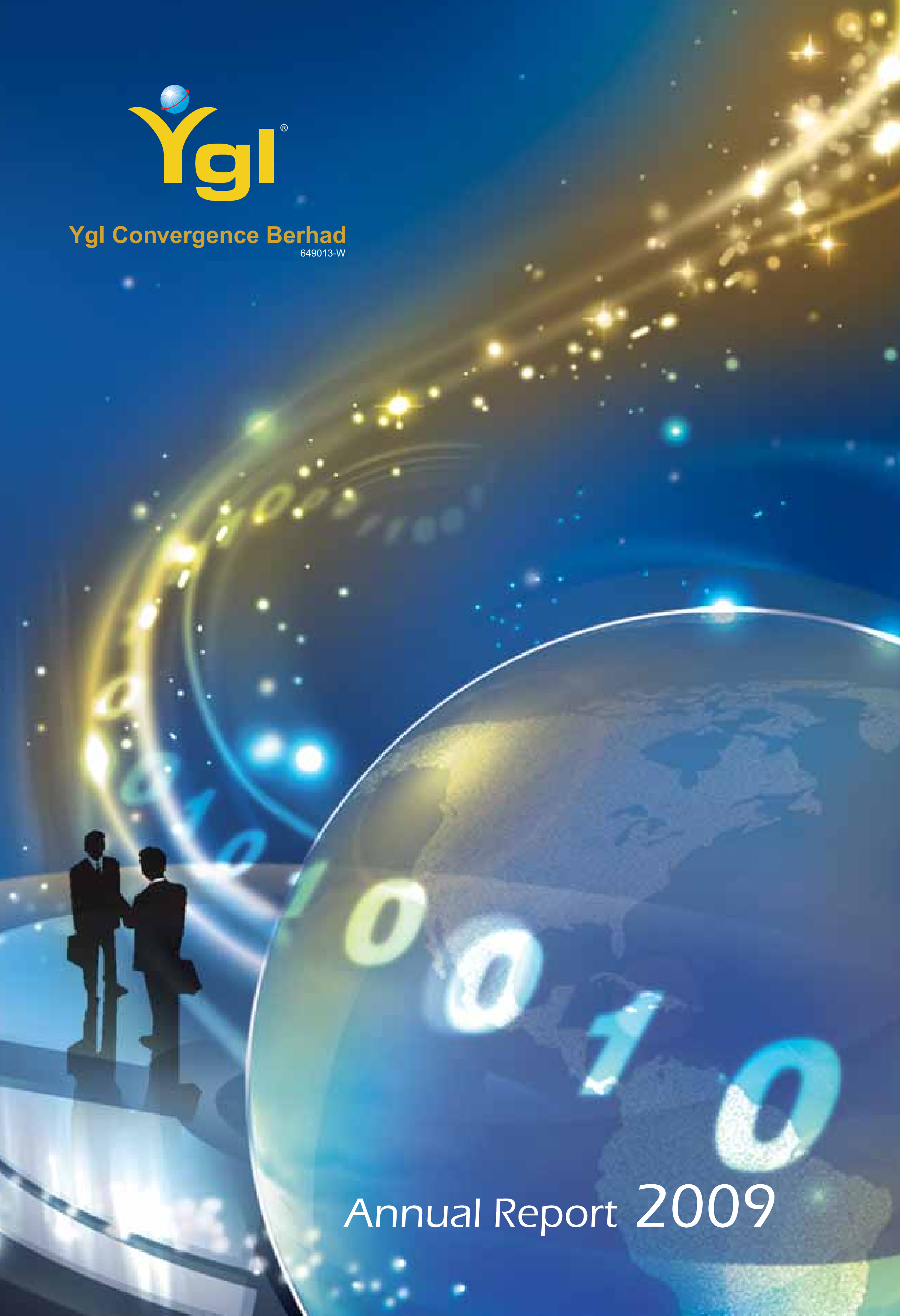

Ygl Convergence Berhad

649013-W

Annual Report 2009

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixth (6th) Annual General Meeting of Ygl Convergence Berhad (or "the Company") will be held at Eastin Hotel, No. 1, Solok Bayan Indah, Queensbay, 11900 Bayan Lepas, Penang on Friday, 18 June 2010 at 11.00 a.m. for the following purposes:-

As Ordinary Business:-

1. To receive the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2009 together with the Auditors' Report thereon.

2. To approve the payment of Directors' fees of RM75,000 for the financial year ended 31 December 2009. **Resolution 1**

3. To re-elect Mr. Yeap Kong Chean who is retiring in accordance with Article 29.1 of the Company's Articles of Association and being eligible, is offering himself for re-election. **Resolution 2**

4. To re-elect Mr. Lim Hoo Teck who is retiring in accordance with Article 29.1 of the Company's Articles of Association and being eligible, is offering himself for re-election. **Resolution 3**

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

As Special Business:-

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

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

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

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

By Order of the Board

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

Penang
Date: 27 May 2010

Notice of Annual General Meeting (cont'd)

Explanatory Note to Special Business:-

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

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

In March 2010, a total proceeds of RM1,527,057 had been raised through the Private Placement of up to 10% of the issued and fully paid-up share capital of Ygl, comprising of 14,543,400 new Ordinary Shares of RM0.10 each at issue price of RM0.105 per share pursuant to the Section 132D Mandate granted at the Fifth Annual General Meeting of the Company held on 16 June 2009. The proceeds raised from the Private Placement were for working capital purposes.

As at the date of this Notice, save for the expenses incurred for the listing and placement expenses amounting to RM54,517 and as working capital of RM50,091, the balance of proceeds amounting to RM1,422,449 remained unutilized.

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

Notes:-

1. A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint 2 or more proxies to attend and vote in his stead. A proxy may, but need not be a Member and the provision of Section 149(1)(a), (b) and (c) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

2. Where a Member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

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

Statement Accompanying Notice of Annual General Meeting

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

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

Corporate Information

BOARD OF DIRECTORS

Yeap Kong Chean
Chief Executive Officer

Tan Hoay Leng
Executive Director

Lim Hoo Teck
Independent Non-Executive Director

Dato' Muhammad Farid bin Haji Ahmad Ridhwan
Independent Non-Executive Director

Chong Kai Min
Independent Non-Executive Director

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

SHARE REGISTRAR

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

AUDITORS

Mazars (AF 0539)
Wisma Selangor Dredging
7th Floor, South Block,
142-A Jalan Ampang
50450 Kuala Lumpur

PRINCIPAL BANKERS

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

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

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

STOCK EXCHANGE LISTING

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

WEBSITE

www.yglworld.com

Profile of Directors

YEAP KONG CHEAN
Chief Executive Officer
Aged 48, Malaysian

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

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

He commenced his career in 1985 with Ernst & Young Malaysia, and had spent seven (7) years in serving Ernst & Young Malaysia and Australia. He had consulted both local and foreign companies of various industries and sizes whilst with Ernst & Young. He was appointed as a consultant on advisory role with Ygl Convergence Malaysia Sdn Bhd in 1993, assisting Ygl Convergence Malaysia Sdn Bhd in business re-engineering and ERP deployment work.

TAN HOAY LENG
Executive Director
Aged 43, 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.

LIM HOO TECK
Independent Non-Executive Director
Aged 45, Malaysian

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

He is a member of the Malaysian Institute of Accountants (MIA), Chartered Tax Institute of Malaysia and Malaysian Institute of Certified Public Accountants. He is also a member of the Disciplinary Committee Panel (Lembaga Tatatertib Peguam-Peguam) pursuant to the Legal Profession Act, 1976. He also acts as an Adjudicator for the 2009 National Annual Corporate Report Awards competition.

He commenced his accounting profession in 1984 as an Audit Assistant with Messrs Mustapha Law, where he served for 5 years. In 1989, he joined the international accounting firm of Price Waterhouse (now known as PricewaterhouseCoopers), Kuala Lumpur for about 2 years. He then joined Coopers & Lybrand, Singapore as an Audit Manager in 1991. Currently, he is the Managing Partner of Messrs Steven Lim & Associates. He has more than 18 years experience in public accounting which includes, handling large audits of multinational and public listed companies as well as small and medium-sized audit for companies engaged in trading, manufacturing, banking, plantation, hotel, construction, property holding and service industries. He has also been involved in initial public offer (IPO) assignment, acquisition review and investigation works.

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

Profile of Directors (cont'd)

DATO' MUHAMMAD FARID BIN HAJI AHMAD RIDHWAN
Independent and Non-Executive Director
Aged 54, Malaysian

Dato' Muhammad Farid Bin Haji Ahmad Ridhwan was appointed to the Board on 1 June 2005. He is also a member of the Audit Committee of the Company.

He graduated as a mechanical engineer with a marketing degree from the University of Bristol, United Kingdom. He was previously a Director of LB Aluminium Berhad and played a key role in the listing of the company on the then Kuala Lumpur Stock Exchange in 2001. Dato' Farid was awarded the Anugerah "Usahawan Cemerlang 2001" by Bank Pembangunan & Infrastructur Malaysia Berhad. Dato' Farid is the inventor of the Prefix phone, the world's first line powered chip-card based prepaid fixed line telephone which won PIKOM-Computimes Product of the Year 2004 and which is the first locally developed product with 2 patents already granted. One of his companies, Alif R&D won the MSC-APICTA Award 2006 for Best in Research and Development.

Dato' Farid is currently the CEO of Paycomm Network Sdn Bhd (formerly known as Time Reach Sdn Bhd).

CHONG KAI MIN
Independent and Non-Executive Director
Aged 45, Malaysian

Chong Kai Min was appointed to the Board on 1 June 2005. He is also a member of the Audit Committee of the Company.

He holds a Bachelor of Science (Information Technology and Computer Science) from the National University of Singapore. In 1990, he joined Microsoft Singapore Pte Ltd as one of its pioneer employees and was with Microsoft for more than eight (8) years culminating as the Regional Marketing Manager for the Windows Platform. After that, he served as the Vice-President for Investments at OptixLab, a Malaysian venture capital company and he is currently a Director at I-Futures Malaysia Sdn Bhd, a business consulting company.

Profile of Directors (cont'd)

Notes:

i. Family Relationships and Substantial Shareholders

Directors	Family Relationship and Substantial Shareholders
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 substantial shareholder of the Company.
Tan Hoay Leng	Spouse of Mr. Yeap Kong Chean, Director and substantial shareholder of the Company.

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

ii. Directors' Shareholdings

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

iii. No Conflict of Interest

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

iv. Non-conviction of Offences

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

v. Attendance at Board Meetings

The following is the record of attendance by the present Board members during their tenure in office:-

Directors	No. of Board Meetings attended by the Directors	Total No. of Board Meetings held during tenure in office	% of attendance
Yeap Kong Chean	4	5	80
Tan Hoay Leng *(Appointed with effect from 12 May 2009)*	3	3	100
Lim Hoo Teck	5	5	100
Dato' Muhammad Farid bin Haji Ahmad Ridhwan	5	5	100
Chong Kai Min	5	5	100

Chief Executive Officer's Statement

On behalf of the Board of Directors and the management team of Ygl Convergence Berhad ("Ygl" or "Company"), 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 2009.

Looking back at 2009 in the midst of world economy downturn, the demand for information technology ("IT") solutions remained weak in our key markets, namely South East Asia and Greater China. During the year, we tightened our discretionary expenses, redirected some resources in new business units, strengthened core competencies, increased software development capabilities and leveraged on the experience we gained within our key markets to meet the challenges arisen in 2009. We continued to invest in both existing and future product line which we anticipate will have the market potential in the Greater China and South East Asia market. The structured approach adopted during the year is in line with Ygl aspiration to be the premier niche market solutions provider in Asia.

Financial Overview

Ygl Group recorded revenue of RM8.327 million for the financial year ended 31 December 2009, representing a decrease of 1% as compared with the revenue of RM8.448 million for the financial year ended 31 December 2008. Net loss for financial year 2009 was RM2.799 million as compared to net loss of RM4.245 million for financial year 2008. This represents an improvement of 34% from the previous year. Correspondingly, Ygl's net loss per share have decreased from 2.85 sen per share for the year ended 31 December 2008 to net loss per share of 1.90 sen for the year ended 31 December 2009.

Corporate Development

During the year 2009, Ygl won several awards in the field of IT such as MCA ICT Resource Centre Recognition Award, Asia Pacific Most Promising Entrepreneurship Award for IT Company, and Top Ten Economic Talents in China Innovative Award by Beijing Cultural Development Research Institute.

On 22 March 2010, Ygl completed a Private Placement exercise with the listing and quotation of 14,543,400 new ordinary shares of RM0.10 each in Ygl on the ACE Market of Bursa Securities. The proceeds raised from the said Private Placement will be utilized as the working capital of the Company.

Research and Development ("R&D")

For financial year 2009, Ygl Group had invested RM2.2 million in the new product development and feature enhancement of Ygl existing proprietary product line. This represents an increase of 44% as compared to the R&D's expenditure of RM1.52 million incurred in financial year 2008. The increase in R&D was for Ygl own developed software which are deemed to be essential for future growth of Ygl Group.

Prospect

Looking ahead into 2010, we are cautiously optimistic for a gradual recovery in the world economy and Ygl Group's revenue prospect. With the investments in management team, customer relationship and Ygl developed software; Ygl is ready to offer ourselves as the dominating business application provider in the Asia region in the background of improving world and regional economies.

The Group's forward direction is aligned with its business strategies and the goal to emerge as a stronger solutions provider in Asia.

Chief Executive Officer's Statement (cont'd)

Appreciation

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

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

The Board extends a warm welcome to our new Director, Madam Tan Hoay Leng, who joined the Board in May 2009. We look forward to her contribution in Ygl Group.

Yeap Kong Chean
Chief Executive Officer

3 May 2010

Audit Committee Report

MEMBERSHIP

The Audit Committee comprises the following members:

Chairman
Lim Hoo Teck (Independent Non-Executive Director)

Members
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan (Independent Non-Executive Director)
Chong Kai Min (Independent Non-Executive Director)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. COMPOSITION

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

The definition of "Independent Directors" shall have the meaning given in Rule 1.01 of the Listing Requirements of Bursa Securities for ACE Market.

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

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

2. AUTHORITY

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

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

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

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

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

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

Audit Committee Report (cont'd)

3. DUTIES AND RESPONSIBILITIES

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

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

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

3.3 to do the following, in relation to the internal audit function:

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

Audit Committee Report (cont'd)

3.4 To recommend the nomination of a person or persons as external auditors, the audit fee and any questions of resignation or dismissal.

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

3.6 To consider other topics as defined by the Board of Directors; and

3.7 To consider and examine such other matters as the Audit Committee considers appropriate.

4. MEETINGS & QUORUM

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

4.2 Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.

4.3 The present of the external auditors will be requested if required.

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

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

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

5. REPORTING PROCEDURES

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

5.2 The Company Secretaries shall be the secretaries of the Audit Committee.

5.3 Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board.

5.4 The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

Audit Committee Report (cont'd)

NUMBER OF MEETINGS AND DETAILS OF ATTENDANCE

The Audit Committee had held five (5) meetings during the financial year 2009 which were attended by the following Audit Committee members:-

Directors	No. of Meetings Attended	Total No. of Meetings held	%
Lim Hoo Teck	5	5	100
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan	5	5	100
Chong Kai Min	5	5	100

The non-executive members of the Audit Committee held dialogue sessions with the external auditors on 28 April 2009 and 24 November 2009 during the financial year 2009 without the presence of the Executive Directors.

SUMMARY OF ACTIVITIES

During the financial year 2009, the Audit Committee carried out the following activities in the discharge of its functions and duties:-

1. Reviewed the quarterly and annual reports of the Group and the Company prior to submission to the Board of Directors for consideration and approval;
2. Reviewed the related party transactions of the Company;
3. Reviewed the audit reports prepared by the external auditors for the Group and the Company before recommending to the Board for approval;
4. Reviewed the appointment of internal auditors of the Company;
5. Reviewed the internal audit reports prepared by the internal auditor on the strengths and weaknesses of the internal controls in the Group and the Company and follow-up on the improvements recommended by the internal auditor;
6. Reviewed the internal audit plan to ensure key risk areas were covered;
7. Made recommendation to the Board on the nomination of external auditors;
8. Reviewed with the external auditors, their audit planning memorandum, audit approach and reporting requirements prior to the commencement of audit work; and
9. Reviewed the Statement on Internal Control and Audit Committee Report for disclosure in the Annual Report.

Audit Committee Report (cont'd)

INTERNAL AUDIT

The Group has outsourced the internal audit functions to Messrs. Parker Randall Loh since May 2009 and they have carried out the review on the implementation of internal controls by the Group and the Company and provides reasonable assurance that the operations of the business were carried out under adequate internal controls and compliance with company policies and operational procedures. The internal control weaknesses identified were reported to the Audit Committee and the management is required to undertake adequate measures to address the operational weaknesses.

The activities carried out by the internal audit function include:

1. Reviewed the adequacy of accounting and financial controls;
2. Reviewed the application of operational procedures;
3. Reviewed compliance with established company policies;
4. Reviewed the software development cycle;
5. Ascertained the extent of compliance with operational procedures; and
6. Recommended improvements to the existing internal control procedures.

The total cost incurred by the Group for maintaining the internal audit functions for financial year 2009 was approximately RM15,537.00.

This statement is made in accordance with the resolution of the Board of Directors dated 27 April 2010.

Statement on Corporate Governance

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

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

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

BOARD OF DIRECTORS

The Board

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

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

Board Balance

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

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

The Executive Directors, Mr. Yeap Kong Chean and Madam Tan Hoay Leng, whom primarily are responsible for the implementation of the Board's policies and decision and keeping the Board informed of the overall operations of the Group. The present Independent Non-Executive Directors, Mr. Lim Hoo Teck, Dato' Muhammad Farid bin Haji Ahmad Ridhwan and Mr. Chong Kai Min, all of them are of sufficient caliber and experience to bring objectivity, balance and independent judgments to Board decision.

Statement on Corporate Governance (cont'd)

Board Meetings

The Board meetings are held at quarterly intervals and additional meetings are held should the need arise. For the financial year ended 31 December 2009, the Board had held five meetings and the attendance records by the present Board members are as follows:-

Directors	No. of Meetings attended by the Directors	Total No. of Meetings held during the tenure in office	%
Yeap Kong Chean	4	5	80
Tan Hoay Leng *(Appointed w.e.f. 12 May 2009)*	3	3	100
Lim Hoo Teck	5	5	100
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan	5	5	100
Chong Kai Min	5	5	100

The above attendance records exclude a Director, Mr. Yeap Kong Tai who deceased on 27 April 2009.

Supply of and Access to information

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 time to deliberate on issues to be raised at meetings.

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

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

Appointment to the Board and Re-election

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

Article 29.6 of the Company's Articles of Associations also provides that a newly appointed Director shall hold office only until the next AGM and shall then be eligible for re-election, and shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

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

Statement on Corporate Governance (cont'd)

Directors' Training

All the Directors including newly appointed Director, Madam Tan Hoay Leng have attended the Mandatory Accreditation Programme as required by Bursa Securities on all Directors of listed companies.

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

Descriptions of the type of training(s) attended by the Directors for financial year ended 31 December 2009 are as follows:-

Directors	Title of Seminar/Workshops/Courses	Training	Spent
Yeap Kong Chean	• CEO Course at Qinghua University, Beijing, China • Latest Developments on Transfer Pricing in Malaysia and the 2009 Mini Budget • Withholding Tax & Cross Border Transactions • National Seminar on Taxation 2009 • 2010 Budget Seminar	Course Workshop Workshop Seminar Seminar	6 Weeks 1 Day 1 Day 1 Day 1 Day
Tan Hoay Leng	• Mandatory Accreditation Programme for Directors of Public Listed Companies • Financial Instruments: Recognition, Measurement, Disclosure & Presentation (FRS 132, FRS 139 & IFRS 7) • Latest Developments on Transfer Pricing in Malaysia and Tax Cases & Public Rulings • National Seminar on Taxation 2009 • 2010 Budget Seminar	Seminar Seminar Seminar Seminar Seminar	2 Days 2 Days 1 Day 1 Day 1 Day
Lim Hoo Teck	• Modern Internal Auditing for Directors, Audit Committee, Senior Management and Auditors	Seminar	1 Day
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan	• Best Practice of Boardroom Affairs	Seminar	½ Day
Chong Kai Min	• Best Practice of Boardroom Affairs	Seminar	½ Day

Statement on Corporate Governance (cont'd)

Directors' Remuneration

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

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

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

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

The summary of the Directors' remuneration in the Company and its subsidiaries for the financial year ended 31 December 2009 is as follows:-

Directors	Company			Group		
	Salaries RM	Bonus RM	Fee RM	Salaries RM	Bonus RM	Fee RM
Executive	-	-	15,000	206,906	-	-
Non-Executive	-	-	60,000	-	-	-
Total	-	-	75,000	206,906	-	-

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

Range	Executive	Non-Executive
Below RM50,000	2	3
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	1	-

SHAREHOLDERS

Investors' Relations and Shareholders' Communication

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

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

Statement on Corporate Governance (cont'd)

AGM AND EXTRAORDINARY GENERAL MEETING

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

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

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

Internal Control

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

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

The Statement on Internal Control is set out on pages 22 and 23 of this Annual Report.

Statement on Corporate Governance (cont'd)

Relationship with the External Auditors

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

The Independent Non-Executive Directors also met with the external auditors without the presence of Management on 28 April 2009 and 24 November 2009 during the financial year 2009 in compliance with the best practices of the Code.

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

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

Compliance with the Best Practices of the Code

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

This statement is made in accordance with a resolution of the Board of Directors dated 27 April 2010.

Statement on Internal Control

1. Board Responsibilities

The Board acknowledges its responsibilities for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets, and for reviewing the adequacy and integrity of the internal control system.

These are the desired business objectives to be achieved in establishing the internal control systems:-

- Effectiveness and efficiency of operations
- Reliability, accuracy, and timely financial reporting
- Compliance with applicable laws, regulations, rules, directives and guidelines

However, the internal control systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. As such, the system can only provide reasonable but not absolute assurance against material misstatement, fraud or losses.

2. Key Elements of Internal Control

Risk Management

Risk management is recognized as an integral part of good business practice. The Board has the responsibility to structure a sound risk management framework in the company policies to communicate the necessary information to enable the management team to evaluate the principal risks and related financial and operational issues. Monitoring of the Group's operations and performance at its board meeting provides for alignment of the Group's business direction with the expectation of the Board.

Control Structure

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

- Dissemination of comprehensive financial reports to the Board and Audit Committee on a quarterly basis for review to formulate action plans to address any areas of concern

- Involvement of the Executive Directors in the weekly operational meetings attended by respective senior management to highlight significant matters arising on a timely basis

- Maintain a demanding recruitment standards and employee competency programmes to ensure competent personnel are employed for the operating units to function efficiently

- Adopting the Capability Maturity Model Integration (CMMI) quality assurance processes to appraise the development of software development and implementation

- Constant monitoring of work performance by an effective reporting system

Statement on Internal Control (cont'd)

Internal Audit

In May 2009, the Management has outsourced the internal audit functions to an independent qualified auditor to review the effectiveness and efficiency of the internal control system. The internal auditor reported directly to the Audit Committee and any significant issue raised would be addressed and improvements recommended to the Management.

Effectiveness of Internal Control System

The internal control mechanisms in place for financial and operations are viewed by the Board to provide reasonable assurance that the internal controls are suitable at the current level of operations. The Board is committed to continuously improve the internal control system to support the requirements of the Group. Albeit some minor internal control weaknesses which are being addressed, there were no significant weaknesses in the internal control procedures that had arisen during the financial year.

This statement is made in accordance with a resolution of the Board of Directors dated 27 April 2010.

Directors' Responsibility Statement on Financial Statements

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

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

In preparing the financial statements for the financial year ended 31 December 2009, the Directors have:-

– adopted the Financial Reporting Standards issued by the Malaysian Accounting Standards Board which came into effect from 1 January 2006 and new applicable Financial Reporting Standards thereof;

– made judgments and estimates that are reasonable and prudent;

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

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

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

This statement is made in accordance with a resolution of the Board of Directors dated 27 April 2010.

Additional Compliance Information

UTILISATION OF PROCEEDS

There was no corporate exercise with proceeds from the shareholders during the financial year 2009.

In March 2010, a total proceeds of RM1,527,057 had been raised through the Private Placement of up to 10% of the issued and fully paid-up share capital of Ygl, comprising of 14,543,400 new Ordinary Shares of RM0.10 each ("Share") at issue price of RM0.105 per Share. The proceeds raised from the Private Placement were for working capital purposes.

The Company had completed the Private Placement and its details are set out below:-

No. of Ygl Shares allotted	Issue price	Date of allotment of Shares	Date of listing and quotation of Shares on the ACE Market of Bursa Securities	Date of announcement for completion of Private Placement
14,543,400	RM0.105	18 March 2010	22 March 2010	22 March 2010

As at 27 May 2010, the Company only utilized the above proceeds for the expenses incurred for the listing and placement expenses amounting to RM54,517 and as working capital for RM50,091, while the balance of proceeds amounting to RM1,422,449 remained unutilized.

SHARE BUY-BACK

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

OPTIONS OR CONVERTIBLE SECURITIES

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

DEPOSITORY RECEIPT PROGRAMME

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

IMPOSITION OF SANCTIONS AND PENALTIES

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

Additional Compliance Information (cont'd)

NON-AUDIT FEES

There were no non-audit fees paid to the external auditors by the Group and by the Company for the financial year 31 December 2009.

VARIATION OF ACTUAL PROFIT FROM THE UNAUDITED RESULTS

There were no material variations between the audited results for the financial year ended 31 December 2009 and the unaudited results for the quarter ended 31 December 2009 of the Group as previously announced.

PROFIT GUARANTEE

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

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

The Company's wholly owned subsidiary, namely Ygl Convergence Malaysia Sdn Bhd ("YGLM") had during second quarter of financial year 2009 entered into an enterprise solution contract with Paycomm Network Sdn Bhd ("Paycomm") involving the sale of software, hardware and professional services by YGLM to Paycomm for RM337,071 only. The Director and Shareholder of Paycomm is Dato' Muhammad Farid Bin Haji Ahmad Ridhwan, who is also an Independent Non-Executive Director of the Company. The transaction is in the normal course of business and based on normal market terms and conditions.

Save as disclosed above, there were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders during the financial year.

REVALUATION POLICY

The Group currently has not adopted a policy of regular revaluation on its landed properties and will do so only when the need arises. The existing system of showing the assets at cost less accumulated depreciation and accumulated impairment is a generally accepted accounting practice.

Corporate Social Responsibility Statement

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

ENVIRONMENT

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

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

COMMUNITY

Ygl Group plays its role as a socially responsible citizen in the community whenever the need arises.

Ygl Convergence Malaysia Sdn Bhd jointly organized a seminar on "Surviving the Shock — and Thriving" with the Penang Chinese Chamber of Commerce's Information Technology Committee to educate and create awareness to young entrepreneurs on how technology and business intelligence can contribute to the growth of the company and how ERP help define best practices, optimize activities and gain control over processes.

On 18 Sep 2009, Penang Chinese Chamber of Commerce's Information Technology Committee and SCoPe (Software Consortium of Penang – Ygl Convergence Malaysia Sdn Bhd is a member of ScoPe) jointly organized a seminar on 'Technopreneurship & Business Intelligence System'. The speakers, Mr. Neil Lin from Ygl and Mr. Jeffrey Lim from Softphix shared their knowledge with the audiences about the choice of the matured enterprise business model today during the economic downturn.

Ygl staff at Hong Kong made a visit to Baptist Oi Kwan Social Service Elderly Day-care Centre (Shatin, Hong Kong). The centre members enjoyed a delightful morning with Ygl staff playing traditional games of mid-autumn festival such as solving riddles and guessing games. Yglians feel strongly about honouring the elderly community and showing them the respect they deserve.

Corporate Social Responsibility Statement (cont'd)

Along with many other multinational companies, Ygl contributed as one of the Information Technology ("IT") Sponsors of the forum themed "We Care, We Share: Creating Our eHealth Future". The forum seeks to address key issues related to enhancing integration in healthcare via implementation of a territory-wide electronic health record (eHR) system.

WORKPLACE

Ygl Group recognizes that its employees are important assets. It takes good care of the welfare of its employees and employs them under fair and equitable terms besides offering equal opportunity of career advancement. The Group constantly upgrades the employees' skills, knowledge and experience which would enhance the individual employee's competency.

Ygl Multimedia Resources Sdn Bhd established a skill development internship of 6 months to all undergraduates currently pursuing program relating to IT. Students are given computer based-training to provide a learning and development solution based on quality and commitment that lead to improvement in just-in-time performance and business results. This program also helps our employees to develop their own potential and work together with the undergraduates to develop the skill sets required which benefits the environment.

MARKET PLACE

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

On 20 August 2009, Ygl was awarded the "MOST Promising Entrepreneurship Award 2009" at the Asia Pacific Entrepreneurship Awards ("APEA") 2009 Malaysia. APEA is a world-class award recognizing and honoring business leaders who have shown outstanding performance and tenacity in developing successful businesses within the region as judged by an independent judging panel. Judging from both quantitative and qualitative criteria, the winners of the Most Promising Entrepreneurship Award are entrepreneurs that have displayed outstanding accomplishment and have the vision and plan to lead their companies to become leading businesses in the near future.

Mr. Yeap Kong Chean, CEO of Ygl, has been awarded a prestigious accolade for his contribution to the development of China's economy at this year's "Top Ten Economic Talents Awards" in Beijing, China. Jointly organized by the Beijing Cultural Development Research Institute and leading Chinese broadcast and print media groups, the annual award ceremony recognises those who have made outstanding contributions to China's economic development. Judged on their contribution, level of innovation and social influence, the winners were elected after several rounds of evaluation by the nomination committee, newspapers and online voting.

Awards Received

Directors' Report
for the year ended 31 December 2009

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM	Company RM
Net loss for the year	(2,798,937)	(95,735)
Attributable to:		
Shareholders of the Company	(2,759,372)	(95,735)
Minority interests	(39,565)	-
	(2,798,937)	(95,735)

DIVIDEND

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS

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

Yeap Kong Chean
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan
Chong Kai Min
Lim Hoo Teck
Tan Hoay Leng (appointed on 12-5-2009)

In accordance with the Company's Articles of Association, Mr. Yeap Kong Chean and Mr. Lim Hoo Teck retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' Report
for the year ended 31 December 2009 (cont'd)

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.10 each			
The Company	**At 1-1-2009**	**Bought**	**Sold**	**At 31-12-2009**
Yeap Kong Chean				
- direct interest	40,666,668	-	-	40,666,668
Tan Hoay Leng				
- deemed interest	40,666,668	-	-	40,666,668
Chong Kai Min				
- direct interest	10,000	-	-	10,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received 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) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

OTHER STATUTORY INFORMATION

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

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

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

Directors' Report
for the year ended 31 December 2009 (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

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

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

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

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

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

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

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

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

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

(f) In the opinion of the directors:

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

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

Directors' Report
for the year ended 31 December 2009 (cont'd)

OTHER MATTERS

With reference to Note 8 in the notes to financial statements, the financial statements of Ygl Convergence (Asia Pacific) Pte Ltd are not consolidated in the financial statements of the Company for the year ended 31 December 2009 due to lost of control in year 2008 and accordingly the Company has applied and obtained approval from the Companies Commission of Malaysia for relief from requirements under Section 169 (16) and Ninth Schedule of the Companies Act 1965 in the approval letter dated 18 March 2010.

AUDITORS

The auditors, Mazars, Chartered Accountants, have expressed their willingness to continue in office.

Signed on behalf of the directors in accordance
with a directors' resolution dated
28 April 2010

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

Independent Auditors' Report

to the members of YGL Convergence Berhad

Report on the Financial Statements

We have audited the financial statements of Ygl Convergence Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 82.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

Other Matters

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

MAZARS
No. AF: 0539
Chartered Accountants

TANG KIN KHEONG
No. 1501/9/11 (J/PH)
Partner

Kuala Lumpur

Date: 28 April 2010

Balance Sheets
- 31 December 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	4,900,261	4,760,079	3,466,379	3,107,012
Investment property	4	288,569	289,046	-	-
Intangible assets	5	4,417,439	3,062,651	-	-
Investment in subsidiaries	6	-	-	7,567,413	4,270,047
Investment in associates	7	677,529	322,220	1,000,000	500,000
Other investments	8	92,955	990,932	1	1
		10,376,753	9,424,928	12,033,793	7,877,060
CURRENT ASSETS					
Trade and other receivables	9	3,033,744	3,294,027	120,685	106,188
Amount owing by subsidiaries	6	-	-	1,054,259	1,311,630
Amount owing by associates	7	475,000	650,000	475,000	650,000
Current tax assets		202,954	214,888	30,317	42,251
Time deposit	10	2,126,906	5,972,987	2,126,906	5,972,987
Cash and bank balances	11	984,522	1,550,122	13,390	91,484
		6,823,126	11,682,024	3,820,557	8,174,540
TOTAL ASSETS		17,199,879	21,106,952	15,854,350	16,051,600

Balance Sheets
- 31 December 2009 (cont'd)

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
EQUITY					
Share capital	12	14,543,400	14,543,400	14,543,400	14,543,400
Share premium, non-distributable		2,335,128	2,335,128	2,335,128	2,335,128
Exchange translation reserve, non-distributable		(54,486)	16,704	-	-
(Accumulated loss) / Unappropriated profit		(2,728,934)	30,438	(1,238,432)	(1,142,697)
Equity attributable to shareholders of the Company		14,095,108	16,925,670	15,640,096	15,735,831
Minority interests		112,111	151,676	-	-
TOTAL EQUITY		14,207,219	17,077,346	15,640,096	15,735,831
NON-CURRENT LIABILITIES					
Hire purchase liabilities	13	55,265	134,205	-	-
Deferred tax liabilities	14	1,521	15,563	1,521	15,563
		56,786	149,768	1,521	15,563
CURRENT LIABILITIES					
Trade and other payables	15	1,827,402	2,473,812	28,253	50,582
Amount owing to subsidiaries	6	-	-	184,480	249,624
Hire purchase liabilities	13	71,995	72,868	-	-
Current tax liabilities		14,062	14,314	-	-
Deferred revenue	16	1,022,415	1,318,844	-	-
		2,935,874	3,879,838	212,733	300,206
TOTAL LIABILITIES		2,992,660	4,029,606	214,254	315,769
TOTAL EQUTIY AND LIABILITIES		17,199,879	21,106,952	15,854,350	16,051,600

Notes to and forming part of the financial statements are set out on pages 44 to 82
Auditors' Report - Pages 34 and 35

Income Statements
for the year ended 31 December 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Gross revenue	17	8,326,568	8,448,611	10,000	10,000
Cost of sales		(7,937,912)	(7,238,141)	-	-
Gross profit		388,656	1,210,470	10,000	10,000
Other operating income		211,876	566,809	134,538	258,725
Selling and distribution expenses		(75,121)	(183,210)	-	-
Administrative and general expenses		(2,387,369)	(3,024,467)	(224,554)	(1,552,220)
Other operating expenses		(757,079)	(2,599,658)	-	-
Loss from operations		(2,619,037)	(4,030,056)	(80,016)	(1,283,495)
Finance costs		(14,299)	(12,151)	(4,500)	-
Share of results of associate		(144,691)	(177,780)	-	-
Loss before tax	18	(2,778,027)	(4,219,987)	(84,516)	(1,283,495)
Tax (expense) / income	19	(20,910)	(25,426)	(11,219)	10,802
Net loss for the year		(2,798,937)	(4,245,413)	(95,735)	(1,272,693)
Attributable to:					
Shareholders of the Company		(2,759,372)	(4,144,719)	(95,735)	(1,272,693)
Minority interests		(39,565)	(100,694)	-	-
Net loss for the year		(2,798,937)	(4,245,413)	(95,735)	(1,272,693)
Loss per share attributable to equity holders of the Company (sen)	20	(1.90)	(2.85)		

Notes to and forming part of the financial statements are set out on pages 44 to 82
Auditors' Report - Pages 34 and 35

Consolidated Statement of Changes in Equity
for the year ended 31 December 2009

	Attributable to equity holders of the Company						
	Share capital RM	Share premium RM	Exchange translation reserve RM	Unappropriated profit RM	Total RM	Minority interests RM	Total equity RM
At 1 January 2008	7,271,700	9,606,828	6,817	4,233,201	21,118,546	343,788	21,462,334
Issue of share capital							
- bonus issue of 1 : 1	7,271,700	(7,271,700)	-	-	-	-	-
Net profit recognised directly in equity							
- Exchange translation differences	-	-	10,356	-	10,356	-	10,356
Net loss for the year	-	-	-	(4,144,719)	(4,144,719)	(100,694)	(4,245,413)
Total recognised income and expenses for the year	-	-	10,356	(4,144,719)	(4,134,363)	(100,694)	(4,235,057)
Deconsolidation of a subsidiary	-	-	(469)	(58,044)	(58,513)	(91,418)	(149,931)
At 31 December 2008	14,543,400	2,335,128	16,704	30,438	16,925,670	151,676	17,077,346

Consolidated Statement of Changes in Equity
for the year ended 31 December 2009 (cont'd)

	Attributable to equity holders of the Company						
	Share capital RM	Share premium RM	Exchange translation reserve RM	Accumulated loss RM	Total RM	Minority interests RM	Total equity RM
At 1 January 2009	14,543,400	2,335,128	16,704	30,438	16,925,670	151,676	17,077,346
Exchange translation differences	-	-	(71,190)	-	(71,190)	-	(71,190)
Net loss recognised directly in equity	-	-	(71,190)	-	(71,190)	-	(71,190)
Net loss for the year	-	-	-	(2,759,372)	(2,759,372)	(39,565)	(2,798,937)
Total recognised income and expenses for the year	-	-	(71,190)	(2,759,372)	(2,830,562)	(39,565)	(2,870,127)
At 31 December 2009	14,543,400	2,335,128	(54,486)	(2,728,934)	14,095,108	112,111	14,207,219

Notes to and forming part of the financial statements are set out on pages 44 to 82
Auditors' Report - Pages 34 and 35

Statement of Changes in Equity
for the year ended 31 December 2009

	Share capital RM	Share premium RM	Unappropriated profit/(Accumulated loss) RM	Total RM
At 1 January 2008	7,271,700	9,606,828	129,996	17,008,524
Issue of share capital - bonus issue of 1:1	7,271,700	(7,271,700)	-	-
Net loss for the year	-	-	(1,272,693)	(1,272,693)
At 31 December 2008	14,543,400	2,335,128	(1,142,697)	15,735,831
Net loss for the year	-	-	(95,735)	(95,735)
At 31 December 2009	14,543,400	2,335,128	(1,238,432)	15,640,096

Notes to and forming part of the financial statements are set out on pages 44 to 82
Auditors' Report - Pages 34 and 35

Cash Flow Statements

for the year ended 31 December 2009

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(2,778,027)	(4,219,987)	(84,516)	(1,283,495)
Adjustments for:				
Depreciation of property, plant and equipment	257,833	291,754	5,839	5,014
Depreciation of investment property	477	477	-	-
Amortisation of software development costs	814,773	659,610	-	-
Shares of result of associates	144,691	177,780	-	-
Inventories written off	-	178,233	-	-
Bad debts written off	79,523	254,591	-	-
Allowance for doubtful debts	94,856	403,657	-	-
Allowance for doubtful debts written back	(28,025)	-	-	-
Allowance for diminution in value of other investment	-	1,314,403	-	1,314,403
Unrealised loss on foreign exchange	-	4,542	-	-
Dividend income	(16,660)	(31,528)	-	-
Interest income	(134,563)	(296,941)	(134,538)	(258,624)
Interest expenses	6,297	400	-	-
Hire purchase term charges	8,002	11,751	-	-
Operating loss before working capital changes	(1,550,823)	(1,251,258)	(213,215)	(222,702)
Changes in software development costs	(2,199,262)	(1,522,342)	-	-
Changes in inventories	-	12,500	-	-
Changes in receivables	91,415	38,900	(14,497)	(48,804)
Changes in payables	(626,103)	646,911	(22,329)	(9,599)
Changes in deferred revenue	(296,429)	67,793	-	-
Cash utilised in operations	(4,581,202)	(2,007,496)	(250,041)	(281,105)
Dividend received	16,660	31,528	-	-
Interest received	134,563	296,941	134,538	258,624
Interest paid	(6,297)	(400)	-	-
Tax paid	(53,779)	(40,452)	(13,327)	(32,448)
Net cash used in operating activities	(4,490,055)	(1,719,879)	(128,830)	(54,929)

Cash Flow Statements
for the year ended 31 December 2009 (cont'd)

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(398,153)	(2,013,788)	(365,206)	(1,692,254)
Purchase of additional investment in subsidiary	-	-	(3,297,366)	-
Purchase of investment in associate	(500,000)	(500,000)	(500,000)	(500,000)
Purchase of other investment	-	(331,531)	-	-
Proceeds from disposal of other investment	897,977	-	-	-
Deconsolidation of a subsidiary, net of cash (Note 21)	-	(7,320)	-	-
Advances to subsidiaries	-	-	257,371	(328,073)
Repayment from / (Advances to) associates	175,000	(650,000)	175,000	(650,000)
Net cash used in investing activities	174,824	(3,502,639)	(3,730,201)	(3,170,327)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment to subsidiary	-	-	(65,144)	(20,628)
Payment of hire purchase instalments	(79,813)	(69,309)	-	-
Hire purchase term charges paid	(8,002)	(11,751)	-	-
Net cash used in financing activities	(87,815)	(81,060)	(65,144)	(20,628)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(4,403,046)	(5,303,578)	(3,924,175)	(3,245,884)
EFFECT OF CHANGES IN EXCHANGE RATES	(8,635)	9,887	-	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	7,523,109	12,816,800	6,064,471	9,310,355
CASH AND CASH EQUIVALENTS CARRIED FORWARD	3,111,428	7,523,109	2,140,296	6,064,471
Represented by:				
TIME DEPOSITS	2,126,906	5,972,987	2,126,906	5,972,987
CASH AND BANK BALANCES	984,522	1,550,122	13,390	91,484
	3,111,428	7,523,109	2,140,296	6,064,471

Notes to and forming part of the financial statements are set out on pages 44 to 82
Auditors' Report - Pages 34 and 35

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements comply with applicable approved Financial Reporting Standards ("FRSs"), issued by the Malaysian Accounting Standards Board ("MASB") and with the provisions of the Companies Act, 1965. The accounting policies of the Company are consistent with those of the previous financial year.

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

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

(b) New/Revised FRSs, Issues Committee Interpretation ("IC Interpretations") and Amendments to FRSs that are not yet effective

The Group and the Company have not applied the following new/revised FRSs and IC Interpretations (including their consequential amendments) that have been issued by MASB but are not yet effective:

New/revised FRSs and IC Interpretations		Effective for financial periods beginning on or after
FRS 1	First-time Adoption of Financial Reporting Standards (revised)	1 July 2010
FRS 3	Business Combinations (revised)	1 July 2010
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 101	Presentation of Financial Statements (revised)	1 January 2010
FRS 123	Borrowing Costs (revised)	1 January 2010
FRS 127	Consolidated and Separate Financial Statements (revised)	1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
	Improvements to FRSs (2009)	1 January 2010
	Improvements to FRSs (2010)	1 July 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) New/Revised FRSs, Issues Committee Interpretation ("IC Interpretations") and Amendments to FRSs that are not yet effective (cont'd)

Consequential amendments were also made to various FRSs as a result of these new/ revised FRSs and IC Interpretations.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30 (b) for FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs.

The above new/revised FRSs, IC Interpretations and Amendments to FRSs are not expected to have any significant impact on the financial statements of the Group and the Company upon their initial application except for the presentation requirements in *FRS 101* as discussed below:

FRS 101 – Presentation of Financial Statements

FRS 101 requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (ie. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements.

(c) Significant accounting estimates and judgements

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

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

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

Critical judgement made in applying accounting policies

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

Classification of investment properties and owner-occupied properties

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Classification of investment properties and owner-occupied properties (cont'd)

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

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

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

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

Depreciation of property, plant and equipment

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

The carrying amount of the Group's and Company's property, plant and equipment as at 31 December 2009 was RM 4.900 million and RM3.466 million (2008: RM4.760 million and RM3.107 million) respectively.

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

Impairment losses for doubtful debts

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

The carrying amount of the Group's trade and other receivables as at 31 December 2009 was RM 3.034 million (2008: RM3.294 million).

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Impairment of investments in subsidiaries

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

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

The carrying amount of the Company's investments in subsidiaries as at 31 December 2009 was RM 7.567 million (2008: RM4.270million).

(d) Subsidiaries

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

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

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

(e) Basis of consolidation

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

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

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

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

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

Notes to and forming part of The Financial Statements

for the year ended 31 December 2009 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Basis of consolidation

Goodwill arising on the acquisition of subsidiary companies is presented separately in the balance sheet.

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

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

(f) Associated Companies

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

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

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

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

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

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

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software development costs

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

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

(h) Property, plant and equipment

(i) Measurement basis

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

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

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(ii) Depreciation

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

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

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

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

(i) Investment property

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

(i) Measurement basis

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

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

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

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Investment property (cont'd)

(ii) Depreciation

Freehold land is not depreciated.

Depreciation is calculated to write off depreciable amount of the apartment 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 apartment unit.

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

(j) Other investments

Other investments are stated at cost less any diminution in value of the investments. An allowance for diminution in value is made if the directors are of the opinion that there is a decline in the value of such investments which is other than temporary. The diminution in value if any, is charged to the income statement. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(k) Leases

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

(i) Finance lease

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

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

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

(ii) Operating lease

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

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on the first-in first-out basis and represents the landed costs of goods purchased.

Net realisation value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Receivables

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

(n) Impairment of non-financial assets

(i) Goodwill

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

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

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

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

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

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

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

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(ii) Property, plant and equipment, investment properties, software development costs, prepaid lease payments, investments in subsidiaries and investment in associates (cont'd)

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

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

(o) Impairment of financial assets

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

(i) Assets carried at amortised cost

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

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

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

(ii) Assets carried at cost

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

Such impairment losses are not reversed in subsequent periods.

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) 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 income statement.

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

(q) Payables

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

(r) Deferred revenue

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

(s) Foreign currency

(i) Functional currency

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

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

(ii) Transactions and balances in foreign currencies

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

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

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

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

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Foreign currency (cont'd)

(ii) Transactions and balances in foreign currencies (cont'd)

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

(iii) Translation of foreign operations

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

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

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

(t) Revenue recognition

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

(i) Sale of computer software and hardware

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

(ii) Provision of consulting services

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

(iii) Interest income

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

(iv) Dividend income

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

(v) Rental income

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Revenue recognition (cont'd)

(vi) Management fee

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

(u) Employees benefits

(i) Short term employee benefits

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

(ii) Post-employment benefits

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

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

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

(iii) Termination benefits

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

(v) Borrowing costs

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

(w) Taxation

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

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Taxation (cont'd)

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

(i) goodwill; or

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

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

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

(x) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, time deposits 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.

(y) Financial instruments

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

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

There are no financial instruments not recognised in the balance sheet.

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

(i) Credit risk

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

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

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

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

(ii) Foreign currency exchange risk

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

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

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

(iii) Interest rate risk

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

The Group is exposed to interest rate risk in respect of its time deposits placed with licensed financial institutions and hire purchase liabilities.

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

The Group does not consider interest rate risk arising from hire purchase financing which carries fixed interest rates as having significant impact on the financial statements of the Group as the amounts financed are not significant.

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

(iv) Market risk

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

Group 2009	Freehold land and office lot RM	Motor vehicles RM	Computer equipment RM	Furniture, fittings and office equipment RM	Renovations RM	Construction work-in-progress RM	Total RM
Cost							
At 1 January	1,038,825	557,780	731,288	585,315	161,875	3,093,764	6,168,847
Exchange adjustments	-	-	(5,452)	(2,403)	-	-	(7,855)
Additions	-	-	24,093	7,083	3,500	363,477	398,153
Disposal	-	-	-	-	-	-	-
At 31 December	1,038,825	557,780	749,929	589,995	165,375	3,457,241	6,559,145
Accumulated depreciation							
At 1 January	30,096	276,368	631,009	453,928	17,367	-	1,408,768
Exchange adjustments	-	-	(5,002)	(2,716)	-	-	(7,718)
Charge for the year	5,016	111,556	68,130	55,063	18,068	-	257,833
At 31 December	35,112	387,924	694,137	506,276	35,435	-	1,658,884
Net carrying amount							
At 31 December	1,003,713	169,856	55,792	83,719	129,940	3,457,241	4,900,261

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

Group 2008 Cost	Freehold land and office lot RM	Motor vehicles RM	Computer equipment RM	Furniture, fittings and office equipment RM	Renovations RM	Construction work-in-progress RM	Total RM
At 1 January	1,038,825	557,780	922,294	507,240	-	1,406,873	4,433,012
Exchange adjustments	-	-	27,876	10,515	-	-	38,391
Additions	-	-	80,848	84,174	161,875	1,686,891	2,013,788
Disposals	-	-	-	-	-	-	-
Write off	-	-	(287,034)	(8,788)	-	-	(295,822)
Deconsolidation of subsidiary	-	-	(12,696)	(7,826)	-	-	(20,522)
At 31 December	1,038,825	557,780	731,288	585,315	161,875	3,093,764	6,168,847
Accumulated depreciation							
At 1 January	25,080	164,812	823,108	383,467	-	-	1,396,467
Exchange adjustments	-	-	21,307	8,869	-	-	30,176
Charge for the year	5,016	111,556	83,698	74,117	17,367	-	291,754
Disposals	-	-	-	-	-	-	-
Write off	-	-	(287,034)	(8,788)	-	-	(295,822)
Deconsolidation of subsidiary	-	-	(10,070)	(3,737)	-	-	(13,807)
At 31 December	30,096	276,368	631,009	453,928	17,367	-	1,408,768
Net carrying amount							
At 31 December	1,008,729	281,412	100,279	131,387	144,508	3,093,764	4,760,079

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

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

Company 2009	Computer equipment RM	Furniture and fittings RM	Construction work-in-progress RM	Total RM
Cost				
At 1 January	13,099	11,971	3,093,764	3,118,834
Additions	1,729	-	363,477	365,206
Reclassification	-	2,400	(2,400)	-
At 31 December	14,828	14,371	3,454,841	3,484,040
Accumulated depreciation				
At 1 January	7,260	4,562	-	11,822
Charge for the year	2,965	2,874	-	5,839
At 31 December	10,225	7,436	-	17,661
Net carrying amount				
At 31 December	4,603	6,935	3,454,841	3,466,379
2008				
Cost				
At 1 January	13,099	6,608	1,406,873	1,426,580
Additions	-	5,363	1,686,891	1,692,254
Disposal	-	-	-	-
At 31 December	13,099	11,971	3,093,764	3,118,834
Accumulated depreciation				
At 1 January	4,640	2,168	-	6,808
Charge for the year	2,620	2,394	-	5,014
At 31 December	7,260	4,562	-	11,822
Net carrying amount				
At 31 December	5,839	7,409	3,093,764	3,107,012

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

The above motor vehicles of the Group stated at net carrying amount of RM169,856 (2008 : RM281,412) are acquired under hire purchase.

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

4. INVESTMENT PROPERTY

	Group	
	2009 RM	**2008 RM**
Office lot		
Cost		
At 1 January	290,000	290,000
Addition/Disposal	-	-
At 31 December	290,000	290,000
Accumulated depreciation		
At 1 January	954	477
Charge for the year	477	477
At 31 December	1,431	954
Net carrying amount		
At 31 December	288,569	289,046

The fair value of the office lot at the end of the financial year is RM 490,000 (2008: RM370,000) which was determined by the directors by reference to market evidence of transactions price for similar property.

5. INTANGIBLE ASSETS

Group Cost	**Software development costs RM**	**Goodwill RM**	**Total RM**
At 1 January 2008	2,170,882	2,273,444	4,444,326
Additions	1,522,342	-	1,522,342
Deconsolidation of a subsidiary	-	(1,235,320)	(1,235,320)
At 31 December 2008	3,693,224	1,038,124	4,731,348
Exchange translation reserve	(4,774)	-	(4,774)
Additions	2,174,335	-	2,174,335
At 31 December 2009	5,862,785	1,038,124	6,900,909

Notes to and forming part of The Financial Statements

for the year ended 31 December 2009 (cont'd)

5. INTANGIBLE ASSETS (cont'd)

Group Cost	Software development costs RM	Goodwill RM	Total RM
Accumulated amortisation and impairment			
At 1 January 2008	1,009,087	-	1,009,087
Amortisation for the year	659,610	-	659,610
At 31 December 2008	1,668,697	-	1,668,697
Amortisation for the year	814,773	-	814,773
At 31 December 2009	2,483,470	-	2,483,470
Net carrying amount At 31 December 2009	3,379,315	1,038,124	4,417,439
Net carrying amount At 31 December 2008	2,024,527	1,038,124	3,062,651

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

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

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

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

Gross margin	-	13% - 26%
Growth rate	-	18% - 28%
Discount rate	-	6.84%

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

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

(i) Budgeted gross margin

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

5. INTANGIBLE ASSETS (cont'd)

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

(ii) Growth rate

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

(iii) Discount rate

The discount rate of 6.84% used is pre-tax and reflects specific risks relating to the industry.

(iv) Risk free rate

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

Sensitivity to changes in assumptions

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

6. INVESTMENT IN SUBSIDIARIES

	2009 RM	2008 RM
Unquoted shares, at cost	7,567,413	4,270,047

The amounts owing by/to subsidiaries represents unsecured advances, interest free have no fixed term of repayment.

The subsidiaries are as follows:

	Gross equity interest 2009	Gross equity interest 2008	Country of incorporation	Principal activities
Subsidiaries of the Company				
Ygl Convergence Malaysia Sdn Bhd	100%	100%	Malaysia	Marketing and distribution of computer software and hardware and the provision of professional services

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

6. INVESTMENT IN SUBSIDIARIES (cont'd)

The subsidiaries are as follows:

	Gross equity interest 2009	Gross equity interest 2008	Country of incorporation	Principal activities
Subsidiaries of the Company				
* 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
Subsidiary of Ygl Convergence (China) Limited				
* King's System (Shanghai) Co Ltd	100%	100%	The People's Republic of China	Provision of consultancy services and trading of computer equipment and software

* Subsidiaries not audited by Mazars

(a) Impairment test for investment in subsidiaries

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

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

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

(i) Budgeted gross margin

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

6. INVESTMENT IN SUBSIDIARIES (cont'd)

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

(ii) Budgeted expenses

Expenses are budgeted to increase at inflation rate

(iii) Discount rate

The discount rate used is 6.84%

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

7. INVESTMENT IN ASSOCIATES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Unquoted shares, at cost	1,000,000	500,010	1,000,000	500,000
Group's share of post-acquisition results	(322,471)	(177,790)	-	-
	677,529	322,220	1,000,000	500,000

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

The associates are as follows:

	Gross equity interest 2009 %	Gross equity interest 2008 %	Country of incorporation	Principal activities
Associate of the Company				
Ygl iBay International Sdn Bhd	30	30	Malaysia	Providing consultancy services, supplier management and business solutions services and trading of computer software

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

7. INVESTMENT IN ASSOCIATES (cont'd)

The associates are as follows:

	Gross equity interest 2009 %	Gross equity interest 2008 %	Country of incorporation	Principal activities
Associate of Ygl Convergence Malaysia Sdn Bhd				
Ygl Consulting (Thailand) Co. Ltd	39	39	Thailand	Marketing and distribution of computer software and provision of related services

The associates are not audited by Mazars

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

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

The Group has discontinued the recognition of its share of losses in Ygl Consulting (Thailand) Co. Ltd as the share of losses has exceeded the Group's interest in the said associate. The Group's unrecognised share of losses for the current year and cumulative years is RM 11,667 (2008 : RM4,326) and RM 22,406 (2008 : RM10,739) 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 at 31 December 2009 is as follows:

	Group 2009 RM	Group 2008 RM
Assets and liabilities		
Non-current assets	2,971,762	1,813,841
Current assets	471,671	519,912
Total assets	3,443,433	2,333,753
Non-current liabilities	475,000	650,002
Current liabilities	539,521	437,452
Total liabilities	1,014,521	1,087,454
Results		
Revenue	465,548	394,943
Loss for the year	493,971	603,693

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

8. OTHER INVESTMENTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Unit trusts quoted in Malaysia, at cost	92,954	990,931	-	-
Unquoted shares, at cost	1,314,404	1,314,404	1,314,404	1,314,404
Less: Allowance for diminution in value	1,314,403	1,314,403	1,314,403	1,314,403
	1	1	1	1
	92,955	990,932	1	1
Market value of unit trusts quoted in Malaysia	92,954	990,931	-	-

The unquoted shares represent investment in a subsidiary, Ygl Convergence (Asia Pacific) Pte Ltd ("YGLAP"), in which the Company holds an equity interest of 60% (2008: 60%). The Company lost control over YGLAP in Year 2008 when it ceased to have the power to control the financial and operating policies of YGLAP.

Subsequent to year end, an extraordinary general meeting of Ygl Convergence (Asia Pacific) Pte Ltd ("YGLAP") was held on 18 February 2010, to appoint new company secretary, to remove the previous directors and appoint new directors. However, as to-date the management of the Company was still unable to obtain the relevant supporting documents and accounting records of YGLAP.

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Gross trade receivables	2,258,154	2,242,590	-	-
Less: Allowance for doubtful debts	398,317	498,826	-	-
	1,859,837	1,743,764	-	-
Other receivables	927,194	1,320,031	6,000	-
Deposits	234,310	207,145	114,685	106,188
Prepayments	12,403	23,087	-	-
	3,033,744	3,294,027	120,685	106,188

Notes to and forming part of The Financial Statements

for the year ended 31 December 2009 (cont'd)

9. TRADE AND OTHER RECEIVABLES (cont'd)

The currency profiles of the receivables are as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Trade receivables				
- Ringgit Malaysia	703,780	554,723	-	-
- Hong Kong Dollar	736,970	779,408	-	-
- Chinese Renminbi	-	409,633	-	-
- Singapore Dollar	419,087	-	-	-
	1,859,837	1,743,764	-	-
Other Receivables				
- Ringgit Malaysia	27,125	1,007,202	6,000	-
- Chinese Renminbi	643,752	259,384	-	-
- Hong Kong Dollar	256,317	53,445	-	-
	927,194	1,320,031	6,000	-
Deposits				
- Ringgit Malaysia	122,639	117,142	114,686	106,188
- Hong Kong Dollar	111,671	90,003	-	-
	234,310	207,145	114,686	106,188
Prepayments				
- Ringgit Malaysia	3,882	6,222	-	-
- Hong Kong Dollar	8,521	16,865	-	-
	12,403	23,087	-	-

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

10. TIME DEPOSIT

The time deposits are placed with licensed banks and earned interest at 2.5% (2008: 4%) per annum. The time deposit have maturity period of less than one year.

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

11. CASH AND BANK BALANCES

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Ringgit Malaysia	581,960	727,779	13,390	91,484
Hong Kong Dollar	343,751	810,152	-	-
Chinese Renmimbi	58,811	12,191	-	-
	984,522	1,550,122	13,390	91,484

12. SHARE CAPITAL

	2009		2008	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised				
Ordinary shares of RM0.10 each				
At 1 January	200,000,000	20,000,000	100,000,000	10,000,000
Created during the year	-	-	100,000,000	10,000,000
At 31 December	200,000,000	20,000,000	200,000,000	20,000,000
Issued and fully paid				
Ordinary shares of RM0.10 each				
At 1 January	145,434,000	14,543,400	72,717,000	7,271,700
Share issued by way of				
- bonus issue of 1 : 1	-	-	72,717,000	7,271,700
At 31 December	145,434,000	14,543,400	145,434,000	14,543,400

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

13. HIRE PURCHASE LIABILITIES

	Group	
	2009 RM	2008 RM
Outstanding hire purchase instalments due:		
- not later than one year	72,840	81,060
- later than one year and not later than five years	61,115	140,710
	133,955	221,770
Less:		
Unexpired term charges	6,695	14,697
Outstanding principal amount due	127,260	207,073
Less:		
Outstanding principal amount due not later than one year (included in current liabilities)	71,995	72,868
Outstanding principal amount due later than one year and not later than five years	55,265	134,205

The effective interest rates of the hire purchase liabilities are between 3.17% and 4.85% (2008: 2.36% and 2.58%) per annum.

14. DEFERRED TAX LIABILITIES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
At 1 January	15,563	952	15,563	62
Deconsolidation of a subsidiary	-	(890)	-	-
Transfer (to) / from income statement	(14,042)	15,501	(14,042)	15,501
At 31 December	1,521	15,563	1,521	15,563

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Trade payables	205,219	1,057,834	-	-
Other payables	498,766	462,827	12,060	3,022
Accruals	1,080,869	834,047	16,193	47,560
Deposits	42,548	119,104	-	-
	1,827,402	2,473,812	28,253	50,582
The currency profiles of the payables are as follows:				
Trade payables				
- Ringgit Malaysia	10,250	9,000	-	-
- Hong Kong Dollar	145,150	879,953	-	-
- Chinese Renminbi	-	114,897	-	-
- US Dollar	49,819	53,984	-	-
	205,219	1,057,834	-	-
Other payables				
- Ringgit Malaysia	39,722	121,774	12,060	3,022
- Hong Kong Dollar	55,198	192,672	-	-
- Chinese Renminbi	403,846	148,381	-	-
	498,766	462,827	12,060	3,022
Accruals				
- Ringgit Malaysia	154,522	179,098	16,193	47,560
- Hong Kong Dollar	926,347	654,949	-	-
	1,080,869	834,047	16,193	47,560

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Deposits				
- Ringgit Malaysia	2,500	2,500	-	-
- Hong Kong Dollar	40,048	116,604	-	-
	42,548	119,104	-	-

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

16. DEFERRED REVENUE

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

17. GROSS REVENUE

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Revenue from sale of computer software and hardware and consulting services	8,326,568	8,448,611	-	-
Management fees	-	-	10,000	10,000
	8,326,568	8,448,611	10,000	10,000

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

18. LOSS BEFORE TAX

Loss before tax is stated after charging:

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Allowance for diminution in value of other investment	-	1,314,403	-	1,314,403
Allowance for doubtful debt	94,856	403,657	-	-
Amortisation of software development costs	814,773	659,610	-	-
Auditors' remuneration				
- current year	41,749	43,447	10,400	10,400
- under/(over)estimated in prior year	-	5,200	-	2,900
Bad debts written off	79,523	254,591	-	-
Depreciation of property, plant and equipment	257,833	291,754	5,839	5,014
Depreciation of investment property	477	477	-	-
Directors' remuneration				
- fees	75,000	55,000	75,000	55,000
- other emoluments	798,057	270,040	-	-
Finance costs				
- interest expenses	6,297	400	4,500	-
- hire purchase term charges	8,002	11,751	-	-
Inventories written off	-	178,233	-	-
Loss on foreign exchange				
- realised	4,301	11,154	-	-
- unrealised	-	4,542	-	-
Rental of equipment	275	13,000	-	-
Rental of premises	100,581	250,349	-	-
and crediting:				
Dividend income	16,660	31,528	-	-
Interest income	134,563	296,941	160,252	258,624
Rental income	31,200	38,439	-	-
Allowance for doubtful debts written back	28,025	-	-	-
Realised gain on foreign exchange	-	995	-	-

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

19. TAX (EXPENSE)/INCOME

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Malaysian taxation based on result for the year				
- current	(18,641)	(8,004)	(8,950)	-
- deferred	1,002	(30,891)	1,002	(15,413)
	(17,639)	(38,895)	(7,948)	(15,413)
(Under) / overestimated in prior year				
- current	(16,311)	17,978	(16,311)	26,303
- deferred	13,040	(4,509)	13,040	(88)
	(3,271)	13,469	(3,271)	26,215
	(20,910)	(25,426)	(11,219)	10,802

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Accounting loss (excluding share of results of associates)	(2,633,336)	(4,042,207)	(84,516)	(1,283,495)
Tax at the applicable tax rate of 25% (2008 : 26%)	658,334	1,050,974	21,129	333,709
Add:				
Tax effect of expenses not deductible in determining taxable profit	(391,779)	(798,360)	(32,769)	(384,209)
Deferred tax income relating to reversal of temporary difference not recognised during the year	(292,517)	(328,290)	-	-
Balance carried forward	(25,962)	(75,676)	(11,640)	(50,500)

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

19. TAX (EXPENSE)/INCOME (cont'd)

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Balance brought forward	(25,962)	(75,676)	(11,640)	(50,500)
Less: Tax effect of income not taxable in determining taxable profit	8,323	36,781	3,692	35,087
	(17,639)	(38,895)	(7,948)	(15,413)
Add/(Less): Current tax expense (under) / overestimated in prior years	(16,311)	17,978	(16,311)	26,303
Deferred tax expense over / (under) estimated in prior year	13,040	(4,509)	13,040	(88)
Tax (expense)/income for the year	(20,910)	(25,426)	(11,219)	10,802

20. LOSS PER SHARE

The loss per share is calculated based on the consolidated net loss for the year of RM 2,759,372 (2008 : net loss of RM4,144,719) and on 145,434,000 (2008 : 145,434,000) weighted average number of ordinary shares in issue as follows:

	2009	2008
Number of ordinary shares at 1 January	145,434,000	72,717,000
Effect of bonus shares issued	-	72,717,000
	145,434,000	145,434,000

Notes to and forming part of The Financial Statements

for the year ended 31 December 2009 (cont'd)

21. ANALYSIS OF DECONSOLIDATION OF A SUBSIDIARY

In the previous financial year, the Company lost control over a subsidiary, Ygl Convergence (Asia Pacific) Pte Ltd.

The effect on consolidated cash flow statement for the year ended 31 December 2008 resulting from the deconsolidation was as follows:

	RM
Net assets deconsolidated:	
Non-current assets	6,715
Current assets	409,980
Non-current liabilities	(890)
Current liabilities	(186,790)
Minority interest	(91,418)
Exchange reserve	(469)
	137,128
Less:	
Cash and cash equivalents	144,448
Net cash flows on deconsolidation	(7,320)

22. EMPLOYEES BENEFITS EXPENSE

	Group	
	2009 RM	2008 RM
Employee benefits expense	2,093,017	3,669,115

Included in employee benefit expenses is EPF contributions amounting to RM162,452 (2008: RM307,980) for the Group.

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

23. RELATED PARTY DISCLOSURES

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

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

(a) Transactions with subsidiary companies

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Interest received from a subsidiary	-	-	25,714	-
Interest paid to a subsidiary	-	-	4,500	-
Management fee received from subsidiaries	-	-	10,000	10,000
Advances from subsidiary	-	-	184,480	676,847
Repayment from subsidiaries	-	-	1,311,630	543,927
Advances to subsidiaries	-	-	1,054,259	872,000
Repayment to subsidiaries	-	-	-	697,475

(b) Transactions with associates

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Advances to associate	160,074	650,000	160,074	650,000
Repayment from associates	175,000	-	175,000	-

(c) Compensation of key management personnel

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Short-term employee benefits	1,154,256	1,125,897	75,000	55,000
Post employment benefits - defined contribution plan	70,991	80,632	-	-
Total compensation	1,225,247	1,206,529	75,000	55,000

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

24. SEGMENT ANALYSIS

Segment reporting

(a) Primary reporting format - geographical segment

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

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

2009	**Malaysia RM**	**Asia Pacific RM**	**Group RM**
Revenue			
Sales	2,440,465	5,896,103	8,336,568
Less:			
Inter-segment sales	10,000	-	10,000
External sales	2,430,465	5,896,103	8,326,568
Results			
Segment operating loss	(1,751,654)	(867,383)	(2,619,037)
Finance costs			(14,299)
Share of associate's loss			(144,691)
Loss before tax			(2,778,027)
Tax expense			(20,910)
Loss after tax			(2,798,937)
Minority interest			39,565
Net loss attributable to shareholders			(2,759,372)
Other information			
Segment assets	13,063,305	4,136,574	17,199,879
Segment liabilities	385,594	2,607,066	2,992,660
Capital expenditure	378,145	20,008	398,153
Depreciation and amortisation	1,011,665	61,418	1,073,083

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

24. SEGMENT ANALYSIS (cont'd)

Segment reporting (cont'd)

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

2008	**Malaysia RM**	**Asia Pacific RM**	**Group RM**
Revenue			
Sales	2,979,311	5,479,300	8,458,611
Less: Inter-segment sales	10,000	-	10,000
External sales	2,969,311	5,479,300	8,448,611
Results			
Segment operating loss	(2,706,317)	(1,323,739)	(4,030,056)
Finance costs			(12,151)
Share of associate's loss			(177,780)
Loss before tax			(4,219,987)
Tax expense			(25,426)
Loss after tax			(4,245,413)
Minority interest			100,694
Net loss attributable to shareholders			(4,144,719)
Other information			
Segment assets	17,159,229	3,947,723	21,106,952
Segment liabilities	588,992	3,440,614	4,029,606
Capital expenditure	1,974,076	39,712	2,013,788
Depreciation and amortisation	863,461	88,380	951,841

(b) Secondary reporting format - business segment

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2009 (cont'd)

25. OPERATING LEASE COMMITMENT

The Group as lessee

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

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

	Group	
	2009 **RM**	**2008** **RM**
Future minimum lease payments		
- payable not later than one year	145,728	105,966
- payable later than one year and not later than five years	-	-
	145,728	105,966

26. FINANCIAL INSTRUMENTS

(a) Credit risk

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

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

(b) Fair values

The carrying amounts of the financial assets and liabilities of the Group and of the Company at 31 December 2009 approximated their fair values.

27. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on 28 April 2010 by the board of directors.

Statement By Directors

In the opinion of the directors, the financial statements set out on pages 36 to 82 are drawn up:

(a) so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2009 and of their results and cash flows for the year then ended; and

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

Signed on behalf of the directors in accordance
with a directors' resolution dated
28 April 2010

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

STATUTORY DECLARATION

I, Tan Hoay Leng, being the director primarily responsible for the financial management of Ygl Convergence Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 36 to 82 are correct.

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

Subscribed and solemnly declared at)
Kuala Lumpur in the Federal Territory)
)
this 28 April 2010)
)
)
) **TAN HOAY LENG**

Before me:

ROBERT LIM HOCK KEE (W 092)
Commissioner for Oaths

List of Properties

Location	Description and Existing Use	Tenure	Land area / Built-up area (sq ft)	Date of acquisition / Completion	Approximate age of Building (Years)	Net Book Value (RM)
Unit 9-10, 9th Floor, Wisma UOA II, No.21, Jalan Pinang, 50450 Kuala Lumpur	One office unit held under GRN46212 master issue document for title at HS(D) 87450, PT 35, Section 57, Town of Kuala Lumpur, District of Wilayah Persekutuan Office Use	Freehold	2,508	08/12/2000	10	1,003,714
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	2	288,569

Analysis of Shareholdings
as at 16 April 2010

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

Distribution Schedule of Shareholders

No. of Holders	Size of Shareholdings	No. of Shares	%
-	Less than 100	-	-
484	100 - 1,000	65,100	0.04
201	1,001 - 10,000	1,136,000	0.71
229	10,001 to 100,000 shares	9,563,400	5.98
95	100,001 to less than 5% of issued shares	82,439,568	51.53
2	5% and above of issued shares	66,773,332	41.74
1,011	**Total**	**159,977,400**	**100.00**

30 Largest Securities Account Holders

No.	Name	No. of Shares held	%
1	Yeap Kong Chean	33,986,668	21.24
2	Yeap Kong Tai (Deceased)	32,786,664	20.49
3	Visage Reserves Sdn. Bhd.	7,059,000	4.41
4	Aspire Success Sdn. Bhd.	6,938,600	4.34
5	CIMB Group Nominees (Tempatan) Sdn Bhd *Yeap Geok Lake & Sons Sdn Bhd for Yeap Kong Chean*	6,680,000	4.18
6	CIMB Group Nominees (Tempatan) Sdn Bhd *Yeap Geok Lake & Sons Sdn Bhd for Yeap Kong Tai*	6,680,000	4.18
7	Kuan Yuen Soong @ Kuan Chu Teng	6,000,000	3.75
8	Chan Li Kheng	5,429,100	3.39
9	Yeap Chor Beng & Sons Sdn Bhd	4,800,000	3.00
10	Cheong Yen Yoon	4,661,000	2.91
11	Yeap Kong Yeow	2,433,000	1.52
12	Lembaga Tabung Haji	1,733,400	1.08
13	Ng Cheng Guan	1,604,100	1.00
14	Yeap Teik Ee	1,100,000	0.69
15	Sarina Binti A Karim	1,000,068	0.63
16	Angela Gan Yen Ni	1,000,000	0.63
17	Yeap Yen Guan	1,000,000	0.63
18	Yeap King Jin	948,000	0.59
19	Yeap Kong Yeow	868,400	0.54
20	Yap Ean Sin	704,000	0.44

Analysis of Shareholdings
as at 16 April 2010 (cont'd)

30 Largest Securities Account Holders (cont'd)

No.	Name	No. of Shares held	%
21	Teoh Cheng Siang	700,000	0.44
22	Yeap Lay Hoon	700,000	0.44
23	Yeap Teck Cheong	700,000	0.44
24	Khoo Yong Ai	670,000	0.42
25	Yeap Geok Lan	660,000	0.41
26	Ho Beng Chuan	600,000	0.38
27	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chong Yew Meng*	600,000	0.38
28	Thong Nyok Seen	600,000	0.38
29	Thoon Soon Ling	600,000	0.38
30	Foo Chee Boon	590,000	0.37

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

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

Directors' Shareholdings

		No. of Shares beneficially held			
No.	Name of Directors	Direct Interest	%	Indirect Interest	%
1	Yeap Kong Chean	40,666,668	25.42	-	-
2	Tan Hoay Leng	-	-	40,666,668*	25.42
3	Dato' Muhammad Farid bin Haji Ahmad Ridhwan	-	-	-	-
4	Chong Kai Min	10,000	0.01	-	-
5	Lim Hoo Teck	-	-	-	-

Note:
* Deemed interests through Mr Yeap Kong Chean, her spouse's interest in the Company.

Interests in the Related Corporation

By virtue of their interests in shares in the Company, Mr Yeap Kong Chean is deemed to be interested in 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 corporation.

Ygl Convergence Berhad
649013-W

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 Sixth (6th) Annual General Meeting of the Company to be held at Eastin Hotel. No. 1, Solok Bayan Indah, Queensbay, 11900 Bayan Lepas, Penang on Friday, 18 June 2010 at 11.00 a.m. at any adjournment thereof.

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

AGENDA			
1.	To receive the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2009 together with the Auditors' Report thereon		
	Resolutions	For	Against
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2009		
3.	To re-elect Mr. Yeap Kong Chean who is retiring in accordance with Article 29.1 of the Company's Articles of Association		
4.	To re-elect Mr. Lim Hoo Teck who is retiring in accordance with Article 29.1 of the Company's Articles of Association		
5.	To re-appoint Messrs Mazars as Auditors of the Company for the ensuing year and to authorise Directors to fix their remuneration		
	Special Business:		
6.	Ordinary Resolution - Authority to the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965		

** Strike out whichever not applicable*

As witness *my/our hand(s) this _______ day of ___________, 2010.

____
Signature of Member / Common Seal

Notes:-

1. A Member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint 2 or more proxies to attend and vote in his stead. A proxy may, but need not be a Member and the provision of Section 149(1)(a), (b) and (c) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a Member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy or (in the case of a power of attorney appointing an attorney) such power of attorney or a notarially certified copy of such power of attorney and any authority under which such proxy or power of attorney is executed or a copy of such authority certified notarially or in some other way approved by the Directors shall be deposited at the Registered Office of the Company at No. 10, China Street, 10200 Penang at least 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument or power of attorney proposes to vote.
5. Any alteration in this form must be initialed.

Affix Stamp

To:

The Company Secretaries
Ygl Convergence Berhad (649013-W)
10 China Street
10200 Penang
Malaysia

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