trading of computer software
Associate of Ygl Convergence Malaysia Sdn Bhd				
Ygl Consulting (Thailand) Co. Ltd**	39%	39%	Thailand	Marketing and distribution of computer software and provision of related services

* *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 4,748 (2016: RM 10,954) and RM 106,530 (2016: RM 101,782) respectively.

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

8. Investment in associates (cont'd)

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	
	2017 RM	2016 RM
Assets and liabilities		
Non-current assets	2,231,559	2,442,652
Current assets	47,232,247	25,250,406
Total assets	49,463,806	27,693,058
Non-current liabilities	4,327,708	12,286
Current liabilities	27,541,942	22,651,747
Total liabilities	31,869,650	22,664,033
Results		
Revenue	9,456,161	155,673,423
Profit for the financial year	4,406,909	954,377

9. Trade and other receivables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Gross trade receivables	4,737,481	3,943,292	10,235	10,590
Less: Allowance for impairment	(1,326,459)	(1,220,414)	-	-
	3,411,022	2,722,878	10,235	10,590
Other receivables	231,721	222,873	20,772	6,000
Deposits	58,771	62,564	10,000	10,398
Prepayments	34,574	28,905	-	-
Deferred expenses	8,010	26,741	-	-
Service contract in progress	280,689	898,510	-	-
	4,024,787	3,962,471	41,007	26,988

Notes to the Financial Statements
for the financial year ended 31 December 2017 (cont'd)

9. Trade and other receivables (cont'd)

Movement in allowance for doubtful debts are as follows:

	Group	
	2017 RM	2016 RM
At beginning of financial year	1,220,414	1,133,608
Addition during the financial year	139,115	-
Currency exchange differences	(33,070)	86,806
At end of financial year	1,326,459	1,220,414

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Current	1,843,694	418,788	10,235	10,590
> 90 to 180 days	352,260	1,166,743	-	-
> 180 to 360 days	366,183	528,829	-	-
> 360 days	2,175,344	1,828,932	-	-
	4,737,481	3,943,292	10,235	10,590

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

9. Trade and other receivables (cont'd)

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables				
- Ringgit Malaysia	4,257,935	3,109,384	10,235	10,590
- Hong Kong Dollar	61,354	428,644	-	-
- Chinese Renminbi	138,617	143,991	-	-
- Singapore Dollar	279,575	261,273	-	-
	4,737,481	3,943,292	10,235	10,590
Other receivables				
- Ringgit Malaysia	34,507	30,596	20,772	6,000
- Hong Kong Dollar	2,590	2,892	-	-
- Chinese Renminbi	194,624	189,385	-	-
	231,721	222,873		
Deposits				
- Ringgit Malaysia	19,104	18,402	10,000	10,398
- Hong Kong Dollar	38,153	42,612	-	-
- Singapore Dollar	1,514	1,550	-	-
	58,771	62,564	10,000	10,398
Prepayments				
- Ringgit Malaysia	22,277	19,818	-	-
- Hong Kong Dollar	1,912	2,820	-	-
- Singapore Dollar	10,385	6,267	-	-
	34,574	28,905	-	-
Deferred expenses				
- Ringgit Malaysia	-	186	-	-
- Hong Kong Dollar	8,010	26,555	-	-
	8,010	26,741	-	-
Service contract in progress				
- Hong Kong Dollar	280,689	898,510	-	-

Notes to the Financial Statements
for the financial year ended 31 December 2017 (cont'd)

10. Amount due from / (to) subsidiaries

	Company	
	2017	**2016**
	RM	**RM**
Non-current		
Non- trade		
Advances to subsidiaries	6,635,764	5,438,005

Amount due from subsidiaries totalling RM6,635,764 (2016: RM5,438,005) bears interest at BLR - 1.90% per annum is unsecured and has 5 years fixed terms of repayment.

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

	Company	
	2017	**2016**
	RM	**RM**
Ringgit Malaysia	4,808,564	3,918,385
Hong Kong Dollar	1,827,200	1,519,620
	6,635,764	5,438,005

11. Cash and bank balances

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	5,066,720	521,126	4,511,334	123,712
Hong Kong Dollar	190,858	265,305	-	-
Chinese Renminbi	22,679	37,562	-	-
Singapore Dollar	288,124	273,663	-	-
	5,568,381	1,097,656	4,511,334	123,712

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

12. Trade and other payables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables	240,041	313,579	2,084	1,306
Other payables	369,349	446,994	7,711	8,144
Deposits	80,627	10,300	-	-
	690,017	770,873	9,795	9,450

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables				
- Ringgit Malaysia	(46,629)	(15,020)	2,084	1,306
- Hong Kong Dollar	286,670	305,307	-	-
- Chinese Renminbi	-	23,292	-	-
	240,041	313,579	2,084	1,306
Other payables				
- Ringgit Malaysia	12,985	58,829	7,711	8,144
- Hong Kong Dollar	-	156,296	-	-
- Singapore Dollar	4,445	-	-	-
- Chinese Renminbi	351,919	231,869	-	-
	369,349	446,994	7,711	8,144
Deposits				
- Ringgit Malaysia	10,300	10,300	-	-
- Hong Kong Dollar	70,327	-	-	-
	80,627	10,300	-	-

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 2017 (cont'd)

13. Other liabilities

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Accruals	298,027	611,584	36,098	36,523
Deferred revenue	766,336	759,263	-	-
	1,064,363	1,370,847	36,098	36,523

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

The currency profile of other liabilities are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Accruals				
- Ringgit Malaysia	232,663	255,622	36,098	36,523
- Hong Kong Dollar	49,878	340,508	-	-
- Chinese Renminbi	-	-	-	-
- Singapore Dollar	15,486	15,454	-	-
	298,027	611,584	36,098	36,523
Deferred revenue				
- Ringgit Malaysia	554,160	525,431	-	-
- Hong Kong Dollar	198,241	226,081	-	-
- Singapore Dollar	13,935	7,751	-	-
	766,336	759,263	-	-

14. Amount due to directors

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

Notes to the Financial Statements
for the financial year ended 31 December 2017 (cont'd)

15. Loans and borrowings

	Group	
	2017 RM	2016 RM
Classified as:		
Non-current liabilities	635,572	658,060
Current liabilities	21,520	20,529
	657,092	678,589
Present value of term loan is analysed as follows:		
Payable within 1 year	21,520	20,529
Payable after 1 year but not later than 5 years	86,081	82,116
Payable after 5 years	549,491	575,944
	657,092	678,589

Borrowing facilities:

Term loan up to a limit of RM 780,000 (2016: RM 780,000) extended to the subsidiary.

Interest rate, terms of repayment and security:

(a) Repayable by three hundred (300) monthly instalment of RM4,292 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 guaranteed by directors of the subsidiary.

16. Deferred tax (assets) / liabilities

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At beginning of financial year	25,763	24,326	5,120	4,000
Recognised in profit or loss (Note 21)	(25,313)	1,437	(5,972)	1,120
At end of financial year	450	25,763	(852)	5,120

16. Deferred tax (assets) / liabilities (cont'd)

Presented after appropriate offsetting as follows:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Deferred tax assets	-	(14,462)	(852)	-
Deferred tax liabilities	450	40,225	-	5,120
	450	25,763	(852)	5,120

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 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Differences between the carrying amount of property, plant and equipment and their tax base	450	25,763	(852)	5,120

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

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Unabsorbed capital allowances	168,641	189,622	-	-
Unutilised tax losses	6,322,929	6,592,450	-	-
	6,491,570	6,782,072	-	-

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

17. Share capital

	Group and Company			
	2017		2016	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Ordinary shares				
Issued and fully paid :				
At 1 January	193,572,140	19,357,214	193,572,140	19,357,214
Issued during the financial year	38,714,400	5,613,588	-	-
At 31 December	232,286,540	24,970,802	19,357,214	19,357,214

During the financial year, the Company has issued 38,714,400 ordinary shares at an issue price of RM0.145 per ordinary share. 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.

18. Gross revenue

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Revenue from sale of computer software and hardware and consulting services	5,440,398	4,891,070	111,636	140,631
Management fees	-	-	10,000	10,000
	5,440,398	4,891,070	121,636	150,631

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

19. Loss before tax

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
This is stated after charging:				
Allowance for doubtful debts	325,800	-	-	-
Amortisation of intangible assets	1,633,193	1,612,993	-	-
Audit fee				
- Cheng & Co				
curent year	40,000	40,000	31,000	31,000
- Oversea affiliate of Cheng & Co				
curent year	24,703	20,294	-	-
- Other auditor				
curent year	25,014	22,213	-	-
underprovision in prior	-			
year	-	-	-	-
Bad debts written off	51,438	-	-	-
Depreciation				
- investment property	477	477	-	-
- property, plant and equipment	362,759	291,967	237,843	237,844
Directors' remuneration				
- fees	75,000	80,000	75,000	80,000
- other emoluments	306,777	225,910	5,743	-
Finance costs				
- finance lease	5,203	-	-	-
- loans and borrowings	32,213	33,755	-	-

19. Loss before tax (cont'd)

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
This is stated after charging:				
- bank overdraft	-	65	-	-
Loss on realised foreign exchange				
- trade	22	3,281	1,220	-
- non-trade	1,219	-	-	-
Loss on unrealised foreign exchange	18,778	-	-	-
Property, plant and equipment written off	-	24,329	-	-
Rental of premises	217,418	159,259	-	707
And crediting :				
Gain on financial asset measured at fair value	-	-	60,824	43,019
Gain on foreign exchange				
- realised	5	39,872	-	39,872
- unrealised	-	44,095	-	-
Interest income				
- related companies	-	-	281,720	220,229
- other	18,008	9,430	15,852	4,763
Rental income	84,000	80,817	-	-

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

20. Tax expense

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Income tax				
- Current	70,573	44,464	54,601	33,000
- Underprovision in prior financial year	5,550	4,349	7,486	4,349
	76,123	48,813	62,087	37,349
Deferred tax (Note 16)				
- Current	1,463	(1,381)	(852)	764
- Under / (Over) provision in prior financial year	(26,776)	2,818	(5,120)	356
	(25,313)	1,437	(5,972)	1,120
	50,810	50,250	56,115	38,469

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

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Loss before tax	(359,824)	(261,587)	(31,445)	(41,553)
Income tax calculated at tax rate of 24% (2016 : 24%)	(86,358)	(62,781)	(7,547)	(9,973)
Tax effect of expenses not deductible in determining taxable profit	101,620	219,053	62,148	42,973
Tax effect of income not taxable in determining taxable profit	(206,998)	(277,436)	-	-
Deferred tax income relating to reversal of temporary difference not recognised during the financial year	263,772	164,247	(852)	764
	72,036	43,083	53,749	33,764
(Over) / Under provision of income tax in prior financial year	5,550	4,349	7,486	4,349
(Over) / Under provision of deferred tax in prior financial year	(26,776)	2,818	(5,120)	356
	50,810	50,250	56,115	38,469

Notes to the Financial Statements
for the financial year ended 31 December 2017 (cont'd)

20. Tax expense (cont'd)

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Unabsorbed capital allowances	702,673	790,091	-	-
Unutilised tax losses	26,345,538	27,468,541	-	-
	27,048,211	28,258,632	-	-

21. Loss per share

The loss per share is calculated based on the loss attributable to owner of the Company of RM 328,984 (2016: RM 295,293) and on 232,286,540 (2016: 193,572,140) weighted average number of ordinary shares.

22. Employee benefits expense

	Group	
	2017 RM	2016 RM
Employee benefits expense	3,224,691	2,893,009

Included in employee benefit expenses is post-employment benefits amounting to RM 286,244 (2016: RM 247,051).

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

23. Related party disclosures

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

(a) Transactions with subsidiaries and associates

	Company	
	2017 RM	2016 RM
Transactions with subsidiary companies:		
Interest income	281,720	220,229
Management fee received	10,000	10,000
Advances from subsidiary	-	3,530
Repayment from subsidiaries	-	10,499
Advances to subsidiaries	1,197,759	666,818

(b) Compensation of key management personnel

The directors 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	
	2017 RM	2016 RM
Directors' remuneration		
Short-term employee benefits	349,493	273,000
Post employment benefits		
- defined contribution plan	32,284	32,910
Total directors' remuneration	381,777	305,910
Senior management staff		
Short-term employee benefits	411,738	394,123
Post employment benefits		
- defined contribution plan	32,347	32,496
Total senior management staff	444,085	426,619
Total compensation	825,862	732,529

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

23. Related party disclosures (cont'd)

(b) Compensation of key management personnel (cont'd)

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

	Company	
	2017 RM	2016 RM
Short-term employee benefits	75,000	80,000

24. 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.

24. Segment analysis (cont'd)

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

2017	Malaysia RM	Asia Pacific RM	Group RM
Revenue	4,341,341	1,099,057	5,440,398
Less: Inter-segment sales	-	-	-
External sales	4,341,341	1,099,057	5,440,398
Results			
Segment operating profit / (loss)	118,189	(863,786)	(745,597)
Finance costs	(37,416)	-	(37,416)
Share of associate's profits	423,189	-	423,189
Loss before tax			(359,824)
Income tax expense	(50,429)	(381)	(50,810)
Net loss for the financial year			(410,634)
Other information			
Segment assets	17,361,086	4,684,783	22,045,869
Segment liabilities	2,096,001	961,961	3,057,962
Capital expenditure	265,943	90,959	356,902
Depreciation and amortisation	1,812,617	183,812	1,996,429

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

24. Segment analysis (cont'd)

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

2016	**Malaysia RM**	**Asia Pacific RM**	**Group RM**
Revenue	3,826,712	1,064,358	4,891,070
Less: Inter-segment sales	-	-	-
External sales	3,826,712	1,064,358	4,891,070
Results			
Segment operating loss	91,759	(502,816)	(411,057)
Finance costs	(33,821)	-	(33,821)
Share of associate's profits	183,291	-	183,291
Loss before tax			(261,587)
Income tax expense	(50,250)	-	(50,250)
Net loss for the financial year			(311,837)
Other information			
Segment assets	11,259,940	6,288,709	17,548,649
Segment liabilities	2,214,351	1,334,007	3,548,358
Capital expenditure	10,938	-	10,938
Depreciation and amortisation	1,682,705	222,732	1,905,437

(b) Secondary reporting format - business segment

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

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

25. 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.

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

	Group	
	2017 **RM**	**2016** **RM**
Future minimum lease payments		
- payable not later than 1 year	87,741	160,882
- payable later than 1 year and not later than 5 years	-	93,847
	87,741	254,729

26. 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 2017, the Group is in a net cash surplus position.

	Group	
	2017 **RM**	**2016** **RM**
Term loan	657,092	678,589
Bank overdraft	-	-
	657,092	678,589
Less: Cash and bank balances	(5,568,381)	(1,097,656)
Net cash	(4,911,289)	(419,067)

Notes to the Financial Statements
for the financial year ended 31 December 2017 (cont'd)

26. Capital disclosure (cont'd)

	Group 2017 RM	Group 2016 RM
Total equity	18,987,907	14,000,291
Debt-to-equity ratio	-26%	-3%

27. Financial instruments

(a) Classification of financial instruments

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

Group

Financial assets:	2017 RM	2016 RM
Loans and receivables		
Trade and other receivables	4,024,787	3,962,471
Cash and bank balances	5,568,381	1,097,656
	9,593,168	5,060,127

Financial liabilities:	2017 RM	2016 RM
Measured at amortised cost		
Trade and other payables	690,017	770,873
Amount due to directors	645,538	667,436
Loans and borrowings	657,092	678,589
Bank overdraft	-	2,105
	1,992,647	2,116,898

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

27. Financial instruments (cont'd)

(a) Classification of financial instruments (cont'd)

<u>Company</u>

Financial assets:	2017 RM	2016 RM
Loans and receivables		
Trade and other receivables	41,007	26,988
Amount due from subsidiaries	6,635,764	5,438,005
Cash and bank balances	4,511,334	123,712
	11,188,105	5,588,705

Financial liabilities:		
Measured at amortised cost		
Trade and other payables	9,795	9,450

All other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2017 and 2016.

(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.

<u>Exposure to credit risk</u>

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

Notes to the Financial Statements
for the financial year ended 31 December 2017 (cont'd)

27. Financial instruments (cont'd)

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

(i) Credit risk (cont'd)

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.

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**	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Floating rate instruments				
Financial assets	-	-	6,635,764	5,438,005
Financial liabilities	(657,092)	(678,589)	-	-
	(657,092)	(678,589)	6,635,764	5,438,005

Notes to the Financial Statements
for the financial year ended 31 December 2017 (cont'd)

27. 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

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.

Group	**Profit or loss**	
	25bp Increase	**25bp Decrease**
2017	**RM**	**RM**
Floating rate instrument	(1,232)	1,232
2016	**RM**	**RM**
Floating rate instrument	(1,272)	1,272

Company	**Profit or loss**	
	25bp Increase	**25bp Decrease**
2017	**RM**	**RM**
Floating rate instrument	(12,442)	12,442
2016	**RM**	**RM**
Floating rate instrument	(10,196)	10,196

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

27. Financial instruments (cont'd)

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

(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.

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
2017				
Hong Kong Dollar	41,612	(41,612)	47,320	(47,320)
Chinese Renminbi	1,889	-	-	-
Singapore Dollar	5,522	-	-	-
2016				
Hong Kong Dollar	54,767	(43,954)	75,981	(75,981)
Chinese Renminbi	2,525	-	-	-
Singapore Dollar	38,120	-	-	-

Notes to the Financial Statements

for the financial year ended 31 December 2017 (cont'd)

27. Financial instruments (cont'd)

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

(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.

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:

2017

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Group	RM		RM	RM	RM	RM
Trade and other payables	690,017	-	690,017	690,017	-	-
Loans and borrowings	657,092	4.95%	1,002,980	54,708	54,708	893,564
Bank overdraft	-	5.65%	-	-	-	-
	1,347,109		1,692,997	744,725	54,708	893,564
Company						
Trade and other payables	9,795	-	9,795	9,795	-	-

2016

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Group	RM		RM	RM	RM	RM
Trade and other payables	770,873	-	770,873	770,873	-	-
Loans and borrowings	678,589	4.95%	1,057,688	54,708	54,708	948,272
Bank overdraft	-	5.65%	-	-	-	-
	1,449,462		1,828,561	825,581	54,708	948,272
Company						
Trade and other payables	9,450	-	9,450	9,450	-	-

28. 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.

29. Authorisation for issue of financial statements

These financial statements were authorised for issue by the Board of Directors on 2 April 2018.

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	18	963,586
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	10	284,754

Analysis of Shareholdings
as at 30 March 2018

Issued Shares Capital	:	232,286,540 Ordinary Shares ("Shares")
Class of Equity Securities	:	Ordinary Shares ("Shares")
Voting Rights	:	One vote per Share

Distribution Schedule of Shareholders

No. of Holders	Size of Shareholdings	No. of Issued Shares	%
1	Less than 100	68	*
499	100 - 1,000	99,540	0.04
407	1,001 - 10,000	2,777,100	1.20
591	10,001 to 100,000 shares	22,829,700	9.83
133	100,001 to less than 5% of issued shares	113,769,600	48.98
3	5% and above of issued shares	92,810,532	39.95
1,634	**Total**	**232,286,540**	**100.00**

30 Largest Securities Account Holders based on Record of Depositors
(without aggregating the securities from different securities accounts belonging to the same person)

1	YEAP KONG CHEAN	40,666,668	17.51
2	YEAP KONG TAI (Deceased)	32,786,664	14.11
3	DB (MALAYSIA) NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR EFG BANK AG*	19,357,200	8.33
4	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ENG GING KIAT*	9,678,600	4.17
5	LEE WAI MUN	9,678,600	4.17
6	TRICOR SERVICES (MALAYSIA) SDN BHD	7,030,000	3.03
7	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YEAP KONG TAI*	6,680,000	2.88
8	CHAN LI KHENG	6,597,000	2.84
9	YEAP CHOR BENG & SONS SDN BHD	5,500,000	2.37
10	KUAN YUEN SOONG @ KUAN CHU TENG	4,440,000	1.91
11	CHENG MEI WAN	4,060,000	1.75
12	SEAW KENG SENG	3,368,000	1.45
13	LOH GIM CHUAN	3,260,000	1.40
14	WONG AH YONG	2,930,000	1.26
15	YEAP KONG YEOW	2,433,000	1.05
16	TAN LAN WAH	2,362,000	1.02
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ANG HE YAM*	2,050,000	0.88
18	NG CHENG GUAN	1,604,100	0.69

Analysis of Shareholdings

as at 30 March 2018 (cont'd)

30 Largest Securities Account Holders based on Record of Depositors (cont'd)
(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares held	%
19	ANG ENG CHUAN	1,553,000	0.67
20	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG AH YONG*	1,100,000	0.47
21	ENG GING KIAT	1,000,000	0.43
22	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN WEI THENG*	1,000,000	0.43
23	YEAP KAH PHAIK	1,000,000	0.43
24	YEAP KING JIN	888,000	0.38
25	YEAP KONG YEOW	868,400	0.37
26	YAP EAN SIN	804,000	0.35
27	AMSEC NOMINEES (TEMPATAN) SDN BHD *CHOW CHONG CHEK*	800,000	0.34
28	HO YIT LIN @ HO YUET LING	800,000	0.34
29	YEAP TEIK EE	750,000	0.32
30	NG CHING SIONG	740,000	0.32

Substantial Shareholders' Shareholdings based on Register of Substantial Shareholders

		No. of Shares beneficially held				
No.	**Name of Substantial Shareholders**	**Direct Interest**	**%**	**Indirect Interest**	**%**	**Note**
1	Yeap Kong Chean	40,666,668	17.51	-	-	
2	Tan Hoay Leng	-	-	40,666,668	17.51	a
3	Yeap Kong Tai (Deceased)	39,466,664	16.99	-	-	
4	Dato' Woo Swee Lian	19,357,200	8.33	-	-	

Directors' Shareholdings based on Register of Directors' Shareholdings

		No. of Shares beneficially held				
No.	**Name of Directors**	**Direct Interest**	**%**	**Indirect Interest**	**%**	**Note**
1	Yeap Kong Chean	40,666,668	17.51	-	-	
2	Tan Hoay Leng	-	-	40,666,668	17.51	a
3	Dr. Ch'ng Huck Khoon	-	-	-	-	
4	Chua Kiat Eng	-	-	-	-	

Note:
a) Deemed interested through her spouse, Mr Yeap Kong Chean

Interests in the related corporations

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

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

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Form of Proxy

No. of Shares held	

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

of ____ ,
(full address)

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

_____________________________________ NRIC / Passport No. ____________________________

of ____

or failing him, ___________________________ NRIC / Passport No. ____________________________

of ____

or the Chairman of the Meeting as *my/our proxy to vote in my/our name(s) on *my/our behalf at the Fourteenth (14th) Annual General Meeting of the Company to be held at Vouk Hotel Suites, 57-G-3, Mansion One, Jalan Sultan Ahmad Shah, Georgetown, 10050 Penang, on Monday, 28 May 2018 at 10.30 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	For	Against
1.	To approve the payment of Directors' fees for the financial year ended 31 December 2017		
2.	To approve the payment of benefit payable to Directors under Section 230 (1) (b) of the Companies Act 2016		
3.	To re-elect Dr. Ch'ng Huck Khoon as Director of the Company		
4.	To re-elect Mr. Chua Kiat Eng as Director of the Company		
5.	To re-elect Dato' Lee Wai Mun, D.I.M.P., J.P. as Director of the Company		
6.	To re-appoint Messrs Cheng & Co. as Auditors for the ensuing year and to authorise Directors to fix their remuneration		
7.	Authority to the Directors to issue and allot shares		

** 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 14th Annual General Meeting for the full purpose and intent of the Resolutions to be passed.

As witness *my/our hand(s) this ______ day of __________, 2018.

____

Signature of Member / Common Seal of the Corporate Shareholders

Notes:-

1. *For the purpose of determining a member who shall be entitled to attend, speak and vote at this 14th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 20.3 of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 22 May 2018. Only a depositor whose name appears on the Record of Depositors as at 22 May 2018 shall be entitled to attend, speak and vote at the said meeting or appoint proxy to attend, speak and vote on his/her behalf.*
2. *A member entitled to attend and vote at the Meeting is entitled to appoint his or her proxy 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 or she specifies the proportions of his or her shareholdings to be represented by each proxy.*
3. *A proxy may but need not to be a member of the Company. There shall be no restriction as to the qualification of the proxy. Any proxy or duly authorised representative appointed to vote and attend instead of a member, shall have the same right as the member to speak at the meeting.*
4. *In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*
5. *Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.*
6. *Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 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 EAN may appoint in respect of each omnibus account it holds.*
7. *The instrument appointing a proxy must be deposited at the registered office of the Company at No. 35, Scotland Road, 10450 Penang, not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof.*
8. *Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this notice will be put to vote by way of a poll.*
9. *Any alteration in this form must be initialed.*

Affix Stamp

To:

The Company Secretaries
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10450 Penang
Malaysia

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