Ygl Convergence Berhad

649013-W

Annual Report 2010

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventh (7th) Annual General Meeting of Ygl Convergence Berhad (or "the Company") will be held at The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Georgetown, Penang on Thursday, 30 June 2011 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 2010 together with the Auditors' Report thereon.

2. To approve the payment of Directors' fees of RM75,000 for the financial year ended 31 December 2010. **Resolution 1**

3. To re-elect Mr. Chong Kai Min who is retiring in accordance with Article 29.1 of the Company's Articles of Association and is offering himself for re-election. **Resolution 2**

4. To re-elect En. Ahmad Fuad bin Mohd Ali who is retiring in accordance with Article 29.6 of the Company's Articles of Association and is offering himself for re-election. **Resolution 3**

5. To appoint the Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

   Notice of Nomination from a shareholder pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked as "Appendix I" has been received by the Company for the nomination of Messrs. Cheng & Co. (AF: 0886) for appointment as Auditors and of the intention to propose the following Ordinary Resolution:-

   "**THAT** Messrs. Cheng & Co. (AF: 0886) be and are hereby appointed as Auditors of the Company in place of the existing Auditors, Messrs. Mazars and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors." **Resolution 4**

As Special Business:-

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

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

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

Notice of Annual General Meeting (cont'd)

(ii) Special Resolution:-
Proposed Amendment to the Articles of Association

"**THAT** in line with the amendments to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the existing Article 39.9 be deleted in its entirely and be substituted thereof, with the following new Article 39.9:-

(a) Existing Article 39.9 of the Company's Articles of Association

"39.9 *A dividend or interest or other moneys payable in cash in respect of shares, may be paid by cheque or warrant sent by post or courier to the registered address of the Member or person entitled to it by reason of the death, bankruptcy or mental disorder of the holder or by operation of law, or by direct bank transfer to such bank account as the person entitled to it directs. In the case of a Member who is also an employee of the Company or any of its Subsidiaries, the Company may remit any dividend, interest or other moneys referred to above to such Member through the Company's internal postal arrangements. Payment of the cheque or warrant shall be a good discharge to the Company. Every cheque or warrant shall be sent at the risk of the person entitled to the money which it represents."*

(b) Proposed New Article 39.9 of the Company's Articles of Association

"39.9 *(1) Any dividend, interest or other money payable in cash in respect of shares may be paid by way of telegraphic transfer or electronic transfer or remittance to such accounts as designated by such holder or the person entitled to such payment ("eDividend"), cheque or dividend warrant or via any other mode or manner as may be prescribed by the Act, Listing Requirements of the Exchange and any other relevant authority for the time being in force.*

(2) In the event that a Member has not provided his bank account details to Bursa Depository, any dividend, interest or other moneys payable in cash in respect of a share may be paid by cheque, bank draft, dividend warrant or postal order and (In the case of a cheque, bank draft, dividend warrant or postal order for such payment) sent:-

(a) through post directed to the registered address of the entitled person;
(b) by post, by courier or by hand to the registered address of the person becoming entitled to the share by reason of the death, bankruptcy or mental disorder or the holder or by operation of law or if such address has not been supplied, to such address to which such cheque or warrant might have been posted if the death, bankruptcy, mental disorder or operation of law had not occurred; or
(c) by post, by courier or by hand to such address as the person entitled may direct in writing.

but the Company shall be entitled to send such cheque or dividend warrant to such other address or by such other means stated in Articles 39.9(2)(a) to 39.9(2)(c) notwithstanding such direction.

Notice of Annual General Meeting (cont'd)

(3) *Every such cheque, warrant, electronic payment or payment made using other methods of fund transfer shall be made payable to the order of the entitled person, and such payment shall conclusively operate as a good discharge to the Company in respect of the money represented thereby. Every such payment shall be made at the risk of the person entitled to the money represented thereby. The Company shall not be responsible for any inaccurate details supplied by the Members or any errors, delay or power of electronic failure encountered during or in the course of transmission of data or payment or for any loss of any such eDividend, cheque, bank draft, dividend warrant or postal order (whether in the bank account transfer, post, while being delivered by courier or by hand, after bank account transferring and/or delivering to the relevant address or person or otherwise). No unpaid or unclaimed dividend or interest shall bear interest as against the Company.*

In this article, reference to entitled person shall mean a member whose name appears in the Record of Depositors of the Company at the material time and in consequence of death or bankruptcy of a member, persons through whom payments are to be made such as the representative of the deceased, or assignee of the bankrupt where such payment will be made through them." **Resolution 6**

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: 8 June 2011

Explanatory Note to Special Business:-

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

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

As the date of this Notice, no new shares were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 18 June 2010 and it will lapse at the conclusion of the 7th Annual General Meeting .

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

Notice of Annual General Meeting (cont'd)

Resolution 6 – Proposed Amendment to the Articles of Association

The Proposed Amendment to the existing Article 39.9 of the Company's Articles of Association is to incorporate the requirements of the Prevailing Law in order to provide for the payment of dividend, interest or other money payable in cash, directly to the shareholders' account opened and maintained with a financial institution in Malaysia by way of electronic payment.

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 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)

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.

Notice of Nomination of Auditors

Yeap Kong Chean
18, China Street,
10200 Penang.

Date: 26 May 2011

The Board of Directors
YGL CONVERGENCE BERHAD
Suite 18.05, MWE Plaza,
No. 8, Lebuh Farquhar,
10200 Penang.

Dear Sirs,

NOTICE OF NOMINATION OF MESSRS. CHENG & CO. AS AUDITORS

Pursuant to Section 172 (11) of the Companies Act, 1965, I, being a shareholder of Ygl Convergence Bhd ("the Company"), hereby give notice of my nomination of Messrs. Cheng & Co. (AF: 0886) for appointment as Auditors of the Company in place of the existing Auditors, Messrs. Mazars and of my intention to propose the following resolution as an Ordinary Resolution at the forthcoming Seventh Annual General Meeting of the Company:

"THAT Messrs. Cheng & Co. (AF: 0886) be and are hereby appointed as Auditors of the Company in place of the existing Auditors, Messrs. Mazars and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

Yours faithfully,

YEAP KONG CHEAN

Corporate Information

BOARD OF DIRECTORS

Yeap Kong Chean
Chief Executive Officer

Tan Hoay Leng
Executive Director

Lim Hoo Teck
Independent Non-Executive Director

Chong Kai Min
Independent Non-Executive Director

Ahmad Fuad Bin Mohd Ali
Independent Non-Executive Director
(Appointed w.e.f. 29.10.2010)

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 49, Malaysian

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

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

He commenced his career in 1985 with Ernst & Young Malaysia, and had spent seven (7) years in serving Ernst & Young Malaysia and Australia. He had consulted both local and foreign companies of various industries and sizes whilst with Ernst & Young. He was appointed as a consultant on advisory role with Ygl Convergence Malaysia Sdn Bhd in 1993, assisting Ygl Convergence Malaysia Sdn Bhd in business re-engineering and ERP deployment work. He was instrumental in taking Ygl Convergence Berhad listed in July 2005.

TAN HOAY LENG
Executive Director
Aged 44, 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 46, Malaysian

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

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

He commenced his accounting profession in 1984 as an Audit Assistant with Messrs Mustapha Law, where he served for 5 years. In 1989, he joined the international accounting firm of Price Waterhouse (now known as PricewaterhouseCoopers), Kuala Lumpur for about 2 years. He then joined Coopers & Lybrand, Singapore as an Audit Manager in 1991. Currently, he is the Managing Partner of Messrs Steven Lim & Associates. He has more than 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 Board of Bursa Malaysia Securities Berhad.

Profile of Directors (cont'd)

CHONG KAI MIN
Independent and Non-Executive Director
Aged 46, 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 Windows. After that, he served as the Vice-President for Investments at OptixLab, a Malaysian venture capital company and he is currently Vice-President of Sales, Asia-Pacific region for Chalkboard Pte Ltd, a location-based advertising network.

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

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

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

Currently, he is a budding businessman involved in the manufacturing and the assembly of office furniture. He is also a Director of a Marketing company involved in the general supply of premium and promotional items.

Profile of Directors (cont'd)

Notes:

i. Family Relationships with Director and/or Substantial Shareholders

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

Chief Executive Officer's Statement

On behalf of the Board of Directors and the management team of Ygl Convergence Berhad ("Ygl"), I would like to take this opportunity to present the Annual Report and Financial Statements of the Company and Group for the financial year ended 31 December 2010.

Looking back at 2010, the demand for IT solutions remained weak in our key markets, namely South East Asia and Greater China amidst the slow recovery of the world economy. During the year, we spruced our discretionary expenses, rechanneled 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 2010. The research and development investments in both existing and future product line were continued as we anticipate these products to have the market potential in the Greater China and South East Asia market. The research and development effort had also been paid off by enabling Ygl to make better margin from Ygl own product offerings. As a result, Ygl Group was able to record better gross profit margin in year 2010 as compared to year 2009.

Financial Overview

Ygl Group recorded revenue of RM7.611 million for the financial year ended 31 December 2010, representing a decrease of 9% as compared with the revenue of RM8.327 million for the financial year ended 31 December 2009. Net loss for financial year 2010 was RM480,799 as compared to net loss of RM2.799 million for financial year 2009. This represents an improvement of 83% from the previous year. Correspondingly, Ygl Group's net loss per share also decreased from 1.95 sen per share for the year ended 31 December 2009 to net loss per share of 0.41 sen for the year ended 31 December 2010.

Corporate Development

In March 2010, our subsidiary, Ygl Multimedia Resources Sdn Bhd obtained ISO 27001 certification for achieving global standards in information security management system. On 10 October 2010, Ygl was awarded "The Dr. Sun Yat Sen Outstanding Enterprise Award" for information technology innovation. While another subsidiary in Hong Kong, Ygl Convergence (HK) Limited was awarded the "Caring Company Logo 2010/211" for the second consecutive year by the Hong Kong Council of Social Service in recognition for Ygl's community involvement and commitment to being a caring corporate citizen.

Research and Development ("R&D")

For financial year 2010, Ygl Group had invested RM1.73 million in the new product development and feature enhancement of Ygl existing proprietary product line. This represents an decrease of 21% as compared to the R&D's expenditure of RM2.20 million incurred in financial year 2009. The decrease in R&D was due to the development of certain products which had been completed.

Prospect

Looking ahead into 2011, we are cautiously optimistic on the Group revenue prospect in the background of improving world and regional economies. With the investments in management team within the regional offices that Ygl is represented, goodwill with Ygl's customers and Ygl's product offerings, Ygl is established as the dominating business application provider in the Asia region.

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 sincerely thanks our Independent Non-Executive Director, Dato' Muhammad Farid Bin Haji Ahmad Ridhwan, who has resigned in August 2010 due to personal reason for his valuable contributions. He had been with Ygl since July 2005.

The Board also extends a warm welcome to our newly appointed Director, Encik Ahmad Fuad Bin Mohd Ali, who joined the Board in October 2010. We look forward to his contribution in Ygl Group.

Yeap Kong Chean
Chief Executive Officer

Date: 3 May 2011

Audit Committee Report

MEMBERSHIP

The Audit Committee comprises the following members:-

Chairman
Lim Hoo Teck (Independent Non-Executive Director)

Members
Chong Kai Min (Independent Non-Executive Director),
Ahmad Fuad Bin Mohd Ali (Independent Non-Executive Director) *(appointed w.e.f. 29 October 2010)*
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan (Independent Non-Executive Director) *(resigned w.e.f. 2 August 2010)*

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 Malaysia Securities Berhad.

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.

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

Audit Committee Report (cont'd)

3. DUTIES AND RESPONSIBILITIES (cont'd)

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 2010 which were attended by the following Audit Committee members:-

Audit Committee	No. of Meetings attended by the Audit Committee	Total No. of Meetings held during the Audit Committee's tenure of office in financial year 2010	% of attendance
Lim Hoo Teck	5	5	100
Chong Kai Min	5	5	100
Ahmad Fuad Bin Mohd Ali (appointed w.e.f. 29 October 2010)	1	1	100
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan (resigned w.e.f. 2 August 2010)	3	3	100

The non-executive members of the Audit Committee held dialogue sessions with the external auditors on 27 April 2010 and 26 November 2010 for the financial year 2010 without the presence of the Executive Directors.

SUMMARY OF ACTIVITIES

During the financial year 2010, 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 audit reports prepared by the external auditors for the Group and the Company before recommending to the Board for approval;
3. Reviewed the internal audit reports prepared by the internal auditor on the strengths and weaknesses of the internal controls in the Group and the Company and followed up on the improvements recommended by the internal auditor;
4. Reviewed the status of software development projects;
5. Reviewed the internal audit plan to ensure key risk areas were covered;
6. Made recommendation to the Board on the re-appointment of the external auditors;
7. Reviewed with the external auditors, their audit planning memorandum, audit approach and reporting requirements prior to the commencement of audit work; and
8. Reviewed the Statement on Internal Control and Audit Committee Report for disclosure in the annual report.

Audit Committee Report (cont'd)

INTERNAL AUDIT

The Group has outsourced the internal audit functions to Messrs. Parker Randall Loh since May 2009 and they have carried out semi-annually review on the implementation of internal controls by the Group and the Company and provide reasonable assurance that the operations of the business were carried out under adequate internal controls and compliance with company policies and operational procedures. The internal control weaknesses identified were reported to the Audit Committee and the management 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. Ascertained the extent of compliance with operational procedures; and
5. Recommended improvements to the existing internal control procedures.

The total cost incurred by the Group for maintaining the internal audit functions for financial year 2010 was approximately RM10,500.

This statement is made in accordance with the resolution of the Board of Directors dated 3 May 2011.

Statement on Corporate Governance

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

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

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

BOARD OF DIRECTORS

The Board

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

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

Board Balance

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

The Board complies with Rule 15.02 of ACE Market Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") which states that a listed company must have at 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 keep the Board informed of the overall operations of the Group. The present of Independent Non-Executive Directors, Mr. Chong Kai Min, Mr. Lim Hoo Teck and Encik Ahmad Fuad Bin Mohd Ali, all of them are of sufficient caliber and experience to bring objectivity, balance and independent judgments to Board decision.

The Board had met and carried out an annual appraisal collectively on 24 February 2011 to review the performance of the Company's Directors for financial year 2010 in compliance with the best practice of the Code.

Statement on Corporate Governance (cont'd)

Board Meetings

The Board meetings are held at quarterly intervals and additional meetings are held should the need arise. For the financial year ended 31 December 2010, the Board had held five meetings and the number of meetings attended by each Director are as follows:-

Directors	No. of Meetings attended by Directors	Total No. of Meetings held during the Directors' tenure of office in financial year 2010	% of attendance
Yeap Kong Chean	5	5	100
Tan Hoay Leng	5	5	100
Lim Hoo Teck	5	5	100
Chong Kai Min	5	5	100
Ahmad Fuad Bin Mohd Ali (appointed w.e.f. 29 October 2010)	1	1	100
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan (resigned w.e.f. 2 August 2010)	3	3	100

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 attends 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 is there if 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.

The Board met on 27 April 2010 to review the re-election of the retiring directors before recommended the motion to the shareholders for approval at the 6th AGM held on 18 June 2010.

Statement on Corporate Governance (cont'd)

Directors' Training

All the Directors including the newly appointed Director, Encik Ahmad Fuad Bin Mohd Ali have attended the Mandatory Accreditation Programme as required by Bursa Securities on all Directors of listed companies.

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

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

Directors	Title of Seminar/Workshops/Courses	Mode of Training	No. of Hours/ Days Spent
Yeap Kong Chean	Workshop on Goods and Services Tax-Mechanism and Compliance Seminar Percukaian Kebangsaan 2010 The 2011 Budget Seminar	Workshop Seminar Seminar	8 Hours 2 Days 10 Hours
Tan Hoay Leng	2010 Tax Updates Seminar Percukaian Kebangsaan 2010 The 2011 Budget Seminar	Seminar Seminar Seminar	8 Hours 2 Days 10 Hours
Lim Hoo Teck	The All New Year 2010 Edition Quarterly Interim Financial Reporting & The Various New Standards, Interpretation and Amendments to Various Standards	Seminar	1 Day
Chong Kai Min	Board Effectiveness: Redefining the Roles & Functions of an Independent Director	Seminar	Half Day

Directors' Remuneration

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

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

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

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

Statement on Corporate Governance (cont'd)

Directors' Remuneration (cont'd)

The summary of the Directors' remuneration in the Company and its subsidiaries for the financial year ended 31 December 2010 is as follows:-

Directors	Company			Group		
	Salaries RM	Bonus RM	Fee RM	Salaries RM	Bonus RM	Fee RM
Executive	-	-	-	175,340	-	-
Non-Executive	-	-	75,000	-	-	-
Total	-	-	75,000	175,340	-	-

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

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

SHAREHOLDERS

Investors' Relations and Shareholders' Communication

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

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

AGM

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

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

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

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

Statement on Corporate Governance (cont'd)

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

The report of the Audit Committee is separately set out on pages 14 to 18 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 24 and 25 of this Annual Report.

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 27 April 2010 and 26 November 2010 during the financial year 2010 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 substantial compliance through the financial year with the Principles and Best Practices of the Code.

This statement is made in accordance with a resolution of the Board of Directors dated 3 May 2011.

Statement on Internal Control

INTRODUCTION

The Board of Directors ("the Board") is committed to maintain and ensure that a sound system of internal control exists and operates effectively within the Group of Companies and is pleased to provide this statement outlining the nature and scope of internal control of the Group during the financial year pursuant to Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Bhd and compliance with Section 167A of the Companies Act, 1965.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility and reaffirms its commitment in recognising the importance of effective and appropriate system of internal control and risk management practices to enhance good corporate governance.

In this respect the Board is responsible for identifying principal risks, ensuring the implementation of appropriate systems to manage these risks and reviewing the adequacy and integrity of the Group's systems of internal control.

The system of internal control covers inter alia, governance, risk management, financial organisation, operational and compliance control. However, the Board recognises that this system is designed to manage and control risk appropriately rather than eliminate the risks of failure to achieve business objectives. Accordingly, these systems can only provide reasonable, but not absolute assurance against material misstatement, financial losses or fraud.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets. The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

RISKS MANAGEMENT FRAMEWORK

An independent professional firm was engaged by the Group to assist the Board in establishing a risk management framework for the Group. The risk profiles of the various operating units in the Group were compiled. Since then, major business risks and their possible impact and likelihood of crystallisation have been evaluated by the key executives, reviewed and endorsed by senior management and subsequently by the Board.

Statement on Internal Control (cont'd)

INTERNAL CONTROL

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

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

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

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

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

- Constant monitoring of work performance by an effective reporting system

AUDIT COMMITTEE & INTERNAL AUDIT

The Group has outsourced the internal audit function to an independent firm of consultants to assist the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal controls within the Group. During the financial year under review, the internal audit function carried out a cycle of risk-based internal audit in accordance with an internal audit plan approved by the Audit Committee. Observations noted from internal audit were deliberated with the recommended action plan to the Management in order to improve the system of internal control within the Group. The Audit Committee, on behalf of the Board, reviews the internal control issues identified and recommendations in the reports prepared by the internal auditor on a regular basis.

This statement is made in accordance with a resolution of the Board of Directors dated 3 May 2011.

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 profit and loss of the Company and of the Group for the financial year.

The Directors are responsible to ensure that the Company and the Group keep proper accounting records to enable the Company to disclose, with reasonable accuracy and without any material misstatement in the financial statements, the financial position and the profit and loss 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 2010, 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 3 May 2011.

Additional Compliance Information

UTILISATION OF PROCEEDS

Save as below mentioned, there was no other corporate exercise conducted during the financial year 2010:-

In March 2010, a total proceeds of RM1,527,057 had been raised through the Private Placement exercise of up to 10% of the issued and fully paid-up share capital of Ygl, comprising 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.

As at 8 June 2011, the utilization of proceeds raised through the Private Placement exercise by the Company as below:-

Proceeds Utilisation	Amount (RM)
1. Listing and Placement expenses	54,517
2. Working Capital	818,023
Total	872,540

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.

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 2010.

VARIATION OF ACTUAL PROFIT FROM THE UNAUDITED RESULTS

There were no material variations between the audited results for the financial year ended 31 December 2010 and the unaudited results for the quarter ended 31 December 2010 of the Group as previously announced.

Additional Compliance Information (cont'd)

PROFIT GUARANTEE

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

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

The Company had on 15 June 2010 entered into a new Joint Venture Agreement with Vista Investment Management Limited, Asian Sky Investments Limited, Fong Yow Khen and Foo Yong Kwang (collectively known as "Joint Venture Partners") to regulate their relationship as shareholders in the Joint Venture Company, namely Ygl iBay International Sdn Bhd (Ygl iBay). The Company has increased its shareholdings in Ygl iBay from 1,000,000 to 1,475,000 ordinary shares of RM1-00 by additional investment of RM475,000-00. The Company has funded its additional investment through internally generated funds of RM225,000-00 for the allotment of new Shares and the balance of RM250,000-00 would be offset against the debt owed by Ygl iBay to the Company. The Director of Ygl iBay, Mr. Yeap Kong Chean is also a Director and major shareholder of the Company.

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

ENVIRONMENT

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

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

COMMUNITY

During the year 2010, Ygl Group played its role as a socially responsible citizen in the community by supporting and contributing to these social programmes.

Scrabblethon for charity

HOPE worldwide is an international charity organisation that promotes changes by harnessing the compassion and commitment of dedicated staff and volunteers to deliver sustainable, high impact, community-based services to the poor and needy.

HOPE worldwide operates a Free Mobile Clinic on weekends, visiting 5 areas in mainland of Penang and Kedah regularly every month.

On 5th June 2010, HOPE worldwide and Penang Scrabble Club (PSC) organised a Scrabblethon at Queensbay Mall in aid of their Free Mobil Clinic to raise funds to support the operating cost of RM70,000 per year.

Ygl believes that investing in the health and welfare of local communities and society generally is part of its duty as a corporate citizen, as well as being in its long-term interest.

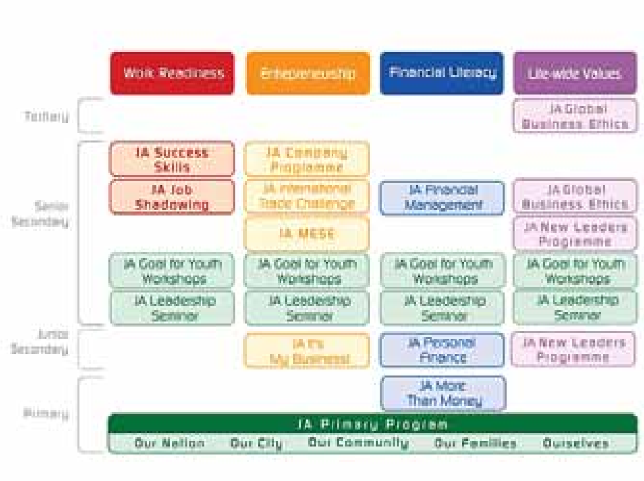
Ygl would like to thank HOPE worldwide and Penang Scrabble Club for inviting and giving us a chance to contribute and making a difference to the community.

Corporate Social Responsibility Statement (cont'd)

Community Services for Elder

Since 2008, Ygl has a team of colleagues responsible to realise the CSR spirit of Ygl in Hong Kong.

For the elderly services, Ygl was engaged in a multi-phases e-government project for the Licensing Office of Residential Cares Home for the Elderly, Hong Kong Social Welfare Department. Furthermore, we designed an innovative Elderly Management Systems for a reputable non-profit organisation in Hong Kong.



Ygl applied the state-of-the-art Business Process Management Systems (BPMS) as the foundation of the solution in order to reduce the respond time and increase the effectiveness of the management in the relevant welfare department.

Community Services for Youth

Our colleagues, Mr. Simon Lui, Mr. Patrick Fu and Mr. Raymond Man are the core members to support a variety of NGO as well as Social Enterprises in Hong Kong. Junior Achievement Hong Kong (JA) is our preferred partner, and we have supported it since 2008.

JA is a Member Nation of Junior Achievement Worldwide, the largest and fastest growing educational non-profit organization in the world, dedicated to inspiring and preparing young people to succeed in a global economy.

Junior Achievement programs are based on proven curricula to serve students of all ages tertiary to develop their decision-making abilities, creativity, and leadership through hands-on lessons in business and economics.

JA New Leaders Programme

Students will work in groups of around 20 people, and led by 2 business volunteers, who will conduct activities that are appropriate for their age groups. Activities include role-plays, scenario discussions and simulation games.

Corporate Social Responsibility Statement (cont'd)

JA Company Programme

Under the guidance of volunteer business advisers, students form a mini-corporation and operate a company as much as they would in the real world. The Winning team of the JA Company of the Year 2010 was mentored by our Ygl team. In 2011, Mr. Simon Lui will represent Ygl to support the JA Company Programme again.

WORKPLACE

Ygl Group recognises 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' skill, 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 pursing programmes relating to IT. Students are given computer based-training to provide a learning and development solution based on quality and commitment, that lead to improve, 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.

Cardio Pulmonary Resuscitation (CPR) Training

Basic First Aid & CPR was conducted on the 18th to 19th Jan 2011 at YGL training centre for Ygl staff. The course covered the theory & practical of First Aid & CPR. Practical exercise on simple cuts and demos of CPR were performed during CPR AND FIRST AID course.

Corporate Social Responsibility Statement (cont'd)

MARKET PLACE

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

YGL achieves ISO27001 data security standard on Information Security
Ygl is proud to announce that we have reached a new milestone by achieving the ISO27001 in March 2010. ISO 27001 is the international standard developed exclusively for Information Security Management Systems (ISMS), requiring companies to employ a methodical approach to managing sensitive information and ensuring data security.

This certification upgrades the value of Ygl as we are listed as one of the first software houses to obtain this certification in Malaysia.

Achieving ISO 27001 global standards garners confidence from all parties particularly our customers of our unspoken commitment to information security.


Certifications help YGL soar on global stage

Ygl awarded "The Dr Sun Yat Sen outstanding Enterprise Award"
Date: 10th October 2010

With an illustrious list of accolades already under its belt, Ygl added yet another feather to its cap by winning the prestigious Dr Sun Yat Sen outstanding Enterprise Award for IT innovation. This award was organised by the oldest Chinese newspaper in the Asia Region founded by the model father of China Dr Sun Yat Sen in 1910. Ygl was conferred at a gala dinner and official awards ceremony held in Penang.

This award ceremony, paid tribute to outstanding Malaysian corporations and served as an inspiration to other companies, to continue developing and elevating their business.

Ygl won the award category of "Caring Company" in Hong Kong 2010/2011

The Hong Kong Council of Social Service awarded the Caring Company Logo 2010/11 to YGL Convergence (HK) Limited in December 2010, in recognition of the community involvement and the commitment of being a corporate citizen.

This means that Ygl managed to obtain the award for 2 consecutive years which proves that Ygl is indeed a caring enterprise and we are able to keep up to the standard and requirements of the society.

Corporate Social Responsibility Statement (cont'd)

MSC Malaysia Capability Development Achievement Event 2010 (AE2010)

The MSC Malaysia Capability Development Achievement Event is a yearly recognition award ceremony organised by MDeC, which has been instrumental in helping to contribute to the elevation of the standard and competitiveness of the ICT industry, particularly the MSC Malaysia organisations. CDP is a key initiative of MSC Malaysia designed to help ICT companies and individuals to maximise their potentials by adopting global good practices, process improvements and professional certifications.

We are indeed proud to announce that Ygl successfully completed the Multimedia Development Corporation's (MDeC) MSC Malaysia Capability Development Programme (CDP), and succeeded in achieving the desired certification for the organisation, that is Information Security Management System (ISMS) for the year 2010.

The Infor Customer Connection 2010

Ygl invited our customers to join the Infor Customer Connection 2010 in KL and Penang. A complementary and exclusive event featuring new ideas and updates to the existing solutions which can help customers gain that elusive competitive edge. Infor Customer Connection 2010 focuses on innovative business solutions. With industry veterans as speakers presenting tracks, coupled with interaction amongst industry professionals through best-practice discussions and experience sharing, customers stand to gain invaluable insight on how they can get their business to where they want it to be.

"How to optimize Your Business using IT Technology" seminar

Penang Chinese Chamber of Commerce Information Technology Committee, IBM and Ygl jointly organising the seminar on "How to optimize Your Business using IT Technology" on 16th July 2010 in Penang.

"Growing Global Business, IT Enabler" seminar

KL Chinese Chamber of Commerce Information Technology Committee organised a seminar on "Growing Global Business, IT Enabler" on 3rd July 2010 in KL. Ygl is one of the sponsors.

Awards Received

Directors' Report
for the year ended 31 December 2010

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

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	(480,799)	(466,795)
Attributable to:		
Shareholders of the Company	(483,616)	(466,795)
Minority interests	2,817	-
	(480,799)	(466,795)

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 except for the following:-

On 22 March 2010, the Company issued a private placement of 14,543,400 new ordinary shares of RM0.10 each in the Company on the ACE Market, representing 10% of the total issued and paid up capital of the Company.

Directors' Report

for the year ended 31 December 2010 (cont'd)

DIRECTORS

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

Yeap Kong Chean	
Chong Kai Min	
Lim Hoo Teck	
Tan Hoay Leng	
Dato' Muhammad Farid bin Haji Ahmad Ridzuan	(resigned on 2 August 2010)
Ahmad Fuad Bin Mohd Ali	(appointed on 29 October 2010)

In accordance with the Company's Articles of Association, Chong Kai Min retires by rotation and Ahmad Fuad Bin Mohd Ali retires under Article 29.6 of the Articles of Association at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' 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 1-1-2010**	**Bought**	**Sold**	**At 31-12-2010**
Yeap Kong Chean				
- direct interest	40,666,668	-	-	40,666,668
Tan Hoay Leng				
- indirect 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, Yeap Kong Chean is deemed to be interested in shares in all the subsidiaries to the extent the Company has an interest. Tan Hoay Leng, being the spouse of Yeap Kong Chean, is deemed to have indirect interest 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.

Directors' Report
for the year ended 31 December 2010 (cont'd)

DIRECTORS' BENEFITS (cont'd)

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

OTHER STATUTORY INFORMATION

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

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

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

(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.

Directors' Report
for the year ended 31 December 2010 (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

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.

OTHER MATTERS

With reference to Note 8 in the notes to the 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 2010 due to loss of control in year 2008 and the Company still unable to fully obtain its financial documents and other properties. 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 27 April 2011.

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 27 April 2011

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 statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 41 to 88.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 2010 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 statement and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

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

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

Other Matters

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

Other Reporting Responsibilities

The supplementary information set out in Note 28 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA") Guidance and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material aspects, in accordance with MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

MAZARS
No. AF: 1954
Chartered Accountants

YAP CHING SHIN
No. 2022/03/12 (J)
Partner

Kuala Lumpur

Date: 27 April 2011

Statements of Financial Position
– 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	5,067,710	4,900,261	3,747,666	3,466,379
Investment property	4	288,092	288,569	-	-
Intangible assets	5	4,939,816	4,417,439	-	-
Investment in subsidiaries	6	-	-	7,567,413	7,567,413
Investment in associates	7	947,950	677,529	1,475,000	1,000,000
Other investments	8	1	92,955	1	1
		1,243,569	10,376,753	12,790,080	12,033,793
CURRENT ASSETS					
Trade and other receivables	9	3,060,601	3,033,744	385,383	120,685
Short term investment	8	95,441	-	-	-
Amount owing by subsidiaries	6	-	-	2,194,341	1,054,259
Amount owing by associates	7	3,600	475,000	-	475,000
Current tax assets		200,430	202,954	28,829	30,317
Time deposit	10	1,296,353	2,126,906	1,296,353	2,126,906
Cash and bank balances	11	845,146	984,522	26,070	13,390
		5,501,571	6,823,126	3,930,976	3,820,557
TOTAL ASSETS		16,745,140	17,199,879	16,721,056	15,854,350
EQUITY					
Share capital	12	15,997,740	14,543,400	15,997,740	14,543,400
Share premium, non-distributable		2,353,327	2,335,128	2,353,327	2,335,128
Exchange translation reserve, non-distributable		(229,331)	(54,486)	-	-
Accumulated loss		(3,212,550)	(2,728,934)	(1,705,227)	(1,238,432)
Equity attributable to shareholders of the Company		14,909,186	14,095,108	16,645,840	15,640,096
Minority interests		114,928	112,111	-	-
TOTAL EQUITY		15,024,114	14,207,219	16,645,840	15,640,096

Statements of Financial Position
– 31 December 2010 (cont'd)

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
NON-CURRENT LIABILITIES					
Hire purchase liabilities	13	9,307	55,265	-	-
Deferred tax liabilities	14	21,971	1,521	173	1,521
		31,278	56,786	173	1,521
CURRENT LIABILITIES					
Trade and other payables	15	1,007,665	1,827,402	34,086	28,253
Amount owing to subsidiaries	6	-	-	40,957	184,480
Hire purchase liabilities	13	50,806	71,995	-	-
Current tax liabilities		13,586	14,062	-	-
Deferred revenue	16	617,691	1,022,415	-	-
		1,689,748	2,935,874	75,043	212,733
TOTAL LIABILITIES		1,721,026	2,992,660	75,216	214,254
TOTAL EQUITY AND LIABILITIES		16,745,140	17,199,879	16,721,056	15,854,350

Notes to and forming part of the financial statements are set out on pages 48 to 88
Auditors' Report - Pages 39 to 40

Statements of Comprehensive Income
for the year ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Gross revenue	17	7,611,244	8,326,568	10,000	10,000
Cost of sales		(5,816,265)	(7,937,912)	-	-
Gross profit		1,794,979	388,656	10,000	10,000
Other operating income		986,937	211,876	102,873	134,538
Selling and distribution expenses		(121,058)	(75,121)	-	-
Administrative and general expenses		(659,205)	(1,057,079)	(266,833)	(224,554)
Other operating expenses		(2,162,746)	(2,087,369)	-	-
Loss from operations		(161,093)	(2,619,037)	(153,960)	(80,016)
Finance costs		(83,745)	(14,299)	(1,116)	(4,500)
Gain / (Loss) on financial assets measured at fair value		12,923	-	(310,151)	-
Share of results of associates		(204,579)	(144,691)	-	-
Loss before tax	18	(436,494)	(2,778,027)	(465,227)	(84,516)
Tax expense	19	(44,305)	(20,910)	(1,568)	(11,219)
Net loss for the year		(480,799)	(2,798,937)	(466,795)	(95,735)
Attributable to:					
Shareholders of the Company		(483,616)	(2,759,372)	(466,795)	(95,735)
Minority interests		2,817	(39,565)	-	-
Net loss for the year		(480,799)	(2,798,937)	(466,795)	(95,735)
Other comprehensive income					
Exchange differences on translation of foreign operation		(174,845)	(71,190)	-	-
Total comprehensive loss		(655,644)	(2,870,127)	(466,795)	(95,735)
Attributable to:					
Shareholders of the Company		(658,461)	(2,830,562)	(466,795)	(95,735)
Minority interests		2,817	(39,565)	-	-
Total comprehensive loss		(655,644)	(2,870,127)	(466,795)	(95,735)
Loss per share attributable to equity holders of the Company (sen)	20	(0.41)	(1.95)		

Notes to and forming part of the financial statements are set out on pages 48 to 88
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Consolidated Statement of Changes in Equity
for the year ended 31 December 2010

	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
Total comprehensive loss	-	-	(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
At 1 January 2010	14,543,400	2,335,128	(54,486)	(2,728,934)	14,095,108	112,111	14,207,219
Issue of share capital - private placement	1,454,340	72,717	-	-	1,527,057	-	1,527,057
Share issue and listing expenses	-	(54,518)	-	-	(54,518)	-	(54,518)
Total comprehensive loss	-	-	(174,845)	(483,616)	(658,461)	2,817	(655,644)
At 31 December 2010	15,997,740	2,353,327	(229,331)	(3,212,550)	14,909,186	114,928	15,024,114

Notes to and forming part of the financial statements are set out on pages 48 to 88
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Statements of Changes in Equity
for the year ended 31 December 2010

	Share capital RM	Share premium RM	Accumulated loss RM	Total RM
At 1 January 2009	14,543,400	2,335,128	(1,142,697)	15,735,831
Total comprehensive loss	-	-	(95,735)	(95,735)
At 31 December 2009	14,543,400	2,335,128	(1,238,432)	15,640,096
Issue of share capital	1,454,340	18,199	-	1,472,539
Total comprehensive loss	-	-	(466,795)	(466,795)
At 31 December 2010	15,997,740	2,353,327	(1,705,227)	16,645,840

Notes to and forming part of the financial statements are set out on pages 48 to 88
Auditors' Report - Pages 39 to 40

Statements of Cash Flows

for the year ended 31 December 2010

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(436,494)	(2,778,027)	(465,227)	(84,516)
Adjustments for:				
Depreciation of property, plant and equipment	203,132	257,833	6,185	5,839
Depreciation of investment property	477	477	-	-
Amortisation of software development costs	1,080,169	814,773	-	-
Shares of result of associates	204,579	144,691	-	-
Inventories written off	-	-	-	-
Bad debts written off	-	79,523	-	-
Allowance for doubtful debts	-	94,856	-	-
Allowance for doubtful debts written back	(331,537)	(28,025)	-	-
Allowance for diminution in value of other investment	-	-	-	-
Unrealised loss on foreign exchange	(54,530)	-	-	-
Dividend income	-	(16,660)	-	-
Interest income	(45,790)	(134,563)	(102,873)	(134,538)
Interest expenses	78,052	6,297	-	-
Hire purchase term charges	5,693	8,002	-	-
Operating loss before working capital changes	703,751	(1,550,823)	(561,915)	(213,215)
Changes in software development costs	(1,730,094)	(2,199,262)	-	-
Changes in inventories	-	-	-	-
Changes in receivables	920,165	91,415	211,789	(14,497)
Changes in payables	(819,737)	(626,103)	4,486	(22,329)
Changes in deferred revenue	(404,724)	(296,429)	-	-
Cash utilised in operations	(1,330,639)	(4,581,202)	(345,640)	(250,041)
Dividend received	-	16,660	-	-
Interest received	45,790	134,563	102,873	134,538
Interest paid	(78,052)	(6,297)	-	-
Tax paid	(44,305)	(53,779)	(1,568)	(13,327)
Net cash used in operating activities	(1,407,206)	(4,490,055)	(244,335)	(128,830)

Statements of Cash Flows

for the year ended 31 December 2010 (cont'd)

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(374,935)	(398,153)	(287,472)	(365,206)
Purchase of additional investment in subsidiary	-	-	-	(3,297,366)
Purchase of investment in associate	(475,000)	(500,000)	(475,000)	(500,000)
Purchase of other investment	(95,440)	-	-	-
Proceeds from disposal of other investment	-	897,977	-	-
Deconsolidation of subsidiary, net of cash (Note 22)	-	-	-	-
Advances to subsidiaries	-	-	(1,283,606)	257,371
Repayment from associates	-	175,000	-	175,000
Net cash used in investing activities	(945,375)	174,824	(2,046,078)	(3,730,201)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	1,472,540	-	1,472,540	-
Repayment to subsidiary	-	-	-	(65,144)
Payment of hire purchase instalments	(67,147)	(79,813)	-	-
Hire purchase term charges paid	(5,693)	(8,002)	-	-
Net cash used in financing activities	1,399,700	(87,815)	1,472,540	(65,144)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(952,881)	(4,403,046)	(817,873)	(3,924,175)
EFFECT OF CHANGES IN EXCHANGE RATES	(17,048)	(8,635)	-	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	3,111,428	7,523,109	2,140,296	6,064,471
CASH AND CASH EQUIVALENTS CARRIED FORWARD	2,141,499	3,111,428	1,322,423	2,140,296
Represented by:				
TIME DEPOSITS	1,296,353	2,126,906	1,296,353	2,126,906
CASH AND BANK BALANCES	845,146	984,522	26,070	13,390
	2,141,499	3,111,428	1,322,423	2,140,296

Notes to and forming part of the financial statements are set out on pages 48 to 88
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Notes to and forming part of the Financial Statements
for the year ended 31 December 2010

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

The significant accounting policies adopted by the Group and the Company are consistent with those of the previous financial year except for the adoption of the following new/revised FRSs and IC Interpretations (including their consequential amendments) that have been issued by MASB:

New/revised FRSs and IC Interpretations		Effective for financial periods beginning on or after
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 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 107	Statement of Cash Flows	1 January 2010
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendment to FRS 110	Events after the Reporting Period	1 January 2010
Amendment to FRS 116	Property, Plant and Equipment	1 January 2010
Amendment to FRS 117	Leases	1 January 2010
Amendment to FRS 118	Revenue	1 January 2010
Amendment to FRS 119	Employee Benefits	1 January 2010
Amendment to FRS 127	Consolidated and Separate Financial Statements Cost of an Investment in a Subsidiary, Joint-Controlled Entity or Associate	1 January 2010
Amendment to FRS 128	Investments in Associates	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010
Amendment to FRS 136	Impairment of Assets	1 January 2010
Amendment to FRS 138	Intangible Assets	1 January 2010
Amendment to FRS 140	Investment Property	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
	Improvements to FRSs (2009)	1 January 2010

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) New/Revised FRSs Issues Committee Interpretation ("IC Interpretations") and Amendments to FRSs (cont'd)

The adoption of the above new/revised FRSs, IC Interpretations and Amendments to FRSs did not have significant financial impact on the Group and the Company except for the following:

FRS 101 - Presentation of Financial Statements

The revised FRS 101 requires an entity to present, in statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (comprising the income statement and statement of comprehensive income).

The Company has elected to present the statement of comprehensive income in one statement. As a result, the Company has presented all owner changes in equity in the statement of changes in equity whilst all non-owner changes in equity have been presented in the statement of comprehensive income. There is no impact on the results of the Company since these changes affect only the presentation of items of income and expense.

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 classification of items in the financial statements.

The revised FRS 101 also requires the company to make new disclosures to enable users of the financial statements to evaluate the Company's objective, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Company.

(c) Revised FRSs and Amendments to FRSs that are not yet effective.

The Group and the Company have not applied the following revised FRSs and Amendments to FRSs that have been issued by MASB but are not yet effective:

New/revised FRSs and Amendments to FRSs		Effective for financial periods beginning on or after
Revised FRS 124	Related Party Disclosures	1 January 2012
Revised FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendment to FRS 7	Financial Instruments: Disclosure	1 January 2011
Amendment to FRS 101	Presentation of Financial Statements	1 January 2011
Amendments to FRS 138	Intangible Assets	1 July 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011

Consequential amendments were also made to various FRSs as a result of these revised FRSs. The Group and the Company have not applied these amendments as they are only effective for financial periods beginning on or after 1 July 2010 or 1 January 2011.

The above new/revised FRSs 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.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revised FRSs and Amendments to FRSs that are not yet effective. (cont'd)

FRS 139 - Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognizing and measuring financial assets and financial liabilities. The Group has adopted FRS139 prospectively effective from 1 January 2010 in accordance with transitional provisions of the Standard. The effects on the adoption of FRS139 have been accounted for by adjusting the opening retained profits as at 1 January 2010. Comparatives are not restored.

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of the Group's financial instruments as described below:-

(i) Impairment of trade receivables

Prior to 1 January 2010, provisions for doubtful debts were recognized when it was considered uncollectable. Upon the adoption of FRS 139, an impairment loss is recognized when there is indication that an impairment loss has been incurred. The amount of the loss is measured s the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As as 1 January 2010, the Group has measured the allowance for impairment losses as at that date in accordance with FRS 139 and no adjustment is required to be made to the opening balance of retained earnings as at that date.

(ii) Impairment of loan and receivables

Prior to 1 January 2010, loans and receivables were recognized at cost. No provision was made as compared the fair value of the loans and receivables. Upon the adoption of FRS 139, these non-derivative financial assets and liabilities are measured at amortised cost using the effective interest method where the initial amounts are measured at fair value. Gain or loss arising from the fair value measurement with the respective interest income or loss is recognized in profit and loss. As as 1 January 2010, the Group has measured the loans and receivables as at that date in accordance with FRS 139 and no adjustment is required to be made to the opening balance of retained earnings as at that date.

(d) Significant accounting estimates and judgements

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

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

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Critical judgement made in applying accounting policies

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

Classification of investment properties and owner-occupied properties

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

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

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

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

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

Depreciation of property, plant and equipment

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

The carrying amount of the Group's and Company's property, plant and equipment as at 31 December 2010 was RM5.068 million and RM3.748 million (2009: RM4.9 million and RM3.466 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 collectability of receivables is assessed on an on-going basis. Impairment loss for doubtful debts is made for any account considered to be doubtful of collection.

The carrying amount of the Group's trade and other receivables as at 31 December 2010 was RM3.061 million (2009: RM3.034 million).

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

Impairment losses for doubtful debts (cont'd)

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

Impairment of investments in subsidiaries

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

Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the 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 2010 was RM7.567 million (2009: RM7.567million).

(e) Subsidiaries

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

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

On disposal, the difference between the net disposal proceeds and the carrying amount of the subsidiary disposed of is taken in profit and loss.

(f) Basis of consolidation

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

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

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Basis of consolidation (cont'd)

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 recognised in profit and loss.

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

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

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

Impairment of investments in associates

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

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

The carrying amount of the Company's investments in associates as at 31 December 2010 was RM 947,950 (2009: RM677,529).

(g) Associated Companies

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

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

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Associated Companies (cont'd)

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

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

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

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

(h) Intangible assets

(i) Goodwill

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

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

Upon reassessment, if the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognized immediately in profit and loss.

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

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Property, plant and equipment

(i) Measurement basis

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

(ii) Depreciation

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

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

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

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

(j) Investment property

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

(i) Measurement basis

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

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Investment property (cont'd)

(i) Measurement basis (cont'd)

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 profit and loss 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 profit and loss.

(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 reporting date.

(k) 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 profit and loss. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the profit and loss.

(l) 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 profit and loss 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 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 reporting 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 profit and loss when the carrying amount of the cash-generating unit, including the goodwill, exceeds the recoverable amount of the cash-generating unit. Recoverable amount of the cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and its value in use.

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

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

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

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

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

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

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 profit and loss.

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

(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.

(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 profit and loss.

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.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Deferred revenue

Deferred revenue represents technical support income for ERP System and library system received in advance from customers. The revenue is recognised in the profit and loss 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 reporting 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 profit and loss for the period.

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

(iii) Translation of foreign operations

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

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

All exchange differences arising from the translation of the financial statements of foreign operations are taken directly to other comprehensive income. On the disposal of a foreign operation, the exchange translation differences relating to that foreign operation are recognised in the profit and loss as part of the gain or loss on disposal.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(ii) Provision of consulting services

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

(iii) Dividend income

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

(iv) Rental income

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

(v) Management fee

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

(vi) Interest income

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

(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 profit and loss in the period to which they relate.

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Employees benefits (cont'd)

(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 profit and loss 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 profit and loss represents the aggregate amount of current tax and deferred tax included in the determination of profit or loss for the financial year.

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

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

(i) goodwill; or

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

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

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

(x) Cash and cash equivalents

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 statement of financial position.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

(i) Credit risk

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

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

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

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

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

(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.

(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 2010 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 RM
At 1 January	1,038,825	557,780	749,929	592,395	165,375	3,457,241	6,559,145
Exchange adjustments	-	-	(41,542)	(143,253)	-	-	(184,795)
Additions	-	-	33,586	55,606	-	283,343	374,935
Disposals	-	-	(19,567)	-	-	-	(19,567)
At 31 December	1,038,825	557,780	722,406	504,749	165,375	3,740,584	6,729,719
Accumulated depreciation							
At 1 January	35,112	387,924	694,137	506,276	35,435	-	1,658,884
Exchange adjustments	-	-	(38,342)	(13,960)	-	-	(52,302)
Charge for the year	5,016	91,176	49,306	39,568	18,067	-	203,132
Disposals	-	-	(19,567)	(128,139)	-	-	(147,706)
At 31 December	40,128	479,100	685,534	403,745	53,502	-	1,662,009
Net carrying amount At 31 December	998,697	78,680	36,872	101,004	111,873	3,740,584	5,067,710

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

Group 2009 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	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
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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

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

Company 2010	**Computer equipment**	**Furniture and fittings**	**Construction work-in-progress**	**Total**
At 1 January	14,828	14,371	3,454,841	3,484,040
Additions	1,729	-	285,743	287,472
At 31 December	16,557	14,371	3,740,584	3,771,512
Accumulated depreciation				
At 1 January	10,225	7,436	-	17,661
Charge for the year	3,311	2,874	-	6,185
At 31 December	13,536	10,310	-	23,846
Net carrying amount At 31 December	3,021	4,061	3,740,584	3,747,666

Company 2009 **Cost**	**Computer equipment RM**	**Furniture and fittings RM**	**Construction work-in-progress RM**	**Total RM**
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

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 RM78,680 (2009: RM169,856) are acquired under hire purchase.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

4. INVESTMENT PROPERTY

	Group 2010 RM	Group 2009 RM
Office lot		
Cost		
At 1 January	290,000	290,000
Addition/Disposal	-	-
At 31 December	290,000	290,000
Accumulated depreciation		
At 1 January	1,431	954
Charge for the year	477	477
At 31 December	1,908	1,431
Net carrying amount		
At 31 December	288,092	288,569

The fair value of the office lot at the end of the financial year is RM490,000 (2009: RM490,000) which was determined by the directors based on the recent market transaction which reasonably reflects market value of similar properties at the same location at the statement of financial position date.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

5. INTANGIBLE ASSETS

Group Cost	Software development costs RM	Goodwill RM	Total RM
At 1 January 2009	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
Exchange translation reserve	(127,863)	-	(127,863)
Additions	1,730,409	-	1,730,409
At 31 December 2010	7,465,331	1,038,124	8,503,455
Accumulated amortisation and impairment			
At 1 January 2009	1,668,697	-	1,668,697
Amortisation for the year	814,773	-	814,773
At 31 December 2009	2,483,470	-	2,483,470
Amortisation for the year	1,080,169	-	1,080,169
At 31 December 2010	3,563,639	-	3,563,639
Net carrying amount At 31 December 2010	3,901,692	1,038,124	4,939,816
Net carrying amount At 31 December 2009	3,379,315	1,038,124	4,417,439

(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 - 16% to 24%
Growth rate - 16% to 17%
Discount rate - 9.75%

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

5. INTANGIBLE ASSETS (cont'd)

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

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

(i) Budgeted gross margin

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

(ii) Growth rate

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

(iii) Discount rate

The discount rate of 9.75% used is pre-tax and reflects specific risks relating to the industry.

(iv) Risk free rate

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

Sensitivity to changes in assumptions

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

6. INVESTMENT IN SUBSIDIARIES

	Company 2010 RM	Company 2009 RM
Unquoted shares, at cost	7,567,413	7,567,413

Notes to and forming part of the Financial Statements

for the year ended 31 December 2010 (cont'd)

6. INVESTMENT IN SUBSIDIARIES (cont'd)

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 2010	Gross equity interest 2009	Country of incorporation	Principal activities
Subsidiaries of the Company				
Ygl Convergence Malaysia Sdn Bhd	100%	100%	Malaysia	Marketing and distribution of computer software and hardware and the provision of professional services
* Ygl Multimedia Resources Sdn Bhd	100%	100%	Malaysia	Developing and selling of software systems
* Ygl Convergence (HK) Limited	100%	100%	Hong Kong	Trading of computer equipment and software and provision of related services
* Ygl Convergence (China) Limited	60%	60%	Hong Kong	Investment holding
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 reporting date to determine whether there is any indication of impairment. The management's assessment on whether there is an indication is based on external and internal sources of information as well as based on indicative values (value-in-use) calculations. If such indication exists, the recoverable amount of the investment is estimated to determine the impairment loss on the value of such investment.

Notes to and forming part of the Financial Statements

for the year ended 31 December 2010 (cont'd)

6. INVESTMENT IN SUBSIDIARIES (cont'd)

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

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

(i) Budgeted gross margin

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

(ii) Budgeted expenses

Expenses are budgeted to increase at inflation rate

(iii) Discount rate

The discount rate used is 9.75%

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	
	2010 RM	2009 RM	2010 RM	2009 RM
Unquoted shares, at cost	1,475,000	1,000,000	1,475,000	1,000,000
Group's share of post-acquisition results	(527,050)	(332,471)	-	-
	947,950	677,529	1,475,000	1,000,000

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

7. INVESTMENT IN ASSOCIATES (cont'd)

The associates are as follows:

	Gross equity interest 2010	Gross equity interest 2009	Country of incorporation	Principal activities
Associate of the Company				
* Ygl iBay International Sdn Bhd	29.86	30	Malaysia	Providing consultancy services, supplier management and business solutions services and trading of computer software
Associate of Ygl Convergence Malaysia Sdn Bhd				
* Ygl Consulting (Thailand) Co. Ltd	39	39	Thailand	Marketing and distribution of computer software and provision of related services

* Associates not audited by 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 11,434 (2009: RM11,667) and RM 33,840 (2009: RM22,406) respectively.

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

7. INVESTMENT IN ASSOCIATES (cont'd)

The summarised financial information of the associate at 31 December 2010 is as follows:

	Group	
	2010 RM	2009 RM
Assets and liabilities		
Non-current assets	3,161,027	2,971,762
Current assets	261,411	471,671
Total assets	3,422,438	3,443,433
Non-current liabilities	-	475,000
Current liabilities	268,816	539,521
Total liabilities	268,816	1,014,521
Results		
Revenue	79,522	465,548
Loss for the year	(693,365)	(493,971)

8. SHORT TERM INVESTMENT/OTHER INVESTMENTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short term investment				
Unit trusts quoted in Malaysia, at cost	95,441	-	-	-
Other investments				
Unit trusts quoted in Malaysia, at cost	95,441	92,954	-	-
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	92,955	1	1
Market value of unit trusts quoted in Malaysia	95,441	92,954	-	-

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%. 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. The Company is in the process of obtaining the financial documents and other properties of YGLAP, afterwhich the control of the financial and operating policies of YGLAP may be re-established.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

9. TRADE AND OTHER RECEIVABLES

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Gross trade receivables	1,818,268	2,258,154	-	-
Less:				
Allowance for doubtful debts	268,093	398,317	-	-
	1,550,175	1,859,837	-	-
Other receivables	1,403,355	927,194	359,353	6,000
Deposits	86,831	234,310	26,030	114,685
Prepayments	10,056	12,403	-	-
Service contract in progress	10,184	-	-	-
	3,060,601	3,033,744	385,383	120,685

The currency profiles of the receivables are as follows:

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Trade receivables				
- Ringgit Malaysia	581,149	703,780	-	-
- Hong Kong Dollar	613,128	736,970	-	-
- Chinese Renminbi	355,898	-	-	-
- Singapore Dollar	-	419,087	-	-
	1,550,175	1,859,837	-	-
Other Receivables				
- Ringgit Malaysia	385,023	27,125	359,353	6,000
- Chinese Renminbi	238,229	643,752	-	-
- Hong Kong Dollar	780,103	256,317	-	-
	1,403,355	927,194	359,353	6,000
Deposits				
- Ringgit Malaysia	32,934	122,639	26,030	114,686
- Hong Kong Dollar	53,897	111,671	-	-
	86,831	234,310	26,030	114,686
Prepayments				
- Ringgit Malaysia	7,141	3,882	-	-
- Hong Kong Dollar	2,915	8,521	-	-
	10,056	12,403	-	-
Service contract in progress				
- Hong Kong Dollar	10,184	-	-	-

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

10. TIME DEPOSIT

The time deposits are placed with licensed banks and earned interest at 2.8% (2009: 2.5%) per annum. The time deposit have maturity period of less than one year.

11. CASH AND BANK BALANCES

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Ringgit Malaysia	396,838	581,960	26,070	13,390
Hong Kong Dollar	431,972	343,751	-	-
Chinese Renmimbi	16,336	58,811	-	-
	845,146	984,522	26,070	13,390

12. SHARE CAPITAL

	2010		2009	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised				
Ordinary shares of RM0.10 each				
At 1 January/31 December	200,000,000	20,000,000	200,000,000	20,000,000
Issued and fully paid				
Ordinary shares of RM0.10 each				
At 1 January	145,434,000	14,543,400	145,434,000	14,543,400
Share issued by way of				
- private placement	14,543,400	1,454,340	-	-
At 31 December	159,977,400	15,997,740	145,434,000	14,543,400

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

13. HIRE PURCHASE LIABILITIES

	Group	
	2010 RM	**2009 RM**
Outstanding hire purchase instalments due:		
- not later than one year	56,460	72,840
- later than one year and not later than five years	4,655	61,115
	61,115	133,955
Less:		
Unexpired term charges	1,002	6,695
Outstanding principal amount due	60,113	127,260
Less:		
Outstanding principal amount due not later than one year (included in current liabilities)	50,806	71,995
Outstanding principal amount due later than one year and not later than five years	9,307	55,265

The effective interest rates of the hire purchase liabilities are between 2.83% and 3.60% (2009: 3.17% and 4.85%) per annum.

14. DEFERRED TAX LIABILITIES

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
At 1 January	1,521	15,563	1,521	15,563
Transfer (to) / from income statement	20,450	(14,042)	(1,348)	(14,042)
At 31 December	21,971	1,521	173	1,521

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 2010 (cont'd)

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade payables	69,245	205,219	-	-
Other payables	361,364	498,766	4,634	12,060
Accruals	561,107	1,080,869	29,452	16,193
Deposits	15,949	42,548	-	-
	1,007,665	1,827,402	34,086	28,253
The currency profiles of the payables are as follows:				
Trade payables				
- Ringgit Malaysia	(10,932)	10,250	-	-
- Hong Kong Dollar	-	145,150	-	-
- US Dollar	80,177	49,819	-	-
	69,245	205,219	-	-
Other payables				
- Ringgit Malaysia	45,321	39,722	4,634	12,060
- Hong Kong Dollar	38,541	55,198	-	-
- Chinese Renminbi	277,502	403,846	-	-
	361,364	498,766	4,634	12,060
Accruals				
- Ringgit Malaysia	119,643	154,522	29,452	16,193
- Hong Kong Dollar	441,464	926,347	-	-
	561,107	1,080,869	29,452	16,193
Deposits				
- Ringgit Malaysia	4,000	2,500	-	-
- Hong Kong Dollar	11,949	40,048	-	-
	15,949	42,548	-	-

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

16. DEFERRED REVENUE

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

17. GROSS REVENUE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Revenue from sale of computer software and hardware and consulting services	7,611,244	8,326,568	-	-
Management fees	-	-	10,000	10,000
	7,611,244	8,326,568	10,000	10,000

18. LOSS BEFORE TAX

Loss before tax is stated after charging:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Allowance for doubtful debt	-	94,856	-	-
Amortisation of software development costs	1,080,169	814,773	-	-
Auditors' remuneration				
- current year	62,513	41,749	29,500	10,400
- under/(over)estimated in prior year	4,482	-	3,914	-
Bad debts written off	91,958	79,523	-	-
Depreciation of property, plant and equipment	203,132	257,833	6,185	5,839
Depreciation of investment property	477	477	-	-
Directors' remuneration				
- fees	75,000	75,000	75,000	75,000
- other emoluments	175,340	798,057	-	-
Finance costs				
- interest expenses	-	6,297	1,116	4,500
- hire purchase term charges	5,693	8,002	-	-
Loss on disposal of property, plant and equipment	23	-	-	-
Loss on foreign exchange				
- realised	787	4,301	-	-
- unrealised	54,530	-	-	-
Rental of equipment	900	275	-	-
Rental of premises	301,327	100,581	-	-
and crediting:				
Dividend income	-	16,660	-	-
Interest income	103,012	134,563	102,873	160,252
Rental income	42,000	31,200	-	-
Allowance for doubtful debts written back	164,792	28,025	-	-
Realised gain on foreign exchange	14,103	-	-	-

Notes to and forming part of the Financial Statements

for the year ended 31 December 2010 (cont'd)

19. TAX EXPENSE

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Malaysian taxation based on result for the year				
- current	(18,968)	(18,641)	(12,000)	(8,950)
- deferred	(876)	1,002	(876)	1,002
	(19,844)	(17,639)	(12,876)	(7,948)
Underestimated in prior year				
- current	(14,501)	(16,311)	21,268	(16,311)
- deferred	(9,960)	13,040	(9,960)	13,040
	(24,461)	(3,271)	11,308	(3,271)
	(44,305)	(20,910)	(1,568)	(11,219)

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

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Accounting loss (excluding share of results of associates)	(249,914)	(2,633,336)	(465,227)	(84,516)
Tax at the applicable tax rate of 25% (2009: 25%)	62,479	658,334	116,307	21,129
Less:				
Tax effect of expenses not deductible in determining taxable profit	(403,683)	(391,779)	(129,183)	(32,769)
Add:				
Deferred tax income relating to reversal of temporary difference not recognised during the year	475,348	(292,517)	-	-
Balance carried forward	134,144	(25,962)	(12,876)	(11,640)

Notes to and forming part of the Financial Statements

for the year ended 31 December 2010 (cont'd)

19. TAX EXPENSE (cont'd)

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Balance brought forward	(134,144)	(25,962)	(12,876)	(11,640)
Less:				
Tax effect of income not taxable in determining taxable profit	70,201	8,323	-	3,692
	(63,943)	(17,639)	(12,876)	(7,948)
Add/(Less):				
Current tax expense (under)/ overestimated in prior years	29,598	(16,311)	21,268	(16,311)
Deferred tax expense over (under)/overestimated in prior year	(9,960)	13,040	(9,960)	13,040
Tax expense for the year	(44,305)	(20,910)	(1,568)	(11,219)

20. LOSS PER SHARE

The loss per share is calculated based on the consolidated net loss for the year of RM 658,461 (2009: net loss of RM2,830,562) and on 159,977,400 (2009: 145,434,000) weighted average number of ordinary shares in issue as follows:

	2010	2009
Number of ordinary shares at 1 January	145,434,000	145,434,000
Effect of additional shares issued	14,543,400	-
Number of ordinary shares at 31 December	159,977,400	145,434,000

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

21. ANALYSIS OF DECONSOLIDATION OF A SUBSIDIARY

During the financial year ended 31 December 2008, the Company lost control over a subsidiary, Ygl Convergence (Asia Pacific) Pte Ltd. ("YGLAP"). The Company is in the process of obtaining the financial documents and other properties of YGLAP, Upon re-establishment of control over the financial and operational policies of YGLAP,financial results of YGLAP will be consolidated into the Group results.

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	
	2010 RM	2009 RM
Employee benefits expense	4,087,236	2,093,017

Included in employee benefit expenses is EPF contributions amounting to RM225,985 (2009:RM162,452) for the Group.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (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	
	2010 RM	2009 RM	2010 RM	2009 RM
Transactions with subsidiary companies				
Interest received from a subsidiary	-	-	59,768	25,714
Interest paid to a subsidiary	-	-	1,116	4,500
Management fee received from subsidiaries	-	-	10,000	10,000
Advances from a subsidiary	-	-	441,894	184,480
Repayment from subsidiaries	-	-	1,800,000	1,311,630
Advances to subsidiaries	-	-	3,617,754	1,054,259
Repayment to subsidiaries	-	-	159,245	-
Transactions with associates				
Advances to an associate	475,000	160,074	160,074	160,074
Repayment from associates	-	175,000	-	175,000

(b) Compensation of key management personnel

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short-term employee benefits	759,392	1,154,256	75,000	75,000
Post employment benefits - defined contribution plan	54,482	70,991	-	-
Total compensation	813,874	1,225,247	75,000	75,000

Notes to and forming part of the Financial Statements

for the year ended 31 December 2010 (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.

2010	**Malaysia RM**	**Asia Pacific RM**	**Group RM**
Revenue			
Sales	2,637,827	5,048,572	7,686,399
Less: Inter-segment sales	75,155	-	75,155
External sales	2,562,672	5,048,572	7,611,244
Results			
Segment operating loss	(613,628)	452,535	(161,093)
Finance costs	(83,745)	-	(83,745)
Gain on financial assets measured at fair value	12,923	-	12,923
Share of associate's loss	(204,579)	-	(204,579)
Loss before tax			(436,494)
Tax expense	(37,186)	(7,119)	(44,305)
Loss after tax			(480,799)
Minority interest			(2,817)
Net loss attributable to shareholders			(483,616)
Other information			
Segment assets	13,480,585	3,264,555	16,745,140
Segment liabilities	259,616	1,461,410	1,721,026
Capital expenditure	326,683	48,252	374,935
Depreciation and amortisation	170,104	33,028	203,132

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

24. SEGMENT ANALYSIS (cont'd)

Segment reporting

(a) Primary reporting format - geographical segment

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)	-	(14,299)
Share of associate's loss	(144,691)	-	(144,691)
Loss before tax	(1,910,644)	(867,383)	(2,778,027)
Tax expense	(11,219)	(9,691)	(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

(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 2010 (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	
	2010 RM	**2009 RM**
Future minimum lease payments		
- payable not later than one year	113,250	145,728
- payable later than one year and not later than five years	-	-
	113,250	145,728

26. CAPITAL DISCLOSURE

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

The Company monitors and determines the capital structure and policies in the light of changes in economic conditions and the risk characteristics of the underlying assets. As at 31 December 2010, the Company did not have any borrowing from any financial institution. No changes were made in the objectives, policies and processes during the year.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

27. FINANCIAL INSTRUMENTS

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

	Cash RM	Loan and Receivables RM	Total RM
2010			
Account receivables	-	1,550,175	1,550,175
Other receivables, prepayments and deposits paid (note 9)	-	1,510,426	1,510,426
Cash and cash equivalents (note 11)	845,146	-	845,146
	845,146	3,060,601	3,905,747
2009			
Account receivables	-	1,859,837	1,859,837
Other receivables, prepayments and deposits paid (note 9)	-	1,173,907	1,173,907
Cash and cash equivalents (note 11)	984,522	-	984,522
	984,522	3,033,744	4,018,266

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

	Financial liabilities at amortised costs RM
2010	
Account payables	69,245
Other payables, accruals and deposits received (note 15)	938,420
Hire purchase liabilities (note 13)	60,113
	1,067,778
2009	
Account payables	205,219
Other payables, accruals and deposits received (note 15)	1,622,183
Hire purchase liabilities (note 13)	127,260
	1,954,662

All other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009.

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

Notes to and forming part of the Financial Statements

for the year ended 31 December 2010 (cont'd)

27. FINANCIAL INSTRUMENTS (cont'd)

(a) Credit risk

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

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

Analysis of trade receivables past due but not impaired:

	RM
Past due	
Up to 90 days	1,010,588
> 90 to 180 days	96,005
> 180 to 360 days	303,076
> 360 days	140,506
Total past due amount	1,550,175

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

(b) Currency risk

The Company's exposure to foreign currency risk is minimal as its business transactions, receivables, payables and bank balances are denominated inits functional currency, i.e. Malaysian Ringgit. Presently the Company has no intention of hedging its foreign exchange risk profile.

(c) Interest rate risk

The Company has interest-bearing assets of which the impact of changes in market interest rates was taken to its cash flow.

At the date of statement of financial position, the Company had no interest-bearing borrowings,as such its cash flow was substantially independent of changes in market interest rates.

(d) Fair values

The carrying amounts of the financial assets and liabilities of the Group and of the Company at 31 December 2010 approximated their fair values.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2010 (cont'd)

28. RESERVES

The disclosure as required by the Directive dated 25 March 2010 (SR/RPA/TAC/RO/LD09/10) (the "Directive) issued by the Bursa Malaysia Securities Berhad ("Bursa Securities") on the realized and unrealised unappropriated profits or accumulated losses as at 31 December 2010 are as follows:

	Group	
	2010	**2009**
	RM	**RM**
Total accumulated losses of the Company and its subsidiaries:		
- Realised losses	(2,630,970)	-
- Unrealised losses	(54,530)	-
Total share of unappropriated losses from associated company:		
- Realised losses	(527,050)	-
- Unrealised losses	-	-
	(3,212,550)	-

Comparative figures are not required in the first financial year of complying with the unrealised unappropriated profits or accumulated losses disclosure.

29. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on 27 April 2011 by the board of directors.

Statement By Directors

In the opinion of the directors, the financial statements set out on pages 41 to 88 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 2010 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 27 April 2011

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 41 to 88 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 27 April 2011)
)
)
) **TAN HOAY LENG**

Before me:

Commissioner for Oaths

Arshad Abdullah

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	11	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	3	288,092

Analysis of Shareholdings
as at 29 April 2011

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	-	-
480	100 - 1,000	64,500	0.04
168	1,001 - 10,000	910,000	0.57
186	10,001 to 100,000 shares	7,465,900	4.67
97	100,001 to less than 5% of issued shares	84,763,668	52.98
2	5% and above of issued shares	66,773,332	41.74
933	**Total**	**159,977,400**	**100**

30 Largest Securities Account Holders

No.	Name	No. of Shares held	%
1	Yeap Kong Chean	33,986,668	21.24
2	Yeap Kong Tai (Deceased)	32,786,664	20.49
3	Aspire Success Sdn. Bhd.	7,233,400	4.52
4	Kuan Yuen Soong @ Kuan Chu Teng	7,065,000	4.42
5	Visage Reserves Sdn. Bhd.	7,059,000	4.41
6	CIMB Group Nominees (Tempatan) Sdn Bhd *Yeap Geok Lake & Sons Sdn Bhd for Yeap Kong Chean*	6,680,000	4.18
7	CIMB Group Nominees (Tempatan) Sdn Bhd *Yeap Geok Lake & Sons Sdn Bhd for Yeap Kong Tai*	6,680,000	4.18
8	Chan Li Kheng	5,410,700	3.38
9	Yeap Chor Beng & Sons Sdn Bhd	4,800,000	3.00
10	Cheong Yen Yoon	3,588,000	2.24
11	Success Merge Sdn Bhd	2,699,300	1.69
12	Yeap Kong Yeow	2,433,000	1.52
13	Ng Cheng Guan	1,604,100	1.00
14	Amsec Nominees (Tempatan) Sdn Bhd *PT Amcapital Indonesia for Cheong Yen Yoon*	1,339,100	0.84
15	Yeap Kah Phaik	1,000,000	0.63
16	Yeap Teik Ee	1,000,000	0.63
17	Yeap Yen Guan	1,000,000	0.63
18	Yeap King Jin	948,000	0.59
19	Sarina Binti A Karim	900,068	0.56
20	Yeap Kong Yeow	868,400	0.54

Analysis of Shareholdings
as at 29 April 2011 (cont'd)

30 Largest Securities Account Holders (cont'd)

No.	Name	No. of Shares held	%
21	Yap Ean Sin	704,000	0.44
22	Teoh Cheng Siang	700,000	0.44
23	Yeap Lay Hoon	700,000	0.44
24	Yeap Teck Cheong	700,000	0.44
25	Khoo Yong Ai	670,000	0.42
26	Yeap Geok Lan	664,000	0.42
27	Foo Chee Boon	650,000	0.41
28	Yeap Kah Phaik	650,000	0.41
29	Ho Beng Chuan	600,000	0.38
30	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chong Yew Meng*	600,000	0.38

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

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

Directors' Shareholdings

		No. of Shares beneficially held			
No.	**Name of Directors**	**Direct Interest**	**%**	**Indirect Interest**	**%**
1	Yeap Kong Chean	40,666,668	25.42	-	-
2	Tan Hoay Leng	-	-	40,666,668*	25.42
3	Ahmad Fuad Bin Mohd Ali	-	-	-	-
4	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 Corporations

By virtue of their interests in shares in the Company, Mr Yeap Kong Chean and Madam Tan Hoay Leng are 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 corporations.

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 Seventh (7th) Annual General Meeting of the Company to be held at The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Georgetown, Penang on Thursday, 30 June 2011 at 11.00 a.m. at any adjournment thereof.

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

AGENDA			
To receive the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2010 together with the Auditors' Report thereon			
Resolutions		**For**	**Against**
1.	To approve the payment of Directors' fees for the financial year ended 31 December 2010		
2.	To re-elect Mr. Chong Kai Min as Director of the Company		
3.	To re-elect En. Ahmad Fuad Bin Mohd Ali as the Director of the Company		
4.	To appoint Messrs. Cheng & Co. as Auditors of the Company in place of the existing Auditors, Messrs. Mazars for the ensuing year and to authorise Directors to fix their remuneration		
5.	Ordinary Resolution - Authority to the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965		
6.	Special Resolution – Proposed Amendment to the Articles of Association		

** Strike out whichever not applicable*

As witness *my/our hand(s) this ______ day of ___________, 2011.

____
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 specifie 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 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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Ygl Convergence Berhad

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