YglWORLD

Ygl Convergence Berhad

(649013-W)

WHOLESALE & DISTRIBUTION ▸ HOSPITALITY ▸ TAXATION ▸ HUMAN RESOURCE MANAGEMENT

APPLICATION PERFORMANCE & SECURITY ▸ PROPERTY MANAGEMENT ▸ BUSINESS INTELLIGENCE

MANUFACTURING ▸ HOTELS & CLUBS ▸ BUSINESS PROCESS AUTOMATION

2016 ANNUAL REPORT

YgIWORLD

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirteenth (13th) Annual General Meeting of Ygl Convergence Berhad ("Ygl" or "the Company") will be held at Olive Tree Hotel, No.76, Jalan Mahsuri, 11950 Bayan Lepas, Penang on Friday, 26 May 2017 at 10.00 a.m. for the following purposes:-

As Ordinary Business:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. *(Please refer to Note 2)*

2. To approve the payment of Directors' fees of RM80,000.00 for the financial year ended 31 December 2016. **Resolution 1**

3. To approve the payment of benefits payable to the Directors up to an amount RM20,000 for the period from 31 January 2017 until 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 Madam Tan Hoay Leng who is retiring in accordance with Article 29.1 of the Constitution of the Company and is offering herself for re-election. **Resolution 3**

5. To re-elect Mr. Lee Tiam Nam who is retiring in accordance with Article 29.6 of the Constitution of the Company and is offering himself for re-election. **Resolution 4**

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 5**

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 Section 75 and Section 76 of 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 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 THAT** such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 6**

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

OOI ENG CHOO (BC/O/102)
THUM SOOK FUN (MIA 24701)
Company Secretaries

Penang
Date: 28 April 2017

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 13th Annual General Meeting ("AGM"), 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 2017. Only a depositor whose name appears on the Record of Depositors as at 22 May 2017 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 8.29(A)(1) 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 2016

This Agenda is meant for discussion only, as Section 304(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.

3) Payment of Directors' fees

The proposed Directors' fees of RM80,000 to be paid to all Directors (except for the Chief Executive Officer) for the financial year ended 31 December 2016 are based on the annual fee of RM20,000 for each Director, which are similar to the preceding years.

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 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 applicable period of between 31 January 2017 to the 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, with effect from 31 January 2017 (which the Act in force) until the conclusion of the 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 Recommendation 3.1 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), 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 Statement of the Annual Report 2016 of the Company.

5) Re-election of Directors (cont'd)

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 31 March 2017 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 2017. 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 5. 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 Statement of the Annual Report 2016 of the Company.

7) Authority to issue and allot shares

The Ordinary Resolution proposed under Resolution 6 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 27 May 2016 (hereinafter referred to as the "**Previous Mandate**") and it will lapse at the conclusion of 13th AGM.

Pursuant to the Previous Mandate, the Company has undertaken a private placement exercise which has been completed on 22 September 2015 where 17,597,000 new ordinary shares have been issued at the issue price of RM0.11 per placement share. The total proceeds raised from the said private placement exercise was RM1,935,670.

The details of utilisation of the proceeds as at 31 March 2017 from the abovementioned corporate exercise were as follows:-

Details of Utilisation	**Status of Utilisation**	**Amount Utilised RM**	**Amount Unutilised RM**
General working capital	Partial	1,842,000	26,519
Expenses for the Proposed Private Placement	Full	67,151	Nil
Total:		1,909,151	26,519

Notice of Annual General Meeting (cont'd)

7) Authority to issue and allot shares (cont'd)

The purpose to seek for the General Mandate is to enable the Directors to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time-consuming and costly to organise a general meeting. This General Mandate, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next 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**

  The proposed Resolution 6 is to seek for renewal of general mandate for the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016.

  In September 2015, the Company has issued 17,597,000 new ordinary shares at an issue price of RM0.11 per placement share pursuant to the Private Placement exercise and the total proceeds of RM1,935,670 were raised from the said Private Placement exercise with the general mandate obtained from its shareholders at the 12th AGM held on 27 May 2016. The details and status of the utilisation of the said proceeds are disclosed in Additional Compliance Information in this Annual Report.

Corporate Information

BOARD OF DIRECTORS

Yeap Kong Chean
Chief Executive Officer

Tan Hoay Leng
Executive Director

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

Chua Kiat Eng
Independent Non-Executive Director

Lee Tiam Nam
Independent Non-Executive Director
(Appointed w.e.f. 01.03.2017)

Ahmad Fuad Bin Mohd Ali
Independent Non-Executive Director
(Resigned w.e.f. 17.12.2016)

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

REGISTERED OFFICE
No. 35, Scotland Road,
10450 Penang.
Tel: 04-2290 619
Fax: 04-2283 379

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

AUDITORS
Cheng & Co (AF0886)
No. 8-2 & 10-2, Jalan 2/114,
Kuchai Business Centre,
Off Jalan Klang Lama,
58200 Kuala Lumpur,
Wilayah Persekutuan.

PRINCIPAL BANKERS

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

Hong Leong Bank Berhad
Ground Floor, Tower A,
PJ City Development,
15-A, Jalan 219, Section 51A,
46100 Petaling Jaya,
Selangor.
Tel: 03-7877 1629
Fax: 03-7876 1384

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

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

WEBSITE
www.yglworld.com

Profile of Directors

YEAP KONG CHEAN
Chief Executive Officer
Aged 55, 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 2016.

He attended all the five Board of Directors' Meetings held in the financial year ended 31 December 2016.

TAN HOAY LENG
Executive Director
Aged 50, 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 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 2016.

She attended all the five Board of Directors' Meetings held in the financial year ended 31 December 2016.

Profile of Directors (cont'd)

DR. CH'NG HUCK KHOON
Independent & Non-Executive Director
Aged 48, Male, Malaysian

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

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

He was an Assistant Professor at the Universiti Tunku Abdul Rahman (UTAR).

Currently, he is an Independent Non-Executive Director, Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of CNI Holdings Berhad ("CNI"). He is also an Independent Non-Executive Director and Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of AT Systematization Berhad ("ATS"). CNI and ATS are the 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 2016.

He attended all the five Board of Directors' Meetings held in the financial year ended 31 December 2016.

CHUA KIAT ENG
Independent & Non-Executive Director
Aged 53, Male, Malaysian

Chua Kiat Eng was appointed to the Board on 28 March 2013. He is a member of the Audit Committee. He was a member of the Nominating Committee of the Company before redesignated as the Chairman of the Nominating Committee of the Company on 1 March 2017.

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 2016.

He attended all the five Board of Directors' Meetings held in the financial year ended 31 December 2016.

Profile of Directors (cont'd)

LEE TIAM NAM
Independent & Non-Executive Director
Aged 56, Male, Singaporean

Lee Tiam Nam was appointed to the Board on 1 March 2017. He is also a member of the Audit Committee and Nominating Committee of the Company.

He started his career in 1988 with Centreline Precision Engineering Pte Ltd, a precision engineering Company for semiconductors and industrial automation industries. He eventually serve in key positions of Managing Director when the company grew to be Norelco Centreline Pte Ltd. Apart from his vast experience in manufacturing environment, Mr. Lee was involved in overseas operations as well as a number of corporate exercises.

He was appointed as the Executive Vice Chairman for ETLA Limited Singapore which involving in highly complex precision machining with multi location business operations. Since March 2013, Mr. Lee has been the Chairmen of Grand Venture Technology Pte Ltd with a subsidiary plant in Penang, Malaysia.

Currently, Mr. Lee is the President of the Society of Modern Management of Singapore. He is an entrepreneur with successful business endeavors.

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 2016.

He did not attend any Board of Directors' meeting held in the financial year ended 31 December 2016, prior to his appointment on 1 March 2017.

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.

Chief Executive Officer's Statement

On behalf of the Board of Directors and the management team of Ygl Convergence Berhad ("Ygl"), I would like to take this opportunity to present the Annual Report and Financial Statements of the Company and Group for the financial year ended 31 December 2016.

The year 2016 has seen a slowdown in demand for enterprise solutions and customised solutions resulting from a poor market outlook generally in the Asia market, particularly in Malaysia. However amidst the drop of sales in Malaysia, Ygl was able to maintain a positive margin for Ygl e-Corporate Suite and Ygl e-Manufacturing Suite in Malaysia.

The overseas market have encountered some government jobs delayed resulting in poor contribution with the same overheads as Ygl has maintained its professional staff force under the challenging market sentiment.

Year 2016 has also been encouraging as Ygl was able to penetrate the Ygl e-Corporate Suite into new country. This will pave the way to fulfill Ygl's mission to be the strongest business enabler in Asia.

Financial Overview

Ygl Group recorded revenue of RM4.891 million for the financial year ended 31 December 2016 ("FY2016"), representing a decrease of 25.39% as compared with the revenue of RM6.555 million for the financial year ended 31 December 2015 ("FY2015"). Net loss for FY2016 was RM327,116 as compared to net loss of RM175,179 for FY2015, representing an increase of 86.73%. The increase in net loss was resulting from lower revenue recorded both locally and in Asia for FY2016 as compared to FY2015. Correspondingly, Ygl had recorded net loss per share of 0.16 sen for the FY2016 as compared to net loss per share of 0.11 sen for the FY2015.

Corporate Development

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

1. Ygl e-Corporate Suite has penetrated into the Philippines. This has strengthened Ygl positioning as a serious Enterprise Resource Planning ("ERP") principal with international standard.

2. Ygl e-Corporate Suite has been adopted by Taiwan Buddhist Tzu Chi Foundation in Malaysia, which this charitable organisation is one of the biggest charitable organisation in the world.

3. Ygl Research & Development ("R&D") has successfully developed the Chinese version of Ygl e-Corporate Suite and Ygl e-Manufacturing Suite. This will pave the way for promoting Ygl products into the China market.

Chief Executive Officer's Statement (cont'd)

Research and Development ("R&D")

For financial year 2016, Ygl Group invested RM1.465 million in the R&D of Ygl proprietary product. R&D expenditure was maintained at about the same level as compared to the R&D's expenditure of RM1.482 million incurred in financial year 2015.

The outlay for R&D investment was continued as this is important to enhance the functionalities of Ygl proprietary products in line with the latest technology in the world.

Prospect

Despite the challenges posed in year 2016 by the falling of local currency value, rising of operating costs and shortages in human capital, Ygl looks to the year ahead with positive outlook. Ygl expects some growth in year 2017 after dampened market demand in year 2016 both locally and overseas.

YGL is establishing its position as a leader in enterprise solutions for the manufacturing and large distribution sectors in Malaysia. The cost of Ygl proprietary products is not susceptible to the rise in United States Dollar ("USD") against Malaysian Ringgit ("RM"), compared to the international enterprise software which are in USD denomination. This has enhanced the return on investments in favour of Ygl proprietary products both locally.

The existing product line which Ygl holds the intellectual property rights also set the foundation fundamental for Ygl to grow its solution offerings in line with world technological trend and into new countries and geographical locations.

Appreciation

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

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

The Board wishes to thank our former Director, Encik Ahmad Fuad Bin Mohd Ali, who had left us on his own accord on 17 December 2016 for his valuable contributions. He had been with Ygl since October 2010.

The Board also extends a warm welcome to our new Independent Non-Executive Director, Mr. Lee Tiam Nam who joined the Board on 1 March 2017. Mr. Lee is also a member of the Audit Committee and Nominating Committee. We look forward to his contribution in Ygl Group.

Yeap Kong Chean
Chief Executive Officer

Date: 20 April 2017

Management Discussion & Analysis

Overview of Group's Business and Operations

Ygl Convergence Berhad ("Ygl" or "Company"), an information technology company listed on the ACE market of Bursa Malaysia Securities Berhad, provides 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, Thailand, 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 hotels 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.

Financial Performance Review

Ygl Group recorded a revenue of RM4.891 million for the financial year ended 31 December 2016, representing a decrease of 25.39% as compared with the revenue of RM6.555 million for the financial year ended 31 December 2015.

In financial year ended 31 December 2016, the Company recorded an unaudited loss attributable to ordinary equity holders of the parent of RM0.303 million. This was mainly due to RM0.502 million losses incurred in its Asia Pacific segment as a result of lower revenue from delay in projects awarded by Hong Kong authority, whilst existing overhead expenses e.g. workforce and development costs, were maintained. However, this was offset by its Malaysia segment contributions due to sales from Ygl e-Corporate Suite and Ygl e-Manufacturing Suite during the period.

Strategies and Initiatives

The Group has focused on talent concentration in 4 distinctive departments namely research and development ("R&D"), consulting, quality control and customer support in addition to the normal sales, procurement, financial and human resource divisions in order to ensure product quality and service deliveries. The Group is one of the first IT companies in the region that has obtained ISO27001 and CMMI status.

Ygl's R&D team has successfully developed the Chinese version of Ygl E-Corporate Suite and Ygl E-Manufacturing Suite. This is to better service Ygl customers who operate or have business operations in Mainland China and also attract new customers in Mainland China.

Future and Prospects of Ygl Group

The year of 2016 has seen an uncertain and volatile economic condition worldwide and in Malaysia. However amidst the drop in sales in Malaysia, Ygl was able to maintain a positive margin for Ygl's proprietary products, namely Ygl e-Corporate Suite and Ygl e-Manufacturing Suite in Malaysia, which helped to offset the losses incurred in its Asia Pacific segment. In addition, Ygl Group was able to penetrate the Ygl e-Corporate Suite into a new country, namely the Philippines. With this Ygl Group is well positioned to penetrate into more Asian countries and geographical locations in the foreseeable future.

The Ygl Group aims to continue its efforts in R&D of Ygl's proprietary product. For financial year ended 2016, Ygl Group has invested RM1.465 million in the R&D of Ygl's proprietary products. R&D expenditure was maintained at the same level as compared to the R&D's expenditure of RM1.482 million incurred in financial year ended 2015. Outlay for R&D investment continued as this is important to enhance the functionalities of Ygl's proprietary products in line with the latest technology of the world.

Despite the challenges posed in 2016 by the falling local currency value, rising operating costs and human capital shortages. Ygl looks to the year ahead with positive outlook. Ygl expects some growth in 2017 after dampened market demand in 2016 both locally and overseas. This will be made possible through the following initiatives:

(a) Investments into innovative Information Technology companies in Asia region, with product offerings and territorial coverage complementing Ygl's existing core product lines and market exposures;

(b) Continuous R&D efforts undertaken on Ygl e-Corporate Suite, Ygl e-Manufacturing Suite and Ygl TAXcom to bring new customers both locally and overseas; and

(c) The maintenance of Ygl's core R&D team and project team will add value to customers in terms of service deliveries and position Ygl as a reliable solutions provider in the region.

Audit Committee Report

The Board is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2016.

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

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

Members - Chua Kiat Eng *(Independent Non-Executive Director)*
Ahmad Fuad Bin Mohd Ali (resigned on 17 December 2016)
(Independent Non-Executive Director)
Lee Tiam Nam (appointed on 1 March 2017)
(Independent Non-Executive Director)

MEETINGS

The Audit Committee held five (5) meetings during financial year 2016 ("FY2016") with full attendance. The details of attendance of the AC members are as follows:-

Directors	No. of Meetings Attended	Total No. of Meetings held in FY2016	%
Dr. Ch'ng Huck Khoon	5	5	100
Chua Kiat Eng	5	5	100
Ahmad Fuad Bin Mohd Ali *(resigned on 17 December 2016)*	5	5	100
Lee Tiam Nam *(appointed on 1 March 2017)*	N/A	N/A	N/A

The AC meets quarterly and as and when required. The dates of the quarterly meetings are preset prior to FY2016. 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 subsequent 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 audit plan, audit findings and to assist the AC in its review of the year-end financial statements.

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.

Audit Committee Report (cont'd)

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 financial year ended 31 December 2016:-

1. Financial Reporting

- Reviewed the annual audited financial statements of the Company/Group and quarterly results of the Group and prior to the submission to the Board of Directors for consideration and approval. In its review of the quarterly financial reports and year-end financial statements, discussed with Management and the external auditors the financial reporting standards applied, including the judgement exercised in the application of those standards and the critical accounting estimates and assumption used in arriving at the reported amounts of items in the quarterly financial reports and year-end financial statements.

- 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, their audit planning memorandum, audit approach and reporting requirements prior to the commencement of audit work.

- Reviewed the external auditors' management letter and Management's responses.

- 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 external auditors without the presence of Management on 28 November 2016 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.

- Evaluated the external auditors' independence and objectivity, as well as their ability to serve the Group in terms of technical competencies and manpower resource sufficiency.

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

Audit Committee Report (cont'd)

3. Internal Audit

- Reviewed and approved the internal audit ("IA") plan for the financial year 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 auditor. 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.

- Evaluated the performance of the IA department during the year as well as their ability to serve the Group in terms of technical competencies and manpower resource sufficiency.

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

- Took note of related party transactions of a recurring nature 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.

6. Other Activities

- Reviewed the revised Terms of Reference of AC pursuant to the amendments made to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad before recommending the same for Board's approval.

INTERNAL AUDIT FUNCTION

The Group has outsourced the IA functions to Messrs. Tan & Loh and during FY2016, they have conducted two IA reviews relating to the implementation of internal controls system by the Group and the Company and provide reasonable assurance that the operations of the business were carried out under adequate internal controls and compliance with company policies and operational procedures. The internal control weaknesses identified were reported to the AC and the Management was required to undertake adequate measures to address the operational weaknesses.

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

The total cost incurred by the Group for the IA functions in respect of FY2016 amounted to approximately RM10,600.

This Statement is made in accordance with the resolution of the Board of Directors dated 31 March 2017.

Statement on Corporate Governance

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

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

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

(1) Clear functions of the Board and Management

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

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

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

(2) Clear roles and responsibilities of the Board

The Board consists of five (5) Directors, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. Collectively, the composition equips the Board with a mix of industry-specific knowledge and broad business, financial, regulatory and technical experience. A profile of each Director of current Board is set out on pages 9 to 11 of this Annual Report.

The Board complies with Rule 15.02 of the ACE Market Listing Requirement of Bursa Malaysia Securities Berhad ("Listing Requirements") which states that a listed company must have least two (2) directors or one-third (1/3) of the Board of Directors, whichever is the higher, are Independent Directors. All the Independent Directors do not participate in the management and are independent of any business or other relationships with the Group that would influence on their objective deliberation and judgment.

There is clear division of responsibilities between the Executive Directors and Non-Executive Directors of the Board. The Executive Directors 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 Non-Executive Directors play a significant role in bringing objectivity and scrutiny to the Board's deliberations and decision making.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

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

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

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;
- approval of acquisition and disposal of major assets;
- identifying major risks and the implementation of appropriate risk management and mitigation measures;
- reviewing the adequacy and integrity of the Group's internal control system;
- reviewing action plans implemented by the Management to achieve targets; and
- ensuring compliance with applicable laws, rules and regulations.

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

The Group believes in, and emphasises, the importance of communication among shareholders, stakeholders and the Company. Adequate communication generates and builds public confidence towards the Company. The Board 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 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 this Annual Report.

(3) Code of Conduct

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

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

Statement on Corporate Governance (cont'd)

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

(3) Code of Conduct (cont'd)

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

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

(4) Access to information and advice

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

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

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

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

(5) Qualified and Competent Secretaries

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

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

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

(6) Board Charter

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

Statement on Corporate Governance (cont'd)

PRINCIPLE 2: STRENGTHEN COMPOSITION

(1) Board Committees

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

i) Audit Committee ("AC")

The AC assists the Board in ensuring integrity of financial reporting and that there is in place sound internal control systems. Its main responsibilities are to ensure that there are effective risk monitoring and compliance procedures in place and to act in the interest of the shareholders in respect of matters or issues that affect the financial performance of the Group. The composition and key functions of the AC as well as the summary of the AC's activities are as set out in the AC Report on pages 16 to 18 of this Annual Report and the term of reference of AC is available on the Company's website at www.yglworld.com.

ii) Nominating Committee ("NC")

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

The NC comprises of the following Board members:-

Chairman
Ahmad Fuad Bin Mohd Ali *(resigned on 17 December 2016)*
(Independent Non-Executive Director)
Chua Kiat Eng *(re-designated as Chairman on 1 March 2017)*
(Independent Non-Executive Director)

Committee Members
Dr. Ch'ng Huck Khoon
(Independent Non-Executive Director)
Lee Tiam Nam *(appointed on 1 March 2017)*
(Independent Non-Executive Director)

PRINCIPLE 2: STRENGTHEN COMPOSITION (cont'd)

(1) Board Committees (cont'd)

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

The NC meets when necessary. During the financial year ended 31 December 2016, the NC met once with full attendance from its members.

During the financial year ended 31 December 2016, the key activities carried out by NC are summarised as follows:-

1) The NC conducted the annual assessment of the performance of the Board as a whole for the financial year ended 31 December 2015 based on the following criteria:-

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

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

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

3) The NC had considered and recommended the re-election of the Directors who were subject to retirement by rotation at the last Annual General Meeting ("AGM") held on 27 May 2016. Apart from the qualifications and competencies of the said Directors, the NC has also reviewed and had taken into account the mix of skills, experience and contribution of the proposed re-election Directors could bring to the Board.

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

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

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

PRINCIPLE 2: STRENGTHEN COMPOSITION (cont'd)

(1) Board Committees (cont'd)

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

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

(2) Formal and transparent remuneration procedures

Remuneration Committee

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

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

Directors' Remuneration

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

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

Besides, having regards to the ambit of "benefits payable to Directors" under Section 230(1) of the Companies Act, 2016 (the "Act"), shall recommend by Board to seek the Shareholders' approval at the general meeting.

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

The summary of the Directors' remuneration (including benefits-in-kind) in the Company and its subsidiaries for the financial year ended 31 December 2016 are as follows:-

Directors	Company				Group			
	Salaries RM	Fee RM	Allowance RM	Others RM	Salaries RM	Fee RM	Allowance RM	Others RM
Executive	-	20,000	-	-	262,730	-	-	-
Non-Executive	-	60,000	-	-	-	-	-	-
Total	-	80,000	-	-	262,730	-	-	-

PRINCIPLE 2: STRENGTHEN COMPOSITION (cont'd)

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

Directors' Remuneration (cont'd)

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

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

PRINCIPLE 3: REINFORCE INDEPENDENCE

(1) Review of Directors' Independence

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

(2) Tenure of Independent Directors

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

(3) Separation of Position of the Chairman and CEO

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

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

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

PRINCIPLE 4: FOSTER COMMITMENT OF DIRECTORS

(1) Time commitments

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

Board Meetings

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

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

For the financial year ended 31 December 2016, the Board had held five (5) meetings which were attended by the Directors with full attendance.

(2) Protocol for accepting new directorship

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

(3) Continuing education programmes

Pursuant to the Listing Requirements, a newly appointed Director is required to attend Mandatory Accreditation Programme ("MAP") within four (4) months of his or her appointment. During the financial year ended 31 December 2016, all the Directors have attended the MAP, saved for Mr. Lee Tiam Nam who was only appointed on 1 March 2017.

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

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

Statement on Corporate Governance (cont'd)

PRINCIPLE 4: FOSTER COMMITMENT OF DIRECTORS (cont'd)

(3) Continuing education programmes (cont'd)

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

Directors	Title of Seminar / Workshops / Courses	Mode of Training	No. of Hours / Days Spent
Yeap Kong Chean	New Public Rulings in 2015 and 2016	Seminars	8 hours
	New Framework and New Guidelines Issued by Inland Revenue Board of Malaysia	Seminar	8 hours
	Limited Liability Partnership (LLP) with tax Issues and Companies Bill 2015 Briefing	Seminar	8 hours
	Seminar Percukaian Kebangsaan 2016	Seminar	10 hours
	The 2017 Budget Seminar	Seminar	8 hours
Tan Hoay Leng	Malaysian Private Entities Reporting Standards ("MPERS") – a summarizsed approach highlighting major sections	Workshop	8 hours
	Goods and Services Tax ("GST") updates, post implementation issues and interpreting GST legislation for accurate GST Returns and income tax impact on input and output tax transactions	Workshop	8 hours
	New Public Ruling in 2015 and 2016	Workshop	8 hours
	Seminar Percukaian Kebangsaan 2016	Seminar	10 hours
	GST Act 2014 Amendments Seminar	Seminar	8 hours
	The 2017 Budget Seminar	Seminar	8 hours
Dr. Ch'ng Huck Khoon	2017 Global Market Outlook and Investment Strategies	Seminar	8 hours
	China's One Belt One Road (OBOR) Initiative: The Rise of East Asia and Pacific	Seminar	8 hours
Chua Kiat Eng	The 12 essential steps to successful exporting	Seminar	4 hours
	Penang Industrial Excellence	Seminar	8 hours
	Is our line of defense adequate and effective	Seminar	8 hours
	One belt one road	Seminar	8 hours

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

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

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

(1) Compliance with Applicable Financial Reporting Standards

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

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

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

The report of the AC is separately set out on pages 16 to 18 of this Annual Report.

(2) Sustainability and Independence of External Auditors

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

The Independent Non-Executive Directors also met with the external auditors without the presence of the Management on 28 November 2016.

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

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

The AC 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.

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

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

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

(1) Risk Management and Internal Control

Internal controls are important for risk management to preserve the integrity of the business operation and corporate policies of the Group. The Board has the responsibility to maintain a sound system of internal control to safeguard shareholders' investment and Group's assets. Proper internal control systems are designed to manage and mitigate the risks to which the Group is exposed.

The internal control system is subject to periodic internal audit to review the effectiveness and efficiency of the internal control procedures and processes. The internal auditor reports directly to the AC.

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

(2) Internal Audit Function

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

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

The Statement on Risk Management and Internal Control is set out on pages 31 and 32 of this Annual Report.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

(1) Corporate Disclosure Policy

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

(2) Dissemination of information

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

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

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

Statement on Corporate Governance (cont'd)

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

(1) Investors' Relations and Shareholders' Communication

The Group values the importance of high-level accountability and corporate transparency between the Group and its investors. As such, communications are made through proper, timely and adequate dissemination of information on the Group's business, performance and corporate development.

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

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

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

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

(2) Encourage poll voting

Poll voting accurately and fairly reflects shareholders' views by ensuring that every vote is recognized in accordance with the principle of "one share one vote". The practice thus enforces greater shareholder rights and allows shareholders who appoint the Chairman of the Meeting as their proxy to have their votes properly counted in the fulfilment of their voting rights.

Pursuant to the Listing Requirements, all listed companies are required to conduct poll voting for the resolutions put up at its general meeting effective from 1 July 2016. All the resolutions to be tabled at this coming 13th AGM shall be voted by poll, instead of by a show of hands. Poll Administrator and an independent scrutineer will be appointed to conduct and oversees the polling process respectively for the upcoming 13th AGM.

(3) Communication and engagement with Shareholders

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

Statement of compliance with the recommendations of the MCCG 2012

Save for the exception set out above, the Board is of the opinion that the Company has generally adhere to the Principles and Recommendations as set out in MCCG 2012 during the financial year ended 31 December 2016.

This Statement is made in accordance with a resolution of the Board of Directors dated 31 March 2017.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("the Board") is committed to the revised Malaysian Code of Corporate Governance 2012 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 Rule 15.26(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.

Statement on Risk Management and Internal Control (cont'd)

INTERNAL CONTROL

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

- Dissemination of comprehensive financial reports to the Board and Audit Committee ("AC") on a quarterly basis for review to formulate action plans to address any areas of concern
- Involvement of the Executive Directors in the weekly operational meetings attended by respective senior management to highlight significant matters arising on a timely basis
- Maintain a demanding recruitment standards and employee competency programmes to ensure competent personnel are employed for the operating units to function efficiently
- Adopting the Capability Maturity Model Integration (CMMI) quality assurance processes to appraise the development of software development and implementation
- Adopting the ISO27001 information security assurance measures to safeguard the data of software in development and business setting
- Constant monitoring of work performance by an effective reporting system
- Maintain strong internal information and data security in compliance with the Personal Data Protection Act, 2010

AUDIT COMMITTEE & INTERNAL AUDIT

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

CONCLUSION

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

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

This Statement is made in accordance with a resolution of the Board of Directors dated 31 March 2017.

Directors' Responsibilities Statement on Financial Statements

In accordance with the Companies 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 Companies Act in Malaysia, 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 2016, 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 31 March 2017.

Additional Compliance Information

UTILISATION OF PROCEEDS

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

As at 31 March 2017, the status of the utilisation of the proceeds arising from the Private Placement are as follows:-

	Details	RM
1)	Listing and Placement Expenses	67,151
2)	Working capital	1,842,000
3)	Balance of the proceeds which had yet to be utilised	26,519
	Total proceeds arising from Private Placement	1,935,670

AUDIT FEES

During the financial year 2016, the audit fees incurred by the Company and on a Group basis were amounted to RM31,000 and RM82,507 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 31 December 2016. The external auditors were only engaged for the statutory audit only.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS INTERESTS

For the financial year 2016, there were no material contracts entered into by the Company and its subsidiaries involving Directors and major shareholders' interests.

Corporate Social Responsibility Statement

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

COMMUNITY

2ND OUTSTANDING CHUNG LING HIGH SCHOOL ALUMNI EXCHANGE PROGRAMME WITH FORM FIVE AND FORM SIX STUDENTS OF CHUNG LING HIGH SCHOOL

22nd April 2016 – Mr. Yeap Kong Chean has been invited by the distinguished Chung Ling High School Alumni to share tips for success in the information technology industry with Form Five and Form Six students at the "Student Exchange Programme" for Chung Ling High School.

He talked about the changes taking place in the current information technology market during the "Question and Answer" session with the students, during the 30 minutes slot.

Corporate Social Responsibility Statement (cont'd)

TALK ON "BUILDING A BUSINESS EXCELLENCE JOURNEY"

HD Training House Sdn Bhd hosted the CEO forum themed "Building A Business Excellence Journey" and invited Mr. Yeap Kong Chean to give a presentation on the topic of "Transform Traditional Business To Modern Business on e-Commerce Platform: Modern Management & New Business Opportunity in the New Era" on 8th April 2016.

Mr. Yeap provided the following insights on eCommerce:-

1. how does eCommerce operate?
2. preparation for eCommerce business
3. benefits of eCommerce
4. challenges of eCommerce
5. Ygl eCommerce Store solution and case studies

Corporate Social Responsibility Statement (cont'd)

VISITING TZU CHI RECYCLING AND DIALYSIS CENTRE

Staffs of Ygl visited to the Tzu Chi Recycling & Education Centre ("LKREC") and Tzu Chi Dialysis Centre ("PGDC") on 26th October 2016.

It was a unique visitor experience that allowed the children and adults alike to see for themselves the happenings inside LKREC and PGDC. The goals of the visit were to inculcate proper recycling habits by instilling knowledge in visitors and show that the proceeds from recycling is channeled to support the operations in PGDC.

Visits to the LKREC and PGDC are available free of charge to schools and community groups and the visit took approximately 3 hours.

Corporate Social Responsibility Statement (cont'd)

MARKET PLACE

CROSS-BOARDER FOR INNOVATION

中国民协2016年工作会议暨中国民营科技国际电商贸易促进会成立大会在苏州。

YGL participated in the international information technology exhibition which was held in Suzhou China. During the exhibition, Ygl promoted its Ygl e-Corporate ERP Suite at its booth to the visitors. Ygl's display has successfully drawn crowds who posed various inquiries. Participation in this exhibition played a positive role in building and boosting the Company's brand name.

Corporate Social Responsibility Statement (cont'd)

CROSS-BOARDER FOR INNOVATION (cont'd)

23rd June 2016
中国民营科技国际电商贸易促进会
中能国际跨境优通商务考察团

Following the debut of Ygl at the exhibition in Suzhou, China, the China delegates of 'Cross-Border Networking Programme' in reciprocation visited Ygl Corporate Office on 23rd June 2016. This was in line with Ygl's belief in promoting mutual respect, understanding and developing confidence for on-going and future engagement with the wider community.

The networking programme aimed to increase cross-border and cross-community relationships. There were social interaction and exchange of business experiences during the visit to explore business opportunities between China and Malaysia.

Ygl hosted the Chinese VIPs with exotic local Malaysian cuisines such as the famous fried koay teow, satay and ais kacang.

Corporate Social Responsibility Statement (cont'd)

CYBER SECURITY

The Association of Stockbroking Companies Malaysia ("ASCM") and Bursa Malaysia Securities Berhad ("Bursa Malaysia") jointly organised the seminar "Market Misconduct And Financial Fraud In Mobile Transformation Era" on 12th October 2016 at the Sime Darby Convention Centre.

Mr. Yeap Kong Chean was invited by Bursa Malaysia as a panelist speaker on the topic of "**Cyber Security**". He shed light on how cyber intrusion could happen through clever manipulation of computer system.

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

Corporate Social Responsibility Statement (cont'd)

TZU CHI ROADSHOW AT YGL CORPORATE OFFICE

Interaction during the roadshow

Buddhist Tzu Chi Merit Society Penang ("Tzu Chi") held a roadshow at Ygl Corporate Office on 21st October 2016 to disseminate the goodwill of Tzu Chi from sharing the overview of their origins and missions to showcasing their health care food and products.

Attentive listening by keen Ygl teams

Tzu Chi's emphasis on "Caring for the Mother Earth" was evident in the differences that Tzu Chi recycling models and disaster relief efforts brought to the society and workplace.

The roadshow was part of YGL programme to bring their teams closer to understanding social responsibilities and action paths to be taken to care for mother earth:

1. developing the components of a sustainability strategy
2. capitalizing key drivers for CSR projects
3. identifying issues and relevance to own situation
4. building the role of visions, values, and mission within the company
5. implementation tools and their advantages and disadvantages
6. ensuring consistent behaviours within the organisation
7. ensuring effective governance of CSR projects
8. engaging and collaborating with other stakeholders
9. prioritizing real opportunities provided by CSR for the business

Directors' Report

The directors hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities

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

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

Results

	Group RM	Company RM
Net loss for the financial year	(311,837)	(80,022)
Attributable to:		
Owners of the Company	(295,293)	(80,022)
Non - controlling interests	(16,544)	-
	(311,837)	(80,022)

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 not issue any shares or debentures.

Directors' Report (cont'd)

Options granted over unissued shares

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

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

Directors

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

Yeap Kong Chean
Tan Hoay Leng
Ahmad Fuad Bin Mohd Ali *(resigned w.e.f 17.12.2016)*
Dr. Ch'ng Huck Khoon
Chua Kiat Eng
Lee Tiam Nam *(appointed w.e.f 01.03.2017)*

In accordance with the Company's Constitution, Madam Tan Hoay Leng shall retire by rotation under Article 29.1 and Mr. Lee Tiam Nam shall retire under Article 29.6 at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' interests

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act, 2016 on interest in shares of the Company or its related corporations (other than wholly-owned subsidiaries) during the financial year as follows:

	Number of ordinary shares of RM0.10 each			
The Company	**At 1-1-2016**	**Bought**	**Sold**	**At 31-12-2016**
Yeap Kong Chean				
- direct interest	40,666,668	-	-	40,666,668

	Number of ordinary shares			
The subsidiary YGL Convergence (Asia Pacific) Pte. Ltd.	**At 1.1.2016**	**Bought**	**Sold**	**At 31.12.2016**
Yeap Kong Chean				
- direct interest	1	-	-	1
- indirect interest	192,000	-	-	192,000

Directors' Report (cont'd)

Directors' interests (cont'd)

	Number of ordinary shares of RM0.10 each			
The subsidiary YGL Convergence (China) Limited	**At 1.1.2016**	**Bought**	**Sold**	**At 31.12.2016**
Yeap Kong Chean				
- indirect interest	2,760,000	-	-	2,760,000
Tan Hoay Leng				
- indirect interest	2,760,000	-	-	2,760,000

	Number of ordinary shares of RM1 each			
The subsidiary YGL Technologies Sdn. Bhd.	**At 1.1.2016**	**Bought**	**Sold**	**At 31.12.2016**
Yeap Kong Chean				
- indirect interest	203,501	-	-	203,501

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

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

Directors' benefits

Since the end of the previous financial year, none of the director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest 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 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.

Other statutory information

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

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

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

Directors' Report (cont'd)

Other statutory information (cont'd)

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

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

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

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

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

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

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

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

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

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

Auditors

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

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

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

Kuala Lumpur,
Date: 20 April 2017

Statement by Directors

We, Yeap Kong Chean and Tan Hoay Leng, being two of the directors of YGL Convergence Berhad, do hereby state that in our opinion, the financial statements set out on pages 52 to 117, 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 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date.
The supplementary information set out in Note 31 on page 118 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

Kuala Lumpur,
Date: 20 April 2017

Statutory Declaration

I, Tan Hoay Leng, being the director primarily responsible for the financial management of YGL Convergence Berhad, do solemnly and sincerely declare that the financial statements set out on pages 52 to 117, 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 20 April 2017)

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 Financial Statements

Opinion

We have audited the financial statements of YGL Convergence Berhad, which comprise the statements of financial position as at 31 December 2016 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 52 to 117.

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 2016, 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, 1965 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 matter 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.

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, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements 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)

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.

Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 7 to the financial statements, being accounts that have been included in the consolidated accounts.

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 31 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Independent Auditors' Report

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

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
2233/03/18 (J)
Chartered Accountant

Kuala Lumpur,
20 April 2017

Consolidated Statement of Financial Position

as at 31 December 2016

	Note	2016 RM	2015 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,834,888	5,139,489
Investment property	5	285,230	285,707
Intangible assets	6	6,604,045	6,709,645
Investment in associates	8	699,642	516,351
		12,423,805	12,651,192
Current assets			
Trade and other receivables	9	3,962,471	3,357,606
Current tax assets		64,717	26,978
Cash and bank balances	11	1,097,656	1,897,210
		5,124,844	5,281,794
Total assets		17,548,649	17,932,986
LIABILITIES			
Current liabilities			
Trade and other payables	12	770,873	987,477
Other liabilities	13	1,370,847	1,194,783
Amount due to directors	14	667,436	709,768
Loans and borrowings	15	20,529	16,896
Bank overdraft	17	-	2,105
Current tax liabilities		34,850	10,471
		2,864,535	2,921,500
Non-current liabilities			
Loans and borrowings	15	658,060	682,262
Deferred tax liabilities	16	25,763	24,326
		683,823	706,588
Total liabilities		3,548,358	3,628,088
Net assets		14,000,291	14,304,898
EQUITY			
Share capital	18	19,357,214	19,357,214
Share premium (non-distributable)		2,420,349	2,420,349
Exchange translation reserve (non-distributable)		503,283	496,053
Accumulated losses		(8,332,706)	(8,037,413)
Equity attributable to owners of the Company		13,948,140	14,236,203
Non-controlling interests		52,151	68,695
Total equity		14,000,291	14,304,898

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 2016

	Note	2016 RM	2015 RM
Revenue	19	4,891,070	6,555,156
Cost of sales		(3,649,224)	(5,085,522)
Gross profit		1,241,846	1,469,634
Other operating income		119,220	115,247
Selling and distribution expenses		-	(7,547)
General and administrative expenses		(584,663)	(509,210)
Other operating expenses		(1,187,460)	(1,235,036)
Loss from operations		(411,057)	(166,912)
Finance costs		(33,821)	(63,728)
Share of results of associates		183,291	118,723
Loss before tax	20	(261,587)	(111,917)
Income tax expense	21	(50,250)	(63,262)
Net loss for the financial year		(311,837)	(175,179)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		7,230	510,150
Total comprehensive (loss)/income for the financial year		(304,607)	334,971
Loss attributable to:			
Owners of the Company		(295,293)	(198,922)
Non-controlling interests		(16,544)	23,743
Net loss for the financial year		(311,837)	(175,179)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(288,063)	311,228
Non-controlling interests		(16,544)	23,743
Total comprehensive (loss) / income for the financial year		(304,607)	334,971

	Note	2016 Sen	2015 Sen
Loss per share attributable to owners of the Company	22	(0.14)	(0.11)

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2016

	← 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 2015	17,597,514	2,308,629	(14,097)	(7,838,491)	12,053,555	44,952	12,098,507
Net loss for the financial year	-	-	-	(198,922)	(198,922)	23,743	(175,179)
Other comprehensive income:							
Currency exchange differences	-	-	510,150	-	510,150	-	510,150
Total comprehensive income	-	-	510,150	(198,922)	311,228	23,743	334,971
Transactions with owners:							
Issue of shares (note 18)	1,759,700	111,720	-	-	1,871,420	-	1,871,420
Total transactions with owners	1,759,700	111,720	-	-	1,871,420	-	1,871,420
At 31 December 2015 and 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 loss	-	-	7,230	(295,293)	(288,063)	(16,544)	(304,607)
At 31 December 2016	19,357,214	2,420,349	503,283	(8,332,706)	13,948,140	52,151	14,000,291

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2016

	2016 RM	2015 RM
Cash flows from operating activities		
Loss before tax	(261,587)	(111,917)
Adjustments for:		
Amortisation of intangible assets	1,612,993	1,568,736
Allowance for doubtful debts	-	16,162
Depreciation of investment property	477	477
Depreciation of property, plant and equipment	291,967	320,035
Interest expenses	33,820	63,728
Interest income	(9,430)	(7,383)
Property, plant and equipment written off	24,329	5,499
Shares of result of associates	(183,291)	(118,723)
Unrealised gain on foreign exchange	(44,095)	(55,078)
Operating profit before working capital changes	1,465,183	1,681,536
Changes in:		
Receivables	(547,553)	176,545
Payables	(88,358)	(293,424)
Director account	(42,332)	37,932
Cash generated from operations	786,940	1,602,589
Interest paid	(65)	(28,746)
Interest received	9,430	7,383
Tax paid	(76,031)	(27,344)
Net cash from operating activities	720,274	1,553,882
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,938)	(15,864)
Software development costs	(1,464,524)	(1,482,276)
Net cash used in investing activities	(1,475,462)	(1,498,140)

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2016 (cont'd)

	2016 RM	2015 RM
Cash flows from financing activities		
Interest paid	(33,755)	(34,982)
Proceeds from issuance of shares	-	1,871,420
Repayment of term loan	(20,569)	(24,326)
Repayment of finance lease	-	(7,077)
Net cash (used in) / from financing activities	(54,324)	1,805,035
Net (decrease) / increase in cash and cash equivalents	(809,512)	1,860,777
Effect of foreign exchange differences	12,063	68,951
Cash and cash equivalents at beginning of financial year	1,895,105	(34,623)
Cash and cash equivalents at end of financial year	1,097,656	1,895,105
Represented by:-		
Cash and bank balances (note 11)	1,097,656	1,897,210
Bank overdraft (note 17)	-	(2,105)
	1,097,656	1,895,105

The accompanying notes form an integral part of these financial statements

Statement of Financial Position
as at 31 December 2016

	Note	2016 RM	2015 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	3,789,090	4,026,934
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	5,438,005	4,514,908
		19,683,915	18,998,662
Current assets			
Trade and other receivables	9	26,988	189,812
Amount due from subsidiaries	10	-	5,600
Current tax assets		6,098	3,599
Cash and bank balances	11	123,712	839,711
		156,798	1,038,722
Total assets		19,840,713	20,037,384
LIABILITIES			
Current liabilities			
Trade and other payables	12	9,450	73,625
Other liabilities	13	36,523	52,937
Amount due to subsidiaries	10	-	37,180
		45,973	163,742
Non-current liability			
Deferred tax liabilities	16	5,120	4,000
		5,120	4,000
Total liabilities		51,093	167,742
Net assets		19,789,620	19,869,642
EQUITY			
Share capital	18	19,357,214	19,357,214
Share premium		2,420,349	2,420,349
Accumulated losses		(1,987,943)	(1,907,921)
Total equity		19,789,620	19,869,642

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 2016

	Note	2016 RM	2015 RM
Revenue	19	150,631	222,133
Cost of sales		(84,202)	(129,131)
Gross profit		66,429	93,002
Other operating income		264,864	184,752
General and administrative expenses		(415,865)	(430,657)
Loss from operations		(84,572)	(152,903)
Gain / (loss) on financial assets measured at fair value		43,019	(991,527)
Loss before tax	20	(41,553)	(1,144,430)
Income tax expense	21	(38,469)	(29,004)
Net loss for the financial year		(80,022)	(1,173,434)
Other comprehensive income		-	-
Total comprehensive loss for the financial year		(80,022)	(1,173,434)

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity

for the financial year ended 31 December 2016

	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
At 1 January 2015	17,597,514	2,308,629	(734,487)	19,171,656
Net loss for the financial year, representing total comprehensive loss for the financial year	-	-	(1,173,434)	(1,173,434)
Issuance of shares (note 18)	1,759,700	111,720	-	1,871,420
At 31 December 2015 and 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	19,357,214	2,420,349	(1,987,943)	19,789,620

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

for the financial year ended 31 December 2016

	2016 RM	2015 RM
Cash flows from operating activities		
Loss before tax	(41,553)	(1,144,430)
Adjustments for:		
Depreciation of property, plant and equipment	237,844	237,845
Interest income	(264,864)	(184,752)
Operating loss before working capital changes	(68,573)	(1,091,337)
Changes in:		
Trade and other receivables	162,824	(154,487)
Trade and other payables	(64,175)	66,681
Other liabilities	(16,414)	20,733
Cash generated from/(used in) operations	13,662	(1,158,410)
Interest received	264,864	184,752
Tax paid	(39,848)	(32,805)
Tax refund	-	6,367
Net cash from/(used in) operating activities	238,678	(1,000,096)
Cash flows from financing activities		
Proceeds from issuance of shares	-	1,871,420
(Advance to) / Repayment from subsidiary companies	(954,677)	5,486
Repayment to directors	-	(60,000)
Net cash (used in)/from financing activities	(954,677)	1,816,906
Net (decrease) / increase in cash and cash equivalents	(715,999)	816,810
Cash and cash equivalents at beginning of financial year	839,711	22,901
Cash and cash equivalents at end of financial year	123,712	839,711
Represented by:		
Cash and bank balances (note 11)	123,712	839,711

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements
for the financial year ended 31 December 2016

1. General information

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

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

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

2. Summary of significant accounting policies

2.1. Basis of preparation

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

2.2. Basis of measurement

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

2.3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning as at 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and of the Company.

2.4. Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 112, *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 107, *Disclosure Initiative*	1 January 2017
Amendments to MFRS 12, *Disclosure of Interests in Other Entities*	1 January 2017
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*	1 January 2018
Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*	1 January 2018

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

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

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

Description	Effective for annual periods beginning on or after
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, *Investment in Associates and Joint Ventures*	1 January 2018
Amendments to MFRS 140, *Transfers of Investment Property*	1 January 2018
Clarification to MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideartion*	1 January 2018
MFRS 16, *Leases*	1 January 2019

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

MFRS 9 Financial Instruments

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

2.5. Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

(b) Business combinations

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

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

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

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

(b) Business combinations (cont'd)

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

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

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

(c) Non-controlling interests

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

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

2.6 Foreign currency

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

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

2.6 Foreign currency (cont'd)

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

2.7 Property, plant and equipment

(a) Measurement basis

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

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

2.7 Property, plant and equipment (cont'd)

(b) Depreciation

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

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

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

2.8 Investment properties

(a) Measurement

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

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

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

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

2.8 **Investment properties** (cont'd)

(b) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated.

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

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

(c) Determination of fair value

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

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

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

Valuations reflect, where appropriate:

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

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

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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

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

2.9 Intangible assets (cont'd)

(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.

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.

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

2.11 Associates (cont'd)

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.

2.12 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.

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

2.12 Impairment of non-financial assets (cont'd)

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

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.

Notes to the Financial Statements
for the financial year ended 31 December 2016 (cont'd)

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

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

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.

(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.

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(iv) Available-for-sale financial assets (cont'd)

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.

(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.

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

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

2.13 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

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.

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

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.

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.

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.

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

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

2.21 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

(c) Sales tax

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

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

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

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

2.22 Cash and cash equivalents

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

2.23 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.24 Provision

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

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. Summary of significant accounting policies (cont'd)

2.25 Related parties

A related party is defined as follows:

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

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of the third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or joint-controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel

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

3. Significant accounting judgements and estimates

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

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

3.1 Judgements made in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Classification of investment properties and owner-occupied properties

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

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

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

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

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

3.2 Key sources of estimation uncertainty

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

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

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

3.2 Key sources of estimation uncertainty (cont'd)

(a) Useful lives of property, plant and equipment

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

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

(b) Impairment of non-financial assets

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

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

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

(c) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of loans and receivables is disclosed in Note 28 (a).

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

3.2 Key sources of estimation uncertainty (cont'd)

(d) Taxes

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

The carrying amount of current tax assets at 31 December 2016 is RM64,717 (2015: RM26,978) and RM6,098 (2015: RM3,599) of the Group and of the Company respectively.

The carrying amount of current tax liabilities at 31 December 2016 is RM34,850 (2015: RM10,471) of the Group.

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 RM27,468,541 (2015: RM23,937,531).

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 2015	1,038,825	679,423	904,110	732,752	4,587,429	7,942,539
Currency exchange differences	-	-	107,270	37,799	-	145,069
Additions	-	-	2,349	13,515	-	15,864
Disposal / written off	-	-	(5,499)	-	-	(5,499)
At 31 December 2015 and 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	1,038,825	557,780	1,037,480	794,149	4,587,429	8,015,663

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 2015	60,192	630,762	897,092	572,695	341,454	2,502,195
Foreign currency exchange adjustments	-	-	104,997	36,756	-	141,753
Charge for the financial year	5,016	24,330	10,452	44,127	236,110	320,035
Written off	-	-	(5,499)	-	-	(5,499)
At 31 December 2015 and 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	70,224	557,778	1,032,897	706,201	813,675	3,180,775
Net carrying amount						
At 31 December 2015	973,617	24,331	1,188	130,488	4,009,865	5,139,489
At 31 December 2016	968,601	2	4,583	87,948	3,773,754	4,834,888

Notes to the Financial Statements

for the financial year ended 31 December 2016 (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 2015, 31 December 2015, 1 January 2016 and 31 December 2016	27,917	82,491	4,422,054	4,532,462
Accumulated depreciation				
At 1 January 2015	21,101	25,480	221,102	267,683
Charge for the financial year	2,272	14,470	221,103	237,845
At 31 December 2015 and 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 2015	25,645	54,420	663,307	743,372
Net carrying amount				
At 31 December 2015	4,544	42,541	3,979,849	4,026,934
At 31 December 2016	2,272	28,071	3,758,747	3,789,090

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

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

5. Investment property

	Group 2016 RM	Group 2015 RM
Cost		
At beginning and end of financial year	290,000	290,000
Accumulated depreciation		
At beginning of financial year	4,293	3,816
Charge for the financial year	477	477
At end of financial year	4,770	4,293
Net carrying amount		
At end of financial year	285,230	285,707

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 2016 RM	Group 2015 RM
Rental income	54,000	53,400
Direct operating expense		
- income generating investment property	4,882	4,882

The estimated fair value the investment property is as follows:

	Group 2016 RM	Group 2015 RM
At 31 December	720,000	850,000

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 2015	13,353,394	2,272,892	50,000	15,676,286
Currency exchange differences	525,271	-	-	525,271
Additions	1,482,276	-	-	1,482,276
At 31 December 2015 and 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	16,907,840	2,272,892	50,000	9,230,732
Accumulated amortisation				
At 1 January 2015	9,306,547	-	4,848	9,311,395
Currency exchange differences	92,057	-	-	92,057
Amortisation for the financial year	1,567,114	-	1,622	1,568,736
At 31 December 2015 and 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	12,616,600	-	8,087	12,624,687

Notes to the Financial Statements
for the financial year ended 31 December 2016 (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 2015, 31 December 2015, 1 January 2016 and 31 December 2016	-	-	2,000	2,000
Net carrying amount				
At 31 December 2015	4,395,223	2,272,892	41,530	6,709,645
At 31 December 2016	4,291,240	2,272,892	39,913	6,604,045

(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:

	2016	2015
Gross margin	20% to 35%	10% to 35%
Growth rate	10% to 15%	10% to 15%
Discount rate	14.05%	15.97%

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.

Notes to the Financial Statements

for the financial year ended 31 December 2016 (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 (cont'd):

(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	
	2016	**2015**
	RM	**RM**
Unquoted shares - at cost	8,981,820	8,981,820

The subsidiaries are as follows:

Subsidiaries of the Company	**Gross equity interest 2016**	**Gross equity interest 2015**	**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

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

7. Investment in subsidiaries (cont'd)

Subsidiaries of the Company	Gross equity interest 2016	Gross equity interest 2015	Countries of incorporation	Principal activities
**Ygl Technologies Sdn. Bhd.	55%	55%	Malaysia	Provision of computer, automation solution and electronic commerce services
**Ygl Technologies Pte Ltd	100%	100%	Singapore	Provision of software and related services
**Ygl E Manufacturing Sdn. Bhd.	100%	100%	Malaysia	Provision of software consultancy and implementation services
Subsidiary of Ygl Convergence (China) Limited				
** King's System (Shanghai) Co Ltd	100%	100%	The People's Republic of China	Provision of consultancy services and trading of computer equipment and software

** Subsidiaries audited by oversea affiliate of Cheng & Co*
*** Subsidiaries not audited by Cheng & Co*

(a) Impairment test for investment in subsidiaries

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

(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 14.05% (2015: 15.97%)

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

7. Investment in subsidiaries (cont'd)

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

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	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Unquoted shares - at cost	1,475,000	1,475,000	1,475,000	1,475,000
Group's share of post-acquisition results	(775,358)	(958,649)	-	-
	699,642	516,351	1,475,000	1,475,000

The associates are as follows:

Associate of the Company	**Gross equity interest 2016**	**Gross equity interest 2015**	**Countries of incorporation**	**Principal activities**
Ygl iBay International Sdn Bhd*	19.21%	19.21%	Malaysia	Providing consultancy services, supplier management and business solutions services and trading of computer software
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.

Notes to the Financial Statements
for the financial year ended 31 December 2016 (cont'd)

8. Investment in associates (cont'd)

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 RM10,954 (2015: RM9,863) and RM101,782 (2015: RM90,828) respectively.

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

The summarised financial information of the associates are as follows:

	Group	
	2016 RM	2015 RM
Assets and liabilities		
Non-current assets	2,442,652	2,771,442
Current assets	25,250,406	17,382,440
Total assets	27,693,058	20,153,882
Non-current liabilities	12,286	20,073
Current liabilities	22,651,747	15,969,037
Total liabilities	22,664,033	15,989,110
Results		
Revenue	155,673,423	17,872,093
Profit for the financial year	954,377	735,800

9. Trade and other receivables

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Gross trade receivables	3,943,292	3,291,645	10,590	174,812
Less: Allowance for doubtful debts	(1,220,414)	(1,133,608)	-	-
	2,722,878	2,158,037	10,590	174,812
Other receivables	222,873	234,797	6,000	6,000
Deposits	62,564	109,820	10,398	9,000
Prepayments	28,905	23,268	-	-
Deferred expenses	26,741	32,339	-	-
Service contract in progress	898,510	799,345	-	-
	3,962,471	3,357,606	26,988	189,812

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

9. Trade and other receivables (cont'd)

Movement in allowance for doubtful debts are as follows:

	Group	
	2016	**2015**
	RM	**RM**
At beginning of financial year	1,133,608	1,041,957
Addition during the financial year	-	16,162
Currency exchange differences	86,806	75,489
At end of financial year	1,220,414	1,133,608

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	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Current	418,788	688,813	10,590	174,812
90 to 180 days	1,166,743	447,829	-	-
180 to 360 days	528,829	385,102	-	-
>360 days	1,828,932	1,769,901	-	-
	3,943,292	3,291,645	10,590	174,812

9. Trade and other receivables (cont'd)

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Trade receivables				
- Ringgit Malaysia	3,109,384	2,204,080	10,590	174,812
- Hong Kong Dollar	428,644	375,305	-	-
- Chinese Renminbi	143,991	402,472	-	-
- Singapore Dollar	261,273	309,788	-	-
	3,943,292	3,291,645	10,590	174,812
Other receivables				
- Ringgit Malaysia	30,596	29,338	6,000	6,000
- Hong Kong Dollar	2,892	-	-	-
- Chinese Renminbi	189,385	205,443	-	-
- Singapore Dollar	-	16	-	-
	222,873	234,797	6,000	6,000
Deposits				
- Ringgit Malaysia	18,402	17,004	10,398	9,000
- Hong Kong Dollar	42,612	91,296	-	-
- Singapore Dollar	1,550	1,520	-	-
	62,564	109,820	10,398	9,000
Prepayments				
- Ringgit Malaysia	19,818	16,942	-	-
- Hong Kong Dollar	2,820	4,709	-	-
- Singapore Dollar	6,267	1,617	-	-
	28,905	23,268	-	-
Deferred expenses				
- Ringgit Malaysia	186	-	-	-
- Hong Kong Dollar	26,555	32,339	-	-
	26,741	32,339	-	-
Service contract in progress				
- Hong Kong Dollar	898,510	799,345	-	-

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

10. Amount due from / (to) subsidiaries

	Company	
	2016	2015
	RM	RM
Non-current		
Non- trade		
Advances to subsidiaries	5,438,005	4,514,908
Current		
Non- trade		
Advances to subsidiaries	-	5,600
Total amount due from subsidiaries	5,438,005	4,520,508

Amount due from subsidiaries totalling RM5,438,005 (2015: RM4,514,908) bears interest at BLR -1.90% per annum is unsecured and has 5 years fixed terms of repayment.

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

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

	Company	
	2016	2015
	RM	RM
Ringgit Malaysia	3,918,385	3,375,551
Hong Kong Dollar	1,519,620	1,144,957
	5,438,005	4,520,508

11. Cash and bank balances

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Ringgit Malaysia	521,126	1,469,321	123,712	839,711
Hong Kong Dollar	265,305	191,517	-	-
Chinese Renminbi	37,562	26,451	-	-
Singapore Dollar	273,663	209,921	-	-
	1,097,656	1,897,210	123,712	839,711

Notes to the Financial Statements
for the financial year ended 31 December 2016 (cont'd)

12. Trade and other payables

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables	313,579	378,071	1,306	70,225
Other payables	446,994	599,106	8,144	3,400
Deposits	10,300	10,300	-	-
	770,873	987,477	9,450	73,625

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables				
- Ringgit Malaysia	(15,020)	60,558	1,306	70,225
- Hong Kong Dollar	305,307	288,767	-	-
- Chinese Renminbi	23,292	28,746	-	-
	313,579	378,071	1,306	70,225
Other payables				
- Ringgit Malaysia	58,829	110,703	8,144	3,400
- Hong Kong Dollar	156,296	-	-	-
- Singapore Dollar	-	27	-	-
- Chinese Renminbi	231,869	488,376	-	-
	446,994	599,106	8,144	3,400
Deposits				
- Ringgit Malaysia	10,300	10,300	-	-
	10,300	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 2016 (cont'd)

13. Other liabilities

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Accruals	611,584	524,812	36,523	52,937
Deferred revenue	759,263	669,971	-	-
	1,370,847	1,194,783	36,523	52,937

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

The currency profile of other liabilities are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Accruals				
- Ringgit Malaysia	255,622	179,212	36,523	52,937
- Hong Kong Dollar	340,508	327,331	-	-
- Chinese Renminbi	-	-	-	-
- Singapore Dollar	15,454	18,269	-	-
	611,584	524,812	36,523	52,937
Deferred revenue				
- Ringgit Malaysia	525,431	361,273	-	-
- Hong Kong Dollar	226,081	301,099	-	-
- Singapore Dollar	7,751	7,599	-	-
	759,263	669,971	-	-

14. Amount due to directors

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

15. Loans and borrowings

	Group	
	2016	2015
	RM	RM
Classified as:		
Non-current liabilities	658,060	682,262
Current liabilities	20,529	16,896
	678,589	699,158
Present value of term loan is analysed as follows:		
Payable within 1 year	20,529	16,896
Payable after 1 year but not later than 5 years	82,116	67,583
Payable after 5 years	575,944	614,679
	678,589	699,158

Borrowing facilities:

Term loan up to a limit of RM780,000 (2015: RM780,000) 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 guarantee by directors of the subsidiary.

16. Deferred tax liabilities

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
At beginning of financial year	24,326	5,000	4,000	5,000
Recognised in profit or loss (Note 21)	1,437	19,326	1,120	(1,000)
At end of financial year	25,763	24,326	5,120	4,000

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

16. Deferred tax liabilities (cont'd)

Presented after appropriate offsetting as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deferred tax assets	(14,462)	(973)	-	-
Deferred tax liabilities	40,225	25,299	5,120	4,000
	25,763	24,326	5,120	4,000

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Differences between the carrying amount of property, plant and equipment and their tax base	25,763	24,326	5,120	4,000

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unabsorbed capital allowances	189,622	259,554	-	-
Unutilised tax losses	6,592,450	5,984,383	-	-
	6,782,072	6,243,937	-	-

17. Bank overdraft

	Group	
	2016 RM	2015 RM
Secured bank overdraft	-	2,105

Bank overdraft facility up to a limit of RM700,000 (2015: RM700,000) extended to the Group.

17. Bank overdraft (cont'd)

Details of security and rates of interest

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

18. Share capital

	Group and Company			
	2016		2015	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Ordinary shares of RM0.10 each				
Authorised:-				
At 1 January and 31 December	200,000,000	20,000,000	200,000,000	20,000,000
Issued and fully paid:				
At 1 January	193,572,140	19,357,214	193,572,140	19,357,214
Issued during the financial year	-	-	17,597,000	17,597,000
At 31 December	193,572,140	19,357,214	193,572,140	19,357,214

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.

19. Gross revenue

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Revenue from sale of computer software and hardware and consulting services	4,891,070	6,555,156	140,631	217,133
Management fees	-	-	10,000	5,000
	4,891,070	6,555,156	150,631	222,133

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

20. Loss before tax

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
This is stated after charging:				
Allowance for doubtful debts	-	16,162	-	-
Amortisation of intangible assets	1,612,993	1,568,736	-	-
Audit fee				
- Cheng & Co curent year	40,000	40,000	31,000	31,000
- Oversea affiliate of Cheng & Co curent year	20,294	13,044	-	-
- Other auditor curent year	22,213	22,835	-	-
underprovision in prior year	-	660	-	-
Depreciation				
- investment property	477	477	-	-
- property, plant and equipment	291,967	320,035	237,844	237,845
Directors' remuneration				
- fees	80,000	80,000	80,000	80,000
- other emoluments	225,910	202,230	-	-
Finance costs				
- finance lease	-	71	-	-
- loans and borrowings	33,765	34,911	-	-
- bank overdraft	65	28,746	-	-
Loss on financial asset measured at fair value	-	-	-	991,527
Loss on realised foreign exchange				
- trade	3,281	529	-	-
Property, plant and equipment written off	24,329	5,499	-	-
Rental of premises	159,259	149,935	707	741
And crediting:				
Gain on financial asset measured at fair value	-	-	43,019	-
Gain on foreign exchange				
- realised	39,872	-	39,872	-
- unrealised	44,095	55,078	-	-
Interest income				
- related companies	-	-	220,229	179,620
- other	9,430	7,383	4,763	5,132
Rental income	80,817	72,300	-	-

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

21. Income tax expense

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Income tax				
- Current	44,464	44,432	33,000	30,500
- Under / (Over) provision in prior financial year	4,349	(496)	4,349	(496)
	48,813	43,936	37,349	30,004
Deferred tax				
- Current	(1,381)	20,326	764	-
- Under / (Over) provision in prior financial year	2,818	(1,000)	356	(1,000)
	1,437	19,326	1,120	(1,000)
	50,250	63,262	38,469	29,004

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

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Loss before tax	(261,587)	(111,917)	(41,553)	(1,144,430)
Income tax calculated at tax rate of 24% (2015 : 25%)	(62,781)	(27,979)	(9,973)	(286,108)
Tax effect of expenses not deductible in determining taxable profit	219,053	346,433	42,973	316,608
Tax effect of income not taxable in determining taxable profit	(277,436)	(428,266)	-	-
Deferred tax income relating to reversal of temporary difference not recognised during the financial year	164,247	174,570	764	-
	43,083	64,758	33,764	30,500
Under / (Over) provision of income tax in prior financial year	4,349	(496)	4,349	(496)
Under / (Over) provision of deferred tax in prior financial year	2,818	(1,000)	356	(1,000)
	50,250	63,262	38,469	29,004

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

21. Income 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	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Unabsorbed capital allowances	790,091	1,038,217	-	-
Unutilised tax losses	27,468,541	23,937,531	-	-
	28,258,632	24,975,748	-	-

22. Loss per share

The loss per share is calculated based on the loss attributable to owner of the Company of RM295,293 (2015: RM198,922) and on 193,572,140 (2015: 180,374,390) weighted average number of ordinary shares.

23. Employee benefits expense

	Group	
	2016 RM	**2015 RM**
Employee benefits expense	2,893,009	3,267,970

Included in employee benefit expenses is post-employment benefits amounting to RM247,051 (2015: RM290,385).

24. Related party disclosures

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

(a) Transactions with subsidiaries and associates

	Company	
	2016 RM	**2015 RM**
Transactions with subsidiary companies:		
Interest income	220,229	179,621
Management fee received	10,000	5,000
Advances from subsidiary	3,530	133,311
Repayment from subsidiaries	10,499	150,000
Advances to subsidiaries	666,818	1,050,772

Notes to the Financial Statements
for the financial year ended 31 December 2016 (cont'd)

24. Related party disclosures (cont'd)

(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	
	2016	**2015**
	RM	**RM**
Directors' remuneration		
Short-term employee benefits	273,000	253,500
Post employment benefits		
- defined contribution plan	32,910	28,730
Total directors' remuneration	305,910	282,230
Senior management staff		
Short-term employee benefits	394,123	425,036
Post employment benefits		
- defined contribution plan	32,496	35,742
Total senior management staff	426,619	460,778
Total compensation	732,529	743,008

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

	Company	
	2016	**2015**
	RM	**RM**
Short-term employee benefits	80,000	80,000

Notes to the Financial Statements
for the financial year ended 31 December 2016 (cont'd)

25. 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.

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 profit / (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	1,682,702	222,733	1,905,435

25. Segment analysis (cont'd)

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

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

(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.

26. 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.

26. Operating lease commitment (cont'd)

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

	Group	
	2016	**2015**
	RM	**RM**
Future minimum lease payments		
- payable not later than 1 year	160,882	85,316
- payable later than 1 year and not later than 5 years	93,847	-
	254,729	85,316

27. Capital disclosure

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

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

The Group monitors capital using a gearing ratio which is net debt divided by total equity. The Group's policy to keep the gearing ratio at manageable levels. As at 31 December 2016, the Group is in a net cash surplus position.

	Group	
	2016	**2015**
	RM	**RM**
Term loan	678,589	699,158
Bank overdraft	-	2,105
	678,589	701,263
Less: Cash and bank balances	(1,097,656)	(1,897,210)
Net cash	(419,067)	(1,195,947)

	Group	
	2016	**2015**
	RM	**RM**
Total equity	14,000,291	14,304,898
Debt-to-equity ratio	-3%	-8%

Notes to the Financial Statements
for the financial year ended 31 December 2016 (cont'd)

28. 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:	**2016 RM**	**2015 RM**
Loans and receivables		
Trade and other receivables	3,962,471	3,357,606
Cash and bank balances	1,097,656	1,897,210
	5,060,127	5,254,816

Financial liabilities:		
Measured at amortised cost		
Trade and other payables	770,873	987,477
Amount due to directors	667,436	709,768
Loans and borrowings	678,589	699,158
Bank overdraft	-	2,105
	2,116,898	2,398,508

Company

Financial assets:		
Loans and receivables		
Trade and other receivables	26,988	189,812
Amount due from subsidiaries	5,438,005	4,520,508
Cash and bank balances	123,712	839,711
	5,588,705	5,550,031

Financial liabilities:		
Measured at amortised cost		
Trade and other payables	9,450	73,625
Amount due to subsidiaries	-	37,180
	9,450	110,805

All other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2016 and 2015.

Notes to the Financial Statements
for the financial year ended 31 December 2016 (cont'd)

28. Financial instruments (cont'd)

(b) Financial risk management objectives and policies

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

(i) Credit risk

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

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

Exposure to credit risk

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

Credit risk concentration profile

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

(ii) Interest rate risk

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

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

28. Financial instruments (cont'd)

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

(ii) Interest rate risk (cont'd)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Floating rate instruments				
Financial assets	-	-	5,438,005	4,514,908
Financial liabilities	(678,589)	(699,158)	-	-
	(678,589)	(699,158)	5,438,005	4,514,908

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.

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

28. Financial instruments (cont'd)

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

(ii) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk (cont'd)

Group	**Profit or loss**	
	25bp Increase	**25bp Decrease**
2016	**RM**	**RM**
Floating rate instrument	(1,272)	1,272
2015	**RM**	**RM**
Floating rate instrument	(1,315)	1,315

Company	**Profit or loss**	
	25bp Increase	**25bp Decrease**
2016	**RM**	**RM**
Floating rate instrument	(10,196)	10,196
2015	**RM**	**RM**
Floating rate instrument	(8,465)	8,465

(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.

28. Financial instruments (cont'd)

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

(iii) Foreign currency risk (cont'd)

Currency risk sensitivity analysis

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

	Group		Company	
	Equity RM	**Loss after tax RM**	**Equity RM**	**Loss after tax RM**
2016				
Hong Kong Dollar	54,767	(43,954)	75,981	(75,981)
Chinese Renminbi	2,525	-	-	-
Singapore Dollar	38,120	-	-	-
2015				
Hong Kong Dollar	63,645	(42,936)	42,936	(42,936)
Chinese Renminbi	4,397	-	-	-
Singapore Dollar	18,636	-	-	-

(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.

28. Financial instruments (cont'd)

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

(iv) Liquidity risk (cont'd)

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

2016

Group	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
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	-	-

2015

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

Notes to the Financial Statements

for the financial year ended 31 December 2016 (cont'd)

29. 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.

30. Authorisation for issue of financial statements

These financial statements were authorised for issue on 20 April 2017 by the Board of Directors.

Notes to the Financial Statements

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

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

The disclosure as required by Bursa Malaysia Securities Berhad on the realised and unrealised unappropriated profits or accumulated losses as at 31 December 2016 is as follows:

	2016 RM	2015 RM
Total accumulated losses of the Company:		
- Realised	(7,601,443)	(7,133,842)
- Unrealised	44,095	55,078
	(7,557,348)	(7,078,764)
Total share of accumulated losses from associates		
- Realised	(775,358)	(958,649)
- Unrealised	-	-
Total group accumulated losses as per consolidated accounts	(8,332,706)	(8,037,413)

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	17	968,602
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	9	285,231

Analysis of Shareholdings

as at 31 March 2017

Issued Shares	:	193,572,140 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	%
-	Less than 100	-	-
490	100 - 1,000	91,340	0.05
445	1,001 - 10,000	3,050,500	1.58
626	10,001 to 100,000 shares	24,515,668	12.66
131	100,001 to less than 5% of issued shares	82,461,300	42.60
3	5% and above of issued shares	83,453,332	43.11
1,695	**Total**	**193,572,140**	**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)

No.	Name	No. of Shares held	%
1	YEAP KONG CHEAN	40,666,668	21.01
2	YEAP KONG TAI (Deceased)	32,786,664	16.94
3	TRICOR SERVICES (MALAYSIA) SDN BHD	10,000,000	5.17
4	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YEAP KONG TAI*	6,680,000	3.45
5	CHAN LI KHENG	6,597,000	3.41
6	YEAP CHOR BENG & SONS SDN BHD	5,500,000	2.84
7	CHENG MEI WAN	4,060,000	2.10
8	LOH GIM CHUAN	3,260,000	1.68
9	KUAN YUEN SOONG @ KUAN CHU TENG	3,031,400	1.57
10	ANG SZE CHAMP	3,002,000	1.55
11	WONG AH YONG	2,930,000	1.51
12	YEAP KONG YEOW	2,433,000	1.26
13	TAN LAN WAH	2,362,000	1.22
14	NG CHENG GUAN	1,604,100	0.83
15	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG AH YONG*	1,100,000	0.57
16	LIM WUAY CHERN	1,030,000	0.53
17	ENG GING KIAT	1,000,000	0.52
18	YEAP KAH PHAIK	1,000,000	0.52
19	YEAP KING JIN	888,000	0.46
20	YEAP KONG YEOW	868,400	0.45
21	YAP EAN SIN	804,000	0.42
22	AMSEC NOMINEES (TEMPATAN) SDN BHD *CHOW CHONG CHEK*	800,000	0.41

Analysis of Shareholdings
as at 31 March 2017 (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	%
23	YEAP TEIK EE	750,000	0.39
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG AH YONG*	700,000	0.36
25	DATIN LEUNG KIT MAN	700,000	0.36
26	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE KIAN TAK*	700,000	0.36
27	YEAP CHOR BENG	700,000	0.36
28	YEAP LAY HOON	700,000	0.36
29	YEAP TECK CHEONG	700,000	0.36
30	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DORAI RAJOO A/L IRULANDY*	675,000	0.35

Substantial Shareholders' Shareholdings based on Register of Substantial Shareholders

		No. of Shares beneficially held				
No.	**Name of Directors**	**Direct Interest**	**%**	**Indirect Interest**	**%**	**Note**
1	Yeap Kong Chean	40,666,668	21.01	-	-	
2	Yeap Kong Tai (Deceased)	39,466,664	20.39	-	-	
3	Tricor Services (Malaysia) Sdn Bhd	10,000,000	5.17	-	-	
4	Tricor Holdings Limited	-	-	10,000,000	5.17	a

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	21.01	-	-	
2	Tan Hoay Leng	-	-	40,666,668	21.01	b
3	Dr. Ch'ng Huck Khoon	-	-	-	-	
4	Chua Kiat Eng	-	-	-	-	
5	Lee Tiam Nam	-	-	-	-	

Note:
a) Deemed interested by virtue of its shareholdings in Tricor Services (Malaysia) Sdn Bhd pursant to Section 8 of the Campanies Act, 2016.
b) Deemed interested through her spouse, Mr. Yeap Kong Chean pursuant to Section 59(11)(c) of the Companies Act, 2016.

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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YglWORLD

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 Thirteenth (13th) Annual General Meeting of the Company to be held at Olive Tree Hotel, No.76, Jalan Mahsuri, 11950 Bayan Lepas, Penang on Friday, 26 May 2017 at 10.00 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 2016		
2.	To approve the payment of benefit payable to Directors under Section 230(1)(b) of the Companies Act, 2016		
3.	To re-elect Madam Tan Hoay Leng as Director of the Company		
4.	To re-elect Mr. Lee Tiam Nam as Director of the Company		
5.	To re-appoint Messrs Cheng & Co. as Auditors for the ensuing year and to authorise Directors to fix their remuneration		
6.	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 13th Annual General Meeting for the full purpose and intent of the Resolutions to be passed.*

As witness *my/our hand(s) this ______ day of ___________, 2017.

____
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 13th 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 2017. Only a depositor whose name appears on the Record of Depositors as at 22 May 2017 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 8.29(A)(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of 13th Annual General Meeting 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
Ygl Convergence Behad (649013-W)
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10450 Penang
Malaysia

Ygl Convergence Berhad
(649013-W)

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