Meet in One Value

Ygl Convergence Berhad

(649013-W)

Annual Report 2012

Contents

Ygl Convergence Berhad

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth (9th) Annual General Meeting of Ygl Convergence Berhad (or "the Company") will be held at Cititel Penang, 66, Jalan Penang, 10000 Penang on Thursday, 27 June 2013 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 2012 together with the Auditors' Report thereon. *(Please refer to Note 1)*
2. To approve the payment of Directors' fees of RM75,000 for the financial year ended 31 December 2012. **Resolution 1**
3. To re-elect Mr. Yeap Kong Chean who is retiring by rotation 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 Mr. Chua Kiat Eng 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 re-appoint Messrs Cheng & Co. as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration. **Resolution 4**

As Special Business:-

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

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

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

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

   THAT the proposed amendments to the existing Articles of Association of the Company as set out in the Annual Report 2012 be and are hereby approved and adopted AND THAT the Board of Directors of the Company be authorised to give effect to the said amendments. **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 (MIA 24701)
Company Secretaries

Penang
Date: 5 June 2013

Notice of Annual General Meeting (cont'd)

Explanatory Notes to Special Business:-

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

The Ordinary Resolution proposed under item 6(i) is primarily to seek for the renewal of a general mandate to give flexibility to the Board of Directors to issue and allot shares up to 10% of the issued share capital (excluding treasury shares) of the Company for the time being, at anytime in their absolute discretion without convening a general meeting (hereinafter referred to as the "General Mandate").

The Company has been granted a general mandate by its shareholders at the last Annual General Meeting ("AGM") held on 19 June 2012 (hereinafter referred to as the "Previous Mandate") and it will lapse at the conclusion of 9th AGM.

In March 2013, a total of 15,997,740 new ordinary shares of RM0.10 each were issued pursuant to the Private Placement at an issue price of RM0.10 in accordance with the Previous Mandate and total proceeds of RM1,599,774.00 had been raised from the said Private Placement exercise of the Company. The proceeds raised from the Private Placement exercise were mainly for working capital purposes and the details of the utilization of the said proceeds are disclosed in the Annual Report 2012.

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

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

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

The Special Resolution proposed under item 6(ii) is primarily to seek for shareholders' approval to amend the Articles of Association of the Company to be in line with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

Details of the proposed amendments are set out in the Annual Report 2012.

Notice of Annual General Meeting (cont'd)

Notes:

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

2. In respect of deposited securities, only member whose name appears on the Record of Depositors as at 21 June 2013 shall be entitled to attend, speak and vote at the meeting.

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

4. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.

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

6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

7. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarized certified copy of that power or authority, shall be deposited at the Registered Office of the Company at No. 10, China Street, 10200 Penang not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

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.

Details of the Proposed Amendments to the Articles of Association of the Company as referred under the Resolution 6 of the 9th Annual General Meeting to be held on 27 June 2013

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

Article No.	Existing Article	Amended Articles
2	Approved Market Place - A stock exchange which is specified to be an approved market place pursuant to an exemption order made under section 62A of the Central Depositories Act.	**Deleted**
2	New definition	**Dividend Reinvestment Scheme** **- means a scheme which enables shareholders to reinvest cash dividend into new shares.**
2	New definition	**Employee Share Scheme** **- means collectively a Share Issuance Scheme and a Share Grant Scheme.**
2	New definition	**Exempt Authorised Nominee** **- an authorised nominee defined under the Depositories Act, which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act.**
2	New definition	**Share Grant Scheme** **- means a scheme involving the grant of the Company's existing shares to employees.**
2	New definition	**Share Issuance Scheme** **- means a scheme involving a new issuance of shares to the employees.**
2	Listing Requirements - The Listing Requirements of Bursa Securities for the MESDAQ Market including any amendments to the Listing Requirements that may be made from time to time.	Listing Requirements - The Listing Requirements of Bursa Securities for the **ACE** Market including any amendments to the Listing Requirements that may be made from time to time.
2	MESDAQ Market - The MESDAQ of the Bursa Securities if appropriate, any stock exchange to the official list whereof the Company is admitted and on which the shares of the Company are quoted.	**ACE** Market - The **ACE Market** of the Bursa Securities if appropriate, any stock exchange to the official list whereof the Company is admitted and on which the shares of the Company are quoted.
2	New definition	**Securities** **- Shall have the meaning given in Section 2 of the Capital Markets and Services Act, 2007.**

Details of the Proposed Amendments to the Articles of Association of the Company as referred under the Resolution 6 of the 9th Annual General Meeting to be held on 27 June 2013 (cont'd)

Article No.	Existing Article	Amended Articles
4.2:2	no Director shall participate in a share scheme for employees unless the Members in general meeting have approved the allotment to be made to such director;	no Director shall participate in a **Share Issuance Scheme** unless the Members in general meeting have approved the **specific** allotment to be made to such director **subject always to the provisions of the Listing Requirements or such regulations or amendments as may be imposed by regulatory bodies from time to time. Such Director shall not participate in the deliberation or discussion of his/her own allocation.**
14.4	Where the securities of the Company are: 14.1:1 listed on an Approved Market Place; and 14.4:2 the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No.2) Act 1998, as the case may be, under the Rules in respect of such securities, such Company shall, upon request of the securities holder permit a transmission of securities held by such holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the Approved Market Place ("Foreign Register") to the register of holders maintained by the Registrar of the Company in Malaysia ("Malaysian Register") provided that there shall be no change in the ownership of such securities. For the avoidance of doubt, no company which fulfills the requirements of Articles 14.4:1 and 14.4:2 above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.	Where the securities of the Company are: 14.1:1 listed on **another stock exchange**; and 14.4:2 the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No.2) Act 1998, as the case may be, under the Rules in respect of such securities, such Company shall, upon request of the securities holder permit a transmission of securities held by such holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of **other stock exchange**, to the register of holders maintained by the Registrar of the Company in Malaysia **and vice versa** provided that there shall be no change in the ownership of such securities. For the avoidance of doubt, no company which fulfills the requirements of Articles 14.4:1 and 14.4:2 above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.
20.1	The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' notice or 21 days' notice in the case	The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' notice or 21 days' notice in the case

Details of the Proposed Amendments to the Articles of Association of the Company as referred under the Resolution 6 of the 9th Annual General Meeting to be held on 27 June 2013 (cont'd)

Article No.	Existing Article	Amended Articles
	where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in the daily press and in writing to each stock exchange upon which the Company is listed.	where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in **at least one nationally circulated Bahasa Malaysia or English daily newspaper** and in writing to each stock exchange upon which the Company is listed.
20.5	In every notice calling a general meeting, there shall appear with reasonable prominence a statement that a Member is entitled to appoint up to 2 proxies to attend and vote in his place, that a proxy may but need not be a Member and that if a Member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.	In every notice calling a general meeting, there shall appear with reasonable prominence a statement that a Member is entitled to appoint **2 or more** proxies to attend and vote in his place **at a meeting of the Company, or at a meeting of any class of members of the Company. There shall be no restriction as to the qualification of the proxy.** 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. **A proxy shall have the same rights as members to speak at the general meeting.**
21.10	A poll shall be taken as the Chairman directs (including (without limitation) the use of ballot or voting papers or tickets) and he may appoint scrutineers (who need not be Members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.	A poll shall be taken as the Chairman directs (including (without limitation) the use of ballot or voting papers or tickets **or forms or by way of electronic polling**) and he may appoint scrutineers (who need not be Members) and fix a time and place for declaring the result of the poll. The result of the poll shall be ~~deemed to be~~ the resolution of the meeting at which the poll was demanded. **Any vote cast by way of electronic polling shall be deemed to constitute a vote by the Members, or their proxies, for all purposes of these Articles.**
22.5	A Member may appoint 2 or more proxies to attend the same meeting. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Act 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.	A Member may appoint 2 or more proxies to attend **and vote in his place at a meeting of the Company, or at a meeting of any class of members of the Company. There shall be no restriction as to the qualification of the proxy and the provisions of Section 149(1)(a), (b) and (c) of the Act 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. **A proxy shall have the same rights as members to speak at the general meeting.**

Details of the Proposed Amendments to the Articles of Association of the Company as referred under the Resolution 6 of the 9th Annual General Meeting to be held on 27 June 2013 (cont'd)

Article No.	Existing Article	Amended Articles
22.6	Where a member of the Company is an authorized nominee as defined under the Central Depositories Act, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.	Where a member of the Company is **an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds. Where an Exempt Authorised Nominee appoints more than 1 proxy in respect of each Omnibus Account, the appointment shall be invalid unless the Exempt Authorised Nominee specifies proportion of its shareholding to be represented by each proxy.**
39.10	New provision	**Subject to the approval being obtained from the members of the Company and the Listing Requirements, the Company may issue shares pursuant to a Dividend Reinvestment Scheme to all its members who are entitled to dividend in accordance with the provisions of the Act and any rules, regulations and guidelines there under or issued by the Exchange and any other relevant authorities in respect thereof.**
51.7	For the purpose of this article, unless the context otherwise requires, "Listing Requirements" means the Listing Requirements of Bursa Securities for the MESDAQ Market including any amendments to the Listing Requirements that may be made from time to time.	For the purpose of this article, unless the context otherwise requires, "Listing Requirements" means the Listing Requirements of Bursa Securities for the **ACE** Market including any amendments to the Listing Requirements that may be made from time to time.

Corporate Information

BOARD OF DIRECTORS

Yeap Kong Chean
Chief Executive Officer

Tan Hoay Leng
Executive Director

Ahmad Fuad Bin Mohd Ali
Independent Non-Executive Director

Dr. Ch'ng Huck Khoon
Independent Non-Executive Director
(Appointed w.e.f. 28.02.2012)

Chua Kiat Eng
Independent Non-Executive Director
(Appointed w.e.f. 28.03.2013)

Lim Hoo Teck
Independent Non-Executive Director
(Resigned w.e.f. 1 January 2013)

COMPANY SECRETARIES

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

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

Cheng & Co. (AF0086)
16-G Jalan 2/114
Kuchai Business Centre
Off Jalan Klang Lama
58200 Kuala Lumpur
Wilayah Persekutuan

PRINCIPAL BANKERS

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

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

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

STOCK EXCHANGE LISTING

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

WEBSITE

www.yglworld.com

Profile of Directors

YEAP KONG CHEAN
Chief Executive Officer
Aged 51, Malaysian

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

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

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

TAN HOAY LENG
Executive Director
Aged 46, Malaysian

Tan Hoay Leng was appointed to the Board on 12 May 2009. She presently oversees the finance and human resources of Ygl Group.

She graduated with a Bachelor's degree in Commerce from University of Western Australia in 1990. She is a member of the Malaysian Institute of Accountants and the Australian Society of Certified Practising Accountants.

She commenced her career in 1991 with Coopers & Lybrand where she served for three years. Madam Tan Hoay Leng was subsequently involved in public practice, providing consultation services to customers in various industries. She has vast experience in public accounting, taxation, outsourcing and human resource management.

Profile of Directors (cont'd)

AHMAD FUAD BIN MOHD ALI
Independent & Non-Executive Director
Aged 60, Malaysian

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

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

Currently, he is an Advisor in a Corporate Advisory company and a Director of a Project Management company.

DR. CH'NG HUCK KHOON
Independent & Non-Executive Director
Aged 44, Malaysian

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

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

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

Currently, he is an Independent Non-Executive Director and Chairman of the Audit Committee of CNI Holdings Berhad ("CNI"). He is also an Independent Non-Executive Director and member of the Audit Committee of AT Systematization Berhad ("ATS"). Both CNI and ATS are the companies listed on the Main Market of Bursa Malaysia Securities Berhad.

Profile of Directors (cont'd)

CHUA KIAT ENG
Independent & Non-Executive Director
Aged 49, Malaysian

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

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

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

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

Notes:

i. Family Relationships with Director and/or Major Shareholders

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

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

ii. Directors' Shareholdings

Details of the Directors' shareholdings in the Company can be found in the Analysis of Shareholdings section in 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 2012.

Looking back at 2012, the market for enterprise solutions was influenced by slow market activities and there were fewer investments in enterprise systems implemented by the corporate sector which also faced the challenge of hiking operating costs against the background of global financial uncertainty. Certain local and overseas corporate and government projects were deferred due to prudent budget considerations. Ygl on the other hand still maintained its direct staff force and software development work amidst the very difficult time for IT companies.

Financial Overview

Ygl Group recorded revenue of RM6.494 million for the financial year ended 31 December 2012, representing a decrease of 35% as compared with the revenue of RM9.990 million for the financial year ended 31 December 2011. Net loss for financial year 2012 was RM2.454 million as compared to net profit of RM2.170 million for financial year 2011. Correspondingly, Ygl had net loss per share of 1.52 sen for the year ended 31 December 2012 as compared to net profit per share of 1.36 sen for the year ended 31 December 2011. The net loss was due to the decline in revenue as compared with 2011.

Corporate Development

Despite the not so friendly years for IT and enterprise provider, Ygl has continued in the research and development work with the belief to create an Asian product with the technology and best practices that will add value to the business operations, matching and outperforming the solutions from the US and Europe.

2012 had been an interesting year for Ygl, during which certain penetrations had been made both locally and overseas. Ygl proprietary product lines had been successfully deployed in the corporate and government sectors:

1. Ygl Hospitality solution "Hotel2U" originally developed for 3 stars and below hotels had been successfully deployed by five star hotels in Malaysia. Ygl had also installed the first hotel "self check in machine" in Klang Valley.

2. Ygl Enterprise solution, "E-Manufacturing" was successfully deployed in Singapore. The Chinese version was also successfully deployed in China within the same year.

3. Ygl Electronic Document Management and Tracking solution, "EDMS" was successfully deployed with the Macau Transport Department (DSAT Macau).

4. Ygl Sharepoint cum the "EDMS" solutions was successfully deployed with HK Oxford University Press.

5. Ygl RFID and Fixed Assets solution was successfully deployed with the Grand Prix of Macau.

6. Ygl "Workflow & Document Tracking" solution was successfully deployed with the HK Social Welfare Department, and Macau Housing Ministry (IHM Macau).

Chief Executive Officer's Statement (cont'd)

Research and Development ("R&D")

For financial year 2012, Ygl Group invested RM1.249 million in the research and development of Ygl proprietary product. This represents a slight decrease of 3.6% as compared to the R&D's expenditure of RM1.296 million incurred in financial year 2011. Continuous research and development activities will be made to further strengthen Ygl product line to world-class standard.

Prospect

Looking ahead year 2013, we are optimistic of the rebound in revenue as some projects which had been deferred in 2012 will materialize in 2013.

In March 2013, Ygl was awarded a project worth RM6 million with Malayan Banking Berhad. Under the project, Ygl will deploy Human Resource (HR) Self-service such as online staff portal for employees to process leave, claims etc through the web. The project covers Maybank's branches and subsidiaries in this region including Singapore, Thailand, Vietnam, Indonesia and Philippines.

It is expected that a major part of the revenue from this project will be recorded in 2013.

With the readiness and maturity of Ygl proprietary product lines, we are eager to increase our market reach within Malaysia, the rest of South East Asia and Greater China. We like to see ourselves as a world-class regional automation centre for both the government and private sectors.

Appreciation

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

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

The Board likes to thank our ex-director, Mr. Lim Hoo Teck, who had left us on his own accord on 1 January 2013 for his valuable contributions. He had been with Ygl since April 2008.

The Board also extends a warm welcome to our new Independent Non-Executive director, Mr. Chua Kiat Eng who joined the board on 28 March 2013. Mr. Chua is also a member of the Audit Committee and Nomination Committee. We look forward to his contribution in Ygl Group.

Yeap Kong Chean
Chief Executive Officer

Date: 20 May 2013

Audit Committee Report

The Board is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2012 ("FY2012").

The Board reviewed the terms of office of the AC members during FY2012, based on an interval of at least once in every three years in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad for ACE Market ("Listing Requirements"). The Board also assessed the performance of the AC and its members through an its annual evaluation form and is satisfied that they are able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the AC, thereby supporting the Board in ensuring appropriate Corporate Governance standards within the Group.

MEMBERSHIP

The present AC consists of the following members, all of whom are Independent and Non-Executive Directors:-

Chairman - Dr. Ch'ng Huck Khoon (Note 1)

Members - Ahmad Fuad Bin Mohd Ali
Chua Kiat Eng (Note 2)

Notes:
Note 1 : In conjunction with the resignation of Mr. Lim Hoo Teck as Independent Non-Executive Director and AC Chairman with effect from 1 January 2013, Dr. Ch'ng Huck Khoon who was appointed as AC member on 28 February 2012, has been re-designated as Chairman of the AC with effect from 1 January 2013 in compliance with the Paragraph 15.10 of the Listing Requirements.

Note 2 : Mr. Chua Kiat Eng was appointed as AC member with effect from 28 March 2013.

ATTENDANCE OF MEETINGS

During the FY2012, the Committee held a total of five (5) meetings. The details of attendance of the Committee members are as follows:-

Directors	Total No. of Meetings Attended	No. of Meetings held during tenure in office	%
Lim Hoo Teck (resigned w.e.f. 1 January 2013)	5	5	100
Ahmad Fuad Bin Mohd Ali	5	5	100
Dr. Ch'ng Huck Khoon (appointed w.e.f. 28 February 2012)	4	4	100
Chua Kiat Eng (appointed w.e.f. 28 March 2013)	N/A	N/A	N/A

Audit Committee Report (cont'd)

SUMMARY OF THE TERMS OF REFERENCE

1. COMPOSITION

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

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

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

2. AUTHORITY

The AC shall, within its terms of reference:-

a) have explicit authority to investigate any matters within its term of reference;
b) have full and unrestricted access to any information as required to perform its duties ;
c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activities (if any);
d) be able to obtain independent professional or other advice;
e) Be able to convene meetings with external auditors, the internal auditors or both, without the presence of the other directors and management, whenever deemed necessary; and
f) where the AC is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the AC shall promptly report such matter to Bursa Malaysia Securities Berhad.

3. SUMMARY OF MAIN DUTIES AND RESPONSIBILITIES

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

Audit Committee Report (cont'd)

4. SUMMARY OF ACTIVITIES

During the year under review, the following were the activities of the Committee:-

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

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

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

iv) Reviewed and recommended the re-appointment of the external auditors for the ensuring prior to submission to the Board and shareholders for consideration;

v) 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;

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

During the FY2012, the Committee had met with the external auditors twice without the presence of the Management and there was no private issue.

5. INTERNAL AUDIT FUNCTION

The Group has outsourced the internal audit functions to Messrs. PKF and they have conducted two reviews of 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 was required to undertake adequate measures to address the operational weaknesses.

The activities carried out by the internal audit function include:-

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

The total cost incurred by the Group for the internal audit functions in respect of FY2012 amounted to approximately RM10,600.

This Statement is made in accordance with the resolution of the Board of Directors dated 17 May 2013.

Statement on Corporate Governance

The Board of Directors ("Board") of Ygl Convergence Berhad ("Ygl") recognises and fully subscribes to the importance of the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("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 recommendations as set out in the Code with the exception of one area as highlighted below. The reason for such departure is specified therein.

Best Practices	Reasons
Appointment of 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 10 to 12 of this Annual Report.

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

There is a clear distinction of responsibilities between the executive and non-executive directors. The executive directors are responsible for the overall operations of the Group and the implementation operational procedures and corporate policies. The non-executive directors, with their knowledge and experience, provide their unbiased views, advice and judgment to the Board with the interest of all stakeholders in consideration. If any conflict of interest arises, it is mandatory practice for the directors concerned to declare their interests and abstain from the decision making process and voting.

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

Statement on Corporate Governance (cont'd)

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

For the year 2012, the Board has conducted the annual review of the Board effectiveness as a whole in compliance with the recommendation of the Code.

None of the independent non-executive directors has served tenure for more than nine years

Roles & Responsibilities of the Board

The roles and responsibilities of the Board are outlined the board charter. The board charter provides guidelines to benchmark the performance of the Board as a whole as well as that of the individual director. The terms of the board charter is periodically reviewed to meet changing requirements set by the authorities.

The Board retains the ultimate decision making control in determining the Group's strategies and policies over business directions and development. Key decisions such as approval of annual and quarterly financial results, budgets and long term business plans, acquisition and disposal of major assets and business directions lie within the responsibilities of the Board.

Board Committees

The Board establishes Audit Committee and Nomination Committee to support and assist it in discharging its fiduciary duties by delegating certain functions and responsibilities to them. The respective committees, report to the Board on matters concerned and make recommendations accordingly.

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 2012, the Board had held five meetings which were attended by the following Directors of the Company:-

Directors	No. of Meetings attended	Total No. of Meetings held during tenure in office	%
Yeap Kong Chean	5	5	100
Tan Hoay Leng	5	5	100
Lim Hoo Teck (resigned w.e.f. 1 January 2013)	5	5	100
Ahmad Fuad Bin Mohd Ali	5	5	100
Dr. Ch'ng Huck Khoon (appointed w.e.f. 28 February 2012)	4	4	100
Chua Kiat Eng (appointed w.e.f. 28 March 2013)	N/A	N/A	N/A

Statement on Corporate Governance (cont'd)

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 information and time to deliberate on issues to be raised at meetings.

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

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

Appointment and Re-election to the Board

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

The Nomination Committee currently comprises exclusively of independent non-executive directors as follows:-

Ahmad Fuad Bin Mohd Ali (Chairman)
Chua Kiat Eng
Dr. Ch'ng Huck Khoon

The Board will be assessing the independent directors on an annual basis based on the criteria developed by the Nomination Committee and making reference to its recommendations.

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 eligible for re-election.

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

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

Statement on Corporate Governance (cont'd)

Directors' Training

All the Directors except for newly appointed Director, Mr. Chua Kiat Eng who will attend the Mandatory Accreditation Programme ("MAP Programme") held on 5 and 6 June 2013, have attended the MAP Programme as required by Bursa Securities on all Directors of listed companies.

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

Descriptions of the type of training(s) attended by the Directors during the financial year 2012 are as follows:-

Directors	Title of Seminar / Workshops / Courses	Mode of Training	No. of Hours / Days Spent
Yeap Kong Chean	Enhancing Compliance: Avoiding Common Mistakes and Improving Efficiency	Roadshow	4 hours
	Minimising Withholding Tax Exposure & Effectiveness of Double Taxation Agreements in Cross Border Transactions	Workshop	8 hours
	Seminar Percukaian Kebangsaan 2012	Seminar	8 hours
	2013 Budget Seminar	Seminar	8 hours
	Criminal Tax Investigations & Anti-Money Laundering	Workshop	8 hours
Tan Hoay Leng	Convergence with IFRS in 2012 (Covering MFRS 1)	Seminar	8 hours
	Introduction to Fair Value Accounting (Incorporating IFRS/MFRS)	Seminar	8 hours
	Seminar Percukaian Kebangsaan 2012	Seminar	8 hours
	2013 Budget Seminar	Seminar	8 hours
	New Public Rulings in 2011 & 2012	Seminar	8 hours
Ahmad Fuad Bin Mohd Ali	International Directors Summit 2012	Seminar	2 days
Dr. Ch'ng Huck Khoon	Devising a Winning Investment Plan	Seminar	8 hours
	Management for Practical Investing	Seminar	8 hours
Lim Hoo Teck	Seminar Percukaian Kebangsaan 2012	Seminar	8 hours
	Detecting Financial Statement Fraud-W1: Detecting Red Flags in Creative Accounting	Seminar	8 hours

Directors' Remuneration

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

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

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

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

Statement on Corporate Governance (cont'd)

The summary of the Directors' remuneration in the Company and its subsidiaries for the financial year ended 31 December 2012 is as follows:-

Directors	Company			Group		
	Salaries RM	Bonus RM	Fee RM	Salaries RM	Bonus RM	Fee RM
Executive	-	-	-	188,780	-	-
Non-Executive	-	-	75,000	-	-	-
Total	-	-	75,000	188,780	-	-

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 business, performance and corporate development.

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

At the AGM, shareholders are encouraged to participate and to raise questions pertaining to resolutions proposed and future prospects of the Group in general. In addition, the external auditor is also present to address any issues raised by the shareholders.

All public announcements can be downloaded via Bursa Link established by Bursa Malaysia Securities Berhad as well as the official website of the Group at www.yglworld.com for easy access to corporate information and the Group's activities.

AGM

The Company's AGM serves as a principal forum for dialogue between the Directors and Sponsors 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

The Audit Committee comprises exclusively of three (3) independent non-executive directors and it supports the Board by upholding the integrity of financial reporting functions and overseeing the effectiveness of internal control policies and measures of the Group. The Board discusses matters and takes actions on the recommendations proposed by the Audit Committee.

Financial Reporting

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

In this respect, the 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 Malaysia Securities Berhad.

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 15 to 17of this Annual Report.

Internal Control

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

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

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 25 and 26 of this Annual Report.

Relationship with the External Auditors

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

The Independent Non-Executive Directors also met with the external auditors without the presence of Management on 24 April 2012 and 26 November 2012 during the financial year 2012 in compliance with the best practices of the Code.

Statement on Corporate Governance (cont'd)

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 re-appointment of the external auditors. The re-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 exception set out above, the Board is satisfied that the Group is in substantial compliance with the Code during the financial year ended 31 December 2012.

This Statement is made in accordance with a resolution of the Board of Directors dated 17 May 2013.

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 Rule 15.26(b) of the ACE Market 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 by management and financial information and, records or against financial losses or fraud.

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

RISKS MANAGEMENT FRAMEWORK

The Board considers risk assessment and control to be fundamental to the Group in achieving its corporate objectives within reasonable risk profile. It has established an ongoing process to identify, evaluate and manage the significant risks to which the Group is exposed by establishing a risk management framework for the Group. The Board recognises the importance of continuous review and improvement to its risk management process to keep abreast with the industry requirements and adapt to changes in its business environment.

Statement on 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.

- Adopting the ISO27001 information security assurance measures to safeguard the data of software in development and business setting

- Constant monitoring of work performance by an effective reporting system

AUDIT COMMITTEE & INTERNAL AUDIT

The Group has outsourced the internal audit function to an independent professional firm since 2009 to carry out the internal audit services 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 auditors carried out two internal audits in accordance with the internal audit plan approved by the Audit Committee. Observations noted from internal audits and any recommendations were deliberated with the Management who addressed the internal control weaknesses identified with appropriate action plans 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 regular basis. None of theses weaknesses identified had resulted in any material loss that would require disclosure in the Group's Annual Report.

CONCLUSION

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

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

This Statement is made in accordance with a resolution of the Board of directors dated 17 May 2013.

Directors' Responsibilities Statement on Financial Statements

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

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

In preparing the financial statements for the financial year ended 31 December 2012, the Directors have:-

- adopted the Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board

- made judgments and estimates that are reasonable and prudent;

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

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

The Directors have 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 17 May 2013.

Additional Compliance Information

UTILISATION OF PROCEEDS

In March 2013, a total of 15,997,740 new ordinary shares of RM0.10 each were issued pursuant to the Private Placement at an issue price of RM0.10 in accordance with the Previous Mandate and total proceeds of RM1,599,774.00 had been raised from the said Private Placement exercise of the Company.

As at 6 May 2013, the Company only utilized the above proceeds for the expenses incurred for the listing and placement expenses amounting to RM44,699 and as working capital for RM515,254, while the balance of proceeds amounting to RM1,039,821 remained unutilized.

SHARE BUY-BACK

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants 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 2012.

VARIATION OF ACTUAL PROFIT FROM THE UNAUDITED RESULTS

There were no material variations between the audited results for the financial year ended 31 December 2012 and the unaudited results for the year ended 31 December 2012 of the Group as previously announced.

PROFIT GUARANTEE

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

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

For the financial year ended 31 December 2012, there were no material contracts entered into by the Company and its subsidiaries involving Directors and major shareholders.

Corporate Social Responsibility Statement

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

ENVIRONMENT

In addition to compliance with existing statutory and regulatory requirements, Ygl has started a green approach by planting trees and maintain grass on its corporate compound.

Together with effort from its staff, a part of its premises is set up as mini recycle pool where resources are channeled to the necessary places.

COMMUNITY

Ministry of Higher Education (MOHE) with the cooperation of Universiti Teknical Malaysia Melaka (UTeM), Microsoft Malaysia and Multimedia Development Corporation (MDeC) organised the Imagine Cup Competition, Malaysia Finals in Kota Kinabalu, Sabah from 16—18 May 2012.

In conjunction with the event, the Secretariat of Imagine Cup Malaysia 2012 had appointed Mr. Humphrey Ho, YGL Group Marketing Manager to share his expertise and assist in the judging process. This was the second consecutive year that Mr. Humphrey had been appointed as the judge.

Mr. Humphrey Ho with grey coat is judging the presentation given by the students

Corporate Social Responsibility Statement (cont'd)

WORKPLACE

A new corporate office will be the anchor for a pleasant and spacious working environment where work and team resources are gathered to improve office efficiency and productivity. In line with the proposition of the government to promote greater IT use in workplace, there will be enhanced facilities.

The new corporate premise meets all of our criteria for branding, green office, IT savvy, customer service and will provide a prominent presence that reflects and reinforces our commitment and continuing growth in our niche market.

MARKET PLACE

SME BIZFEST™ 2012 - PENANG,

SME BizFest™ 2012 was a unique and one of its kind showcase in Malaysia, that offered SMEs the best and innovative ICT solutions from Telekom Malaysia and notable partners. This 2-day event which was held in April and May 2012 included innovative holographic and interactive presentations, as well as plenary conferences covering a wide variety of ICT and SME topics by renowned speakers, latest technology demonstrations and exhibitions plus exciting games with many prizes to be won. A total pull of 500,000 SME customers nationwide were also be drawn through various media channels to participate in the events.

Corporate Social Responsibility Statement (cont'd)

The concept:

The SME BizFest™ 2012 aimed to equip small and medium businesses with the tools, resources and solutions needed for business readiness and staying ahead of market trends. The panel of distinguished speakers discussed case studies and shared success stories on key issues in reviving businesses, minimising risks and maintaining a competitive edge in the market.

The 2-day event at each location provided the opportunity to grow businesses and learn how technology would be suited to the business environment. The event showcased presentations by experts on the role of technology in SMEs. The event contributed sustainable development of SMEs by providing information and raising awareness of available and upcoming IT technologies and solutions.

What's Unique about SME BizFest™ 2012:

The SME BizFest™ 2012 was held in 3 major cities in Peninsular Malaysia, starting with the Equatorial in Penang on 13 & 14 April, followed by Persada in Johor Bahru on 11 & 12 May with the grand finale at Grand Pyramid, Petaling Jaya on 18 & 19 May 2012.

A Conference with A Difference:

SME BizFest™ 2012 was a unique and one of its kind showcase in Malaysia for SMEs where current innovative technologies like holographic appearance, 3D interactive presentations, telepresence and much more showcased to educate, inform and inspire SMEs on the value add of ICT technologies for their business.

Corporate Social Responsibility Statement (cont'd)

NATIONAL TAX CONFERENCE 2012

YGL was pleased to support the National Tax Conference (NTC) 2012 which was jointly organised by Inland Revenue Board of Malaysia (IRBM) and the Chartered Tax Institute of Malaysia (CTIM) on 17 & 18 July 2012 at the Kuala Lumpur Convention Centre, Kuala Lumpur. Featuring the theme "Taxation Challenges in a Borderless Economy", the Conference covered many relevant topics and ended with Round Table Discussion Between IRBM and CTIM.

Dato' Dr Mohd Shukor bin Hj Mah, CEO, Lembaga Hasil Dalam Negeri Malaysia (right and Ygl staff Mr. Kwok Chee Seng (left) and Mr. Danny Tan (behind).

Corporate Social Responsibility Statement (cont'd)

COACH & GROW PROGRAMME CONVOCATION CEREMONY, 22 NOVEMBER 2012

Congratulations to YGL on completing the Coach & Grow Programme 2011/2012

YGL was invited to the **Coach & Grow Programme Convocation Ceremony** on **22 November, Thursday 9.00am – 11.00am at Auditorium, Securities Commissions Malaysia 3, Persiaran Bukit Kiara, 50490 Kuala Lumpur**

Cradle Fund Sdn Bhd (Cradle) an agency under the Ministry of Finance, was tasked to lead a programme namely Coach and Grow Programme (CGP) which trained existing entrepreneurs to grow their businesses to greater heights. Upon completion of the programme, Cradle organised the Coach and Grow Programme Convocation Ceremony.

The main objectives of the ceremony were to recognise the achievements of the programme's graduates from various industries and levels and to celebrate the success of these entrepreneurs. The event was graced by guest of honour, **Y.Bhg. Dato' Dr. Mohd Irwan Serigar Abdullah**, Secretary General of Treasury, Ministry of Finance Malaysia.

YGL is planning to grow its business in the region and found the Coach & Grow Programme useful; YGL has benefited in that the CGP showed us the process from idea stage to the expansion stage.

Mr. Danny Tan received the certificate on behalf of YGL.

Recognition Received

Directors' Report
for the year ended 31 December 2012

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended December 31, 2012.

PRINCIPAL ACTIVITIES
The Company is principally engaged as an investment holding. The principal activities of the subsidiaries are stated in Note 6 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Net loss for the year	2,454,415	137,910
Attributable to:		
Owners of the Company	2,480,149	137,910
Non - controlling interests	(25,734)	-
	2,454,415	137,910

DIVIDENDS
There were no dividends paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend to be paid for the 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.

DIRECTORS
The directors who served since the date of the last report are:-

Yeap Kong Chean
Tan Hoay Leng
Ahmad Fuad Bin Mohd Ali
Dr. Ch'ng Huck Khoon
Lim Hoo Teck - Resigned on 1 January 2013
Chua Kiat Eng - Appointed on 28 March 2013

In accordance with the Articles of Association, Yeap Kong Chean shall retire by rotation under Article 29.1 and Chua Kiat Eng shall retire under Article 29.6 of the Articles of Association at the forthcoming annual general meeting and, being eligible, offer themselves for re - election.

ISSUE OF SHARES AND DEBENTURES
During the financial year, the Company did not issue any new shares or debentures.

Directors' Report
for the year ended 31 December 2012 (cont'd)

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

	---- Number of ordinary shares of RM0.10 each ----			
The Company	**At 1-1-2012**	**Bought**	**Sold**	**At 31-12-2012**
Yeap Kong Chean				
- direct interest	40,666,668	-	-	40,666,668
Tan Hoay Leng *				
- indirect interest	40,666,668	-	-	40,666,668

* Disclosure pursuant to Section 134(12)(c) of the Companies Act, 1965.

By virtue of his interests in shares of the Company, Yeap Kong Chean is deemed to be interested in the 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 nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

OTHER STATUTORY INFORMATION
Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the directors took reasonable steps to ascertain:-

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

(b) that any current assets which were unlikely to realise in the ordinary course of business their value as shown in accounting records of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

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

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

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

Directors' Report

for the year ended 31 December 2012 (cont'd)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (cont'd)

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

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

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

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

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

No contingent or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, except for those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

SIGNED IN ACCORDANCE WITH
A RESOLUTION OF THE DIRECTORS

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

Kuala Lumpur
Date : 23 April 2013

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 **December 31, 2012** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flow of the Group and of the Company for the year ended, and a summary of significant accounting policies and other explanatory notes set out on pages 39 to 91.

Directors' responsibility for the financial statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable Malaysian Financial Reporting Standards and the Companies Act, 1965 in Malaysia and with International Financial Reporting Standard so as to give a true and fair view of the financial position of the Group and of the Company as at year ended December 31, 2012 and of its 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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of all 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 audit 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

(a) As stated in Note 1(a) to the financial statements, YGL CONVERGENCE BERHAD adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statement of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the MFRS transition comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtained sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect these audited financial statements.

(b) 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.

Independent Auditors' Report

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

Other Reporting Responsibilities

The supplementary information set out in Note 29 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.

CHENG & CO.
Firm No. : AF – 0886
Chartered Accountants (Malaysia)
18-2, Jalan 2/114, Kuchai Business Centre,
Off Jalan Klang Lama, 58200 Kuala Lumpur.

YAP PENG BOON
Partner
No. Kelulusan 2118/12/14 (J)

Kuala Lumpur,
Date: 23 April 2013

Statements of Consolidated Financial Position

as at 31 December 2012

	NOTE	2012 RM	2011 RM	1.1.2011 RM
NON-CURRENT ASSETS				
Property, plant and equipment	3	5,392,679	5,226,058	5,067,710
Investment property	4	287,138	287,615	288,092
Intangible assets	5	6,689,710	6,286,908	4,939,816
Investment in associates	7	679,087	796,471	947,950
Other Investments	8	-	-	1
		13,048,614	12,597,052	11,243,569
CURRENT ASSETS				
Trade and other receivables	9	4,059,447	4,430,447	3,060,601
Short term investments	8	100,932	98,145	95,441
Amount owing by associates		21,600	-	3,600
Current tax assets		9,733	18,286	200,430
Time deposits	10	152,786	1,454,690	1,296,353
Cash and bank balances	11	496,005	1,039,673	845,146
		4,840,503	7,041,241	5,501,571
TOTAL ASSETS		17,889,117	19,638,293	16,745,140
EQUITY AND LIABILITIES				
EQUITY				
Share capital	12	15,997,740	15,997,740	15,997,740
Share premium, non-distributable		2,353,327	2,353,327	2,353,327
Exchange translation reserve, non-distributable		(160,775)	(129,599)	(229,331)
Accumulated losses		(4,019,032)	(1,538,883)	(3,212,550)
Equity attributable to shareholders of the Company		14,171,260	16,682,585	14,909,186
Non-controlling interests		178,550	152,816	114,928
TOTAL EQUITY		14,349,810	16,835,401	15,024,114
NON-CURRENT LIABILITIES				
Term loan	13	740,449	756,967	-
Finance lease liabilities	14	32,495	-	9,307
Deferred tax liabilities	15	12,997	409	21,971
		785,941	757,376	31,278
CURRENT LIABILITIES				
Trade and other payables	16	1,899,046	1,609,417	1,007,665
Term loan	13	16,487	15,573	-
Finance lease liabilities	14	26,003	4,578	50,806
Bank overdraft	13	443,609	-	13,586
Deferred revenue	17	368,221	415,948	617,691
		2,753,366	2,045,516	1,689,748
TOTAL LIABILITIES		3,539,307	2,802,892	1,721,026
TOTAL EQUITY AND LIABILITIES		17,889,117	19,638,293	16,745,140

See accompanying notes to the financial statements

Statements of Consolidated Comprehensive Income

for the year ended 31 December 2012

	NOTE	2012 RM	2011 RM
Revenue	18	6,494,425	9,989,972
Cost of sales		(6,140,800)	(7,119,570)
Gross profit		353,625	2,870,402
Other operating income		128,055	1,430,764
Selling and distribution expenses		(10,404)	(7,944)
Administrative and general expenses		(762,143)	(855,614)
Other operating expenses		(1,983,735)	(1,097,217)
(Loss) / Profit from operations		(2,274,602)	2,340,391
Finance costs		(38,884)	(27,812)
Gain on financial assets measured at fair value		-	12,174
Share of results of associates		(117,384)	(151,479)
(Loss) / Profit before tax	19	(2,430,870)	2,173,274
Income tax expense	20	(23,545)	(3,648)
Net (loss) / profit for the year		(2,454,415)	2,169,626
Other comprehensive income			
Exchange differences on translation of foreign operations		(31,176)	95,820
Total comprehensive (loss) / income		(2,485,591)	2,265,446
(Loss) / Proft attributable to:			
Owners of the Company		(2,480,149)	2,185,244
Non-controlling interests		25,734	(15,618)
Net (loss) / profit for the year		(2,454,415)	2,169,626
Total comprehensive (loss) / income attributable to:			
Owners of the Company		(2,511,325)	2,266,136
Non-controlling interests		25,734	(690)
Net profit / (loss) for the year		(2,485,591)	2,265,446
Earnings / (loss) per share attributable to equity holders of the Company (sen)	21	(1.52)	1.36

See accompanying notes to the financial statements

Statements of Consolidated Changes in Equity

for the year ended 31 December 2012

	Share capital RM	Share premium RM	Exchange translation reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
	------ Attributable to owners of the Company				------		
At 1 January 2011	15,997,740	2,353,327	(229,331)	(3,212,550)	14,909,186	114,928	15,024,114
Other comprehensive income							
Exchange translation differences	-	-	95,820	-	95,820	-	95,820
Reconsolidation of subsidiary	-	-	3,912	(511,577)	(507,665)	53,506	(454,159)
	-	-	99,732	(511,577)	(411,845)	53,506	(358,339)
Net profit for the year	-	-	-	2,185,244	2,185,244	(15,618)	2,169,626
Total comprehensive income	-	-	99,732	1,673,667	1,773,399	37,888	1,811,287
At 31 December 2011 / 1 January 2012	15,997,740	2,353,327	(129,599)	(1,538,883)	16,682,585	152,816	16,835,401
Other comprehensive income							
Exchange translation differences	-	-	(31,176)	-	(31,176)	-	(31,176)
	-	-	(31,176)	-	(31,176)	-	(31,176)
Net loss for the year	-	-	-	(2,480,149)	(2,480,149)	25,734	(2,454,415)
Total comprehensive income	-	-	(31,176)	(2,480,149)	(2,511,325)	25,734	(2,485,591)
At 31 December 2012	15,997,740	2,353,327	(160,775)	(4,019,032)	14,171,260	178,550	14,349,810

See accompanying notes to the financial statements

Statements Consolidated of Cash Flows

for the year ended 31 December 2012

	NOTE	2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (Loss) before tax		(2,430,870)	2,173,274
Adjustments for:			
Depreciation of property, plant and equipment		120,684	185,105
Depreciation of investment property		477	477
Amortisation of software development costs		1,373,564	1,216,539
Amortisation of membership		2,325	-
Shares of result of associates		117,384	151,479
Bad debts written off		22,068	40,420
Allowance for doubtful debts written back		-	(9,225)
Allowance for impairment losses written back		(10,437)	(1,314,404)
Unrealised loss on foreign exchange		(61,744)	55,871
Dividend income		(2,787)	(2,704)
Interest income		(25,097)	(34,848)
Interest expenses		36,836	26,887
Hire purchase term charges		2,049	925
Operating (loss) / profit before working capital changes		(855,548)	2,489,796
Changes in software development costs		(1,248,995)	(1,295,810)
Changes in receivables		(261,941)	(1,556,229)
Changes in payables		361,426	425,531
Changes in deferred revenue		(47,727)	(186,153)
Cash utilised in operations		(2,052,785)	(122,865)
Dividend received		2,787	2,704
Interest received		25,097	34,848
Interest paid		(36,836)	(26,887)
Tax paid		(23,545)	(3,648)
Net cash used in operating activities		(2,085,282)	(115,848)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(289,668)	(342,007)
Net cash used in investing activities		(289,668)	(342,007)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from finance lease / term loan		78,000	780,000
Payment of term loan instalments		(15,604)	(7,460)
Payment of hire purchase instalments		(24,080)	(55,534)
Hire purchase term charges paid		(2,049)	(925)
Consolidation of subsidiary, net cash		55,079	80,621
Net cash from financing activities		91,346	796,702
NET CHANGES IN CASH AND CASH EQUIVALENTS		(2,283,604)	338,847
EFFECT OF CHANGES IN EXCHANGE RATES		(5,577)	14,017
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		2,494,363	2,141,499
CASH AND CASH EQUIVALENTS CARRIED FORWARD		205,182	2,494,363
Represented by:-			
Time deposits		152,786	1,454,690
Cash and bank balances		496,005	1,039,673
Bank overdraft		(443,609)	-
		205,182	2,494,363

See accompanying notes to the financial statements

Statements of Financial Position

as at 31 December 2012

	NOTE	2012 RM	2011 RM	1.1.2011 RM
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	3	4,157,356	4,026,269	3,747,666
Investment in subsidiaries	6	8,881,821	8,881,818	7,567,413
Investment in associates	7	1,475,000	1,475,000	1,475,000
Other Investments		-	-	1
		14,514,177	14,383,087	12,790,080
CURRENT ASSETS				
Trade and other receivables	9	765,942	970,976	385,383
Amount owing by subsidiaries		2,338,602	1,689,961	2,194,341
Current tax assets		-	8,878	28,829
Time deposits	10	152,786	754,690	1,296,353
Cash and bank balances	11	17,594	98,135	26,070
		3,274,924	3,522,640	3,930,976
TOTAL ASSETS		17,789,101	17,905,727	16,721,056
EQUITY AND LIABILITIES				
EQUITY				
Share capital	12	15,997,740	15,997,740	15,997,740
Share premium, non-distributable		2,353,327	2,353,327	2,353,327
Accumulated losses		(621,551)	(483,641)	(1,705,227)
TOTAL EQUITY		17,729,516	17,867,426	16,645,840
NON-CURRENT LIABILITY				
Deferred tax liabilities	15	236	-	173
		236	-	173
CURRENT LIABILITIES				
Trade and other payables	16	59,141	38,301	34,086
Amount owing to subsidiaries		-	-	40,957
Current tax liabilities		208	-	-
		59,349	38,301	75,043
TOTAL LIABILITIES		59,585	38,301	75,216
TOTAL EQUITY AND LIABILITIES		17,789,101	17,905,727	16,721,056

See accompanying notes to the financial statements

Statements of Comprehensive Income

for the year ended 31 December 2012

	NOTE	2012 RM	2011 RM
Revenue	18	10,000	10,000
Cost of sales		-	-
Gross profit		10,000	10,000
Other operating income		103,453	1,413,207
Administrative and general expenses		(220,537)	(217,488)
(Loss) / Profit from operations		(107,084)	1,205,719
(Loss) / Gain on financial assets measured at fair value		(22,810)	35,646
(Loss) / Profit before tax	19	(129,894)	1,241,365
Tax expense	20	(8,016)	(19,779)
Net (loss) / profit for the year		(137,910)	1,221,586
Other comprehensive income			
Profit attributable to:			
Owners of the Company		(137,910)	1,221,586
Non-controlling interests		-	-
Net (loss) / profit for the year		(137,910)	1,221,586
Total comprehensive income / (loss) attributable to:			
Owners of the Company		(137,910)	1,221,586
Non-controlling interests		-	-
Net (loss) / profit for the year		(137,910)	1,221,586

See accompanying notes to the financial statements

Statements of Changes in Equity
for the year ended 31 December 2012

	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
At 1 January 2011	15,997,740	2,353,327	(1,705,227)	16,645,840
Total comprehensive profit	-	-	1,221,586	1,221,586
At 31 December 2011	15,997,740	2,353,327	(483,641)	17,867,426
Total comprehensive loss	-	-	(137,910)	(137,910)
At 31 December 2012	15,997,740	2,353,327	(621,551)	17,729,516

See accompanying notes to the financial statements

Statements of Cash Flows
for the year ended 31 December 2012

	NOTE	2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / profit before tax		(129,894)	1,241,365
Adjustments for:			
Depreciation of property, plant and equipment		2,243	3,320
Allowance for impairment losses written back		-	(1,314,403)
Interest income		(103,453)	(98,805)
Operating loss before working capital changes		(231,104)	(168,523)
Changes in receivables		205,031	(565,644)
Changes in payables		20,840	4,043
Cash used in operations		(5,233)	(730,124)
Interest received		103,453	98,805
Tax refund / (paid)		1,306	(19,779)
Net cash from / (used in) operating activities		99,526	(651,098)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(133,330)	(281,923)
Advance to subsidiaries		(648,641)	463,423
Net cash (used in) / from investing activities		(781,971)	181,500
NET CHANGES IN CASH AND CASH EQUIVALENTS		(682,445)	(469,598)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		852,825	1,322,423
CASH AND CASH EQUIVALENTS CARRIED FORWARD		170,380	852,825
Represented by:-			
Time deposits		152,786	754,690
Cash and bank balances		17,594	98,135
		170,380	852,825

See accompanying notes to the financial statements

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") which applicable to all Entities Other Than Private Entities for annual periods beginning on or after 1 January, 2012.

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards and the Companies Act, 1965 in Malaysia and with International Financial Reporting Standards. These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRSs 1 "First - time Adoption of Malaysia Financial Reporting Standards" has been applied.

In the previous years, the financial statements of the Group and of the Company were presented in accordance with Financial Reporting Standards ("FRSs"). In presenting its first MFRS financial statements for the year ending December 31, 2012, the Group and the Company were required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework.

(b) Basic of measurement

The financial statements of the Group and of the Company have been prepared under the historical cost, recoverable value, realisable value, revalued amount and fair value, unless otherwise indicated in the summary of significant accounting policies. Estimates are used in measuring these values.

(c) Changes in accounting policies

MFRS 1	"First - time Adoption of Malaysian Financial Reporting Standards"
MFRS 2	"Share-based payment"
MFRS 3	"Business combinations"
MFRS 4	"Insurance contracts"
MFRS 5	"Non-current assets held for sale and discontinued operations"
MFRS 6	"Exploration for and evaluation of mineral resources"
MFRS 7	"Financial instruments: disclosures"
MFRS 8	"Operating segments"
MFRS 9	"Mandatory effective date of MFRS9 and transition disclosures"
MFRS 101	"Presentation of financial statements"
MFRS 101	"Presentation of items of other comprehensive income"
MFRS 102	"Inventories"
MFRS 107	"Statement of cash flows"
MFRS 108	"Accounting policies, changes in accounting estimates and errors"
MFRS 110	"Events after the reporting period"
MFRS 111	"Construction contracts"
MFRS 112	"Income taxes"
MFRS 116	"Property, plant and equipment"
MFRS 117	"Leases"
MFRS 118	"Revenue"
MFRS 119	"Employees benefits"
MFRS 120	"Accounting for government grants and disclosure of government assistance"
MFRS 121	"The effects of changes in foreign exchange rates"

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

1. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) Changes in accounting policies

MFRS 123	"Borrowing costs"
MFRS 124	"Related party disclosures"
MFRS 126	"Accounting and reporting by retirement benefit plans"
MFRS 127	"Consolidated and separate financial statements"
MFRS 128	"Investments in associates"
MFRS 129	"Financial reporting in hyperinflationary economics"
MFRS 131	"Interests in joint ventures"
MFRS 132	"Financial instruments: presentation"
MFRS 133	"Earnings per share"
MFRS 136	"Impairment of Assets"
MFRS 137	"Provisions, contingent liabilities and contingent assets"
MFRS 138	"Intangible assets"
MFRS 139	"Financial instruments: recognition and measurement"
MFRS 140	"Investment property"

Adoption of the above standards did not have any significant effect on the financial statements of the Group and of the Company.

(d) Standards issued but not yet effective

The Group and the Company have not applied the following MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but not yet effective for the Group and the Company:-

MFRSs effective 1 January 2013:

MFRS 7	"Disclosure - Offsetting Financial Asset and Financial Liabilities"
MFRS 9	"Financial Instrument"
MFRS 10	"Consolidated Financial Statements"
MFRS 11	"Joint Arrangements"
MFRS 12	"Disclosure of Interests in Other Entities"
MFRS 13	"Fair Value Measurement"
MFRS 16	"Property, Plant and Equipment"
MFRS 119	"Employee Benefits (International Accounting Standard ("IAS") 19 as amended by International Accounting Standard Board ("IASB") in June 2011"
MFRS 127	"Separate Financial Statements (IAS 27 as amended by IASB in May 2011)"
MFRS 128	"Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)"
MFRS 134	"Interim Financial Reporting"

Amendments to MFRSs effective 1 January 2013:

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

Annual Improvements 2009 - 2011 Cycle issued in July 2012

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

1. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(d) **Standards issued but not yet effective** (cont'd)

Amendments to MFRS effective 1 January 2014:

MFRS 132	Financial Instruments (IFRS 9 issued by IASB in November 2009)

MFRSs effective 1 January 2015:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

MFRS 10, 11 and IC Interpretation 20 are not applicable to the Group and the Company's operations.

The initial application of the above standards are not expected to have any financial impacts to the current and prior periods financial statements upon the first adoption, except for:

MFRS 9 Financial Instruments

MASB 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement. MFRS 9 requires financial assets to be classified into two measurement categories: fair value and amortised cost, determined at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Most of the requirements for financial liabilities are retained, except for cases where the fair value option is taken, the part of a fair value change due to an entity's own risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

The initial application of the above standards are not expected to have any financial impacts to the current and prior periods financial statements upon the first adoption, except for the adoption of MFRS 9 will result in a change in accounting policy. The Company is currently examining the financial impact of adopting MFRS 9.

MFRS 13 Fair Value Measurement

MFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhance disclosures about fair value measurements. It replaces the existing fair value guidance in different MFRSs.

The adoption of MFRS 13 will result in a change in accounting policy for the items measured at fair value in the financial statements. The Company is currently examining the financial impact of adopting MFRS 13.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) 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.

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 *MFRS 140 Investment Property* in making that judgement.

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

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

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

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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 2012 was RM 5.393 million and RM4.157 million (2011: RM 5.226 million and RM 4.026 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 2012 was RM 4.059 million (2011: RM 4.43 million).

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

Impairment of investments in subsidiaries

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

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

The carrying amount of the Company's investments in subsidiaries as at 31 December 2012 was RM 8.882 million (2011: RM 8.882 million).

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

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

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

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.

Non-controlling 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 rate in order to calculate the present value of those cash flows.

The carrying amount of the Group's investments in associates as at 31 December 2012 was RM 680,006 (2011: RM 796,471).

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Subsidiaries

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

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

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

(h) 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 statement of comprehensive income.

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

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.

Notes to and forming part of the Financial Statements

for the year ended 31 December 2012 (cont'd)

1. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(i) 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 of 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 the statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Upon reassessment, if the Group's interest in the fair value of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognized immediately in the statement of comprehensive income.

(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 statement of comprehensive income. Cost represents staff costs directly incurred in the development of the computer software.

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

(j) 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 statement of comprehensive income 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 statement of comprehensive income.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(ii) Depreciation

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

Office lot	2% - 5%
Motor 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.

(k) Investment property

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

(i) Measurement basis

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

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

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Investment property (cont'd)

(ii) Depreciation

Freehold land is not depreciated.

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

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

(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 statement of comprehensive income on a straight-line basis over the period of the lease.

(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.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 statement of comprehensive income 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 statement of comprehensive income.

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 2012 (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 statement of comprehensive income.

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 statement of comprehensive income.

(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 statement of comprehensive income.

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 2012 (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 statement of comprehensive income on a time proportion basis over the contract period.

(s) Foreign currency

(i) Functional currency

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

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

(ii) Transactions and balances in foreign currencies

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

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

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

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

Exchange differences arising on the settlement of monetary items and the translation of monetary items are included in the statement of comprehensive income 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 statement of comprehensive income, any corresponding exchange gain or loss is recognised in statement of comprehensive income.

(i) 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.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

1. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(s) Foreign currency (cont'd)

(i) Translation of foreign operations

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

(t) Revenue recognition

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

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

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

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

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

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

(vi) 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 statement of comprehensive income 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 statement of comprehensive income as incurred which is also a defined contribution plan.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (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 statement of comprehensive income over the hire purchase periods so as to give a constant periodic rate of interest on the remaining hire purchase liabilities.

(w) Income tax expense

The tax expense in the statement of comprehensive income 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, bank overdraft and time deposits that 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 2012 (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, finance lease 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 maximizes 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 minimize 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.

(a) 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 2012 (cont'd)

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

(b) 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.

(c) 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, term loan and finance lease liabilities.

Interest rate risk arising from time deposits with licensed financial institutions, term loan and finance lease liabilities 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.

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

(d) 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 2012 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 January 1,	1,038,825	557,780	819,896	565,891	165,375	4,022,507	7,170,274
Exchange adjustments	-	-	(43,933)	3,738	-	-	(40,195)
Addition	-	121,643	28,745	5,629	-	133,330	289,347
At December 31,	1,038,825	679,423	804,708	575,258	165,375	4,155,837	7,419,426
ACCUMULATED DEPRECIATION							
At January 1,	45,144	557,777	786,143	483,582	71,570	-	1,944,216
Exchange adjustments	-	-	(43,071)	4,918	-	-	(38,153)
Charge for the year	5,016	24,329	36,465	36,808	18,066	-	120,684
At December 31,	50,160	582,106	779,537	525,308	89,636	-	2,026,747
NET CARRYING AMOUNT							
At December 31,	988,665	97,317	25,171	49,950	75,739	4,155,837	5,392,679

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

Group 2011 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 January 1,	1,038,825	557,780	722,406	504,749	165,375	3,740,584	6,729,719
Exchange adjustments	-	-	31,737	26,193	-	-	57,930
Addition	-	-	34,060	26,024	-	281,923	342,007
Consolidation of subsidiary	-	-	31,693	8,925	-	-	40,618
At December 31,	1,038,825	557,780	819,896	565,891	165,375	4,022,507	7,170,274
ACCUMULATED DEPRECIATION							
At January 1,	40,128	479,100	685,534	403,745	53,502	-	1,662,009
Exchange adjustments	-	-	30,382	26,102	-	-	56,484
Charge for the year	5,016	78,677	38,534	44,810	18,068	-	185,105
Consolidation of subsidiary	-	-	31,693	8,925	-	-	40,618
At December 31,	45,144	557,777	786,143	483,582	71,570	-	1,944,216
NET CARRYING AMOUNT							
At December 31,	993,681	3	33,753	82,309	93,805	4,022,507	5,226,058

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

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

COMPANY 2012 COST	Computer equipment RM	Furniture and fittings RM	Construction work-in-progress RM	Total RM
At January 1,	16,557	14,371	4,022,507	4,053,435
Addition	-	-	133,330	133,330
At December 31,	16,557	14,371	4,155,837	4,186,765
ACCUMULATED DEPRECIATION				
At January 1,	14,828	12,338	-	27,166
Charge for the year	692	1,551	-	2,243
At December 31,	15,520	13,889	-	29,409
NET CARRYING VALUE				
At December 31,	1,037	482	4,155,837	4,157,356

2011 COST	RM	RM	RM	RM
At January 1,	16,557	14,371	3,740,584	3,771,512
Addition	-	-	281,923	281,923
At December 31,	16,557	14,371	4,022,507	4,053,435
ACCUMULATED DEPRECIATION				
At January 1,	13,536	10,310	-	23,846
Charge for the year	1,292	2,028	-	3,320
At December 31,	14,828	12,338	-	27,166
NET CARRYING VALUE				
At December 31,	1,729	2,033	4,022,507	4,026,269

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 RM97,317 (2011 : RM3) are acquired under finance lease.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

4. INVESTMENT PROPERTY

	Group 2012 RM	Group 2011 RM
Cost		
At 1 January,	290,000	290,000
Addition/Disposal	-	-
At 31 December,	290,000	290,000
Accumulated depreciation		
At 1 January,	2,385	1,908
Charge for the year	477	477
At 31 December,	2,862	2,385
Net carrying amount		
At 31 December,	287,138	287,615

The fair value of the shop lot at the end of the financial year is RM 850,000 (2011: RM700,000) 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 reporting date.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

5. INTANGIBLE ASSETS

Group Cost	Software development costs RM	Goodwill RM	Club membership RM	Total RM
At 1 January 2011	7,465,331	1,038,124	-	8,503,455
Exchange translation reserve	33,207	468	-	33,675
Additions	1,295,810	-	-	1,295,810
Reconsolidation of a subsidiary	-	1,234,146	-	1,234,146
At 31 December 2011	8,794,348	2,272,738	-	11,067,086
Exchange translation reserve	(37,991)	-	-	(37,991)
Additions	1,248,995	-	-	1,248,995
Consolidation of a subsidiary	517,406	281	50,000	567,687
At 31 December 2012	10,522,758	2,273,019	50,000	12,845,777
Accumulated amortisation				
At 1 January 2011	3,563,639	-	-	3,563,639
Amortisation for the year	1,216,539	-	-	1,216,539
At 31 December 2011	4,780,178	-	-	4,780,178
Amortisation for the year	1,373,564	-	2,325	1,375,889
At 31 December 2012	6,153,742	-	2,325	6,156,067
Net carrying amount				
At 1 January 2011	3,901,692	1,038,124	-	4,939,816
At 31 December 2011	4,014,170	2,272,738	-	6,286,908
At 31 December 2012	4,369,016	2,273,019	47,675	6,689,710

(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.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

5. INTANGIBLE ASSETS (cont'd)

(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	-	18% to 23%
Growth rate	-	6% to 15%
Discount rate	-	7.07%

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 7.07% 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.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

6. INVESTMENT IN SUBSIDIARIES

	Company 2012 RM	2011 RM	1.1.2011 RM
Unquoted shares - at cost	8,881,818	7,567,413	7,567,413
Addition	3	-	-
Reclassification	-	1,314,405	-
	8,881,821	8,881,818	7,567,413

The subsidiaries are as follows:

Subsidiaries of the Company	Gross equity interest 2012	2011	Country of incorporation	Principal activities
Ygl Convergence Malaysia Sdn Bhd	100%	100%	Malaysia	Marketing and distribution of computer software and hardware and the provision of professional services
* Ygl Multimedia Resources Sdn Bhd	100%	100%	Malaysia	Developing and selling of software systems
* Ygl Convergence (HK) Limited	100%	100%	Hong Kong	Trading of computer equipment and software and provision of related services
* Ygl Convergence (China) Limited	60%	60%	Hong Kong	Investment holding
* Ygl Convergence (Asia Pacific) Pte. Ltd. #	60%	60%	Singapore	Provision of software consultancy and computer systems integrated services
* Ygl Technologies Sdn. Bhd. (formerly known as Ygl iHoliday Sdn. Bhd.)	100%	100%	Malaysia	Dormant company
* Ygl Technologies Pte. Ltd.	100%	100%	Singapore	Provision of software and related services
Subsidiary of Ygl Convergence (China) Limited				
* King's System (Shanghai) Co Ltd	100%	100%	The People's Republic of China	Provision of consultancy services and trading of computer equipment and software

* Subsidiaries not audited by Cheng & Co.

\# the Company included the results of Ygl Technologies Pte. Ltd. (YGLTECH) in year 2012, a subsidiary company formed to represent its market presence in Singapore after it lost control of its other subsidiary, Ygl Convergence (Asia Pacific) Pte Ltd (YGLAP) previously. The effect of the consolidation is as disclosed in Note 8.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

6. **INVESTMENT IN SUBSIDIARIES** (cont'd)

(a) Impairment test for investment in subsidiaries

The management reviews the carrying values 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.

(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 7.07%.

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.

Notes to and forming part of the Financial Statements

for the year ended 31 December 2012 (cont'd)

7. INVESTMENT IN ASSOCIATES

Group	**2012 RM**	**2011 RM**	**1.1.2011 RM**
Unquoted shares - at cost	1,475,000	1,475,000	1,475,000
Group's share of post-acquisition results	(795,913)	(678,529)	(527,050)
	679,087	796,471	947,950

Company	**2012 RM**	**2011 RM**	**1.1.2011 RM**
Unquoted shares - at cost	1,475,000	1,475,000	1,475,000

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

The associates are as follows:

Associate of the Company	**Gross equity interest 2012**	**Gross equity interest 2011**	**Country of incorporation**	**Principal activities**
Ygl iBay International Sdn Bhd	29.50%	29.86%	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 Cheng & Co.

The financial year end of the financial statements of the associates is co-terminus 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.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

7. INVESTMENT IN ASSOCIATES (cont'd)

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 11,336 (2011:RM 11,286) and RM 56,462 (2011: RM 45,126) respectively.

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

The summarised financial information of the associates are as follows:

	2012 RM	Group 2011 RM	1.1.2011 RM
Assets and liabilities			
Non-current assets	3,615,486	3,358,237	3,163,027
Current assets	45,394	226,714	261,411
Total assets	3,660,880	3,584,951	3,424,438
Non-current liabilities	-	-	-
Current liabilities	1,255,388	789,061	268,816
Total liabilities	1,255,388	789,061	268,816
Results			
Revenue	93,682	15,649	79,522
Loss for the year	(397,911)	(507,270)	(693,365)

8. SHORT TERM / OTHER INVESTMENTS

Group	2012 RM	2011 RM	1.1.2011 RM
Short term investment			
Unit trust quoted in Malaysia, at cost	100,932	98,145	95,441
Other investment			
Unquoted shares, at cost	-	-	1,314,404
Less: Accumulated allowance for impairment losses	-	-	(1,314,403)
	-	-	1
Reclassification	-	-	-
	-	-	1
Total	100,932	98,145	95,442

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

8. SHORT TERM / OTHER INVESTMENTS (cont'd)

Company	2012 RM	2011 RM	1.1.2011 RM
Short term investment			
Unit trust quoted in Malaysia, at cost	-	-	-
Other investment			
Unquoted shares, at cost	-	1	1,314,404
Less: Accumulated allowance for impairment losses	-	1,314,403	(1,314,403)
	-	1,314,404	1
Reclassification	-	(1,314,404)	-
	-	-	1
Total	-	-	1

The unquoted shares represent investment in Ygl Convergence (Asia Pacific) Pte Ltd ("YGLAP"). The reclassification is as explained in Note 6.

9. TRADE AND OTHER RECEIVABLES

Group	2012 RM	2011 RM	1.1.2011 RM
Gross trade receivables	2,827,063	2,929,131	1,818,268
Less: Allowance for doubtful debts	(717,912)	(558,140)	(268,093)
	2,109,151	2,370,991	1,550,175
Other receivables	1,718,262	1,883,423	1,403,355
Deposits	219,970	162,092	86,831
Prepayments	12,064	13,941	10,056
Service contract in progress	-	-	10,184
	4,059,447	4,430,447	3,060,601

Company	2012 RM	2011 RM	1.1.2011 RM
Gross trade receivables	-	-	-
Less: Allowance for doubtful debts	-	-	-
	-	-	-
Other receivables	618,274	876,178	359,353
Deposits	147,668	94,798	26,030
Prepayments	-	-	-
	765,942	970,976	385,383

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

9. TRADE AND OTHER RECEIVABLES (cont'd)

The currency profile of the Group and of the Company's receivables and other receivables are as follows:

Group	2012 RM	2011 RM	1.1.2011 RM
Trade receivables			
- Ringgit Malaysia	1,096,653	1,405,603	581,149
- Hong Kong Dollar	427,873	517,360	613,128
- Chinese Renminbi	463,770	448,028	355,898
- Singapore Dollar	120,855	-	-
	2,109,151	2,370,991	1,550,175
Other receivables			
- Ringgit Malaysia	119,393	882,519	385,023
- Hong Kong Dollar	156,919	134,879	238,229
- Chinese Renminbi	1,440,302	864,444	780,103
- Singapore Dollar	1,648	1,581	-
	1,718,262	1,883,423	1,403,355
Deposits			
- Ringgit Malaysia	163,134	101,752	32,934
- Hong Kong Dollar	56,836	60,340	53,897
	219,970	162,092	86,831
Service contract in progress			
- Hong Kong Dollar	-	-	10,184

Company	2012 RM	2011 RM	1.1.2011 RM
Other receivables			
- Ringgit Malaysia	618,274	876,178	359,353
Deposits			
- Ringgit Malaysia	147,668	94,798	26,030

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 2012 (cont'd)

10. TIME DEPOSIT

The time deposits are placed with licensed banks and have weighted average effective interest rate at 3.0% (2011: 3.0%) per annum. The time deposits have maturity period of less than one year.

11. CASH AND BANK BALANCES

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

Group	2012 RM	2011 RM	1.1.2011 RM
Ringgit Malaysia	302,969	613,930	396,838
Hong Kong Dollar	121,684	279,657	431,972
Chinese Renminbi	24,924	25,271	16,336
Singapore Dollar	46,428	120,815	-
	496,005	1,039,673	845,146

Company	2012 RM	2011 RM	1.1.2011 RM
Ringgit Malaysia	17,594	98,135	26,070

12. SHARE CAPITAL

Group and Company	2012		2011	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised:- Ordinary shares of RM 0.10 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 RM 0.10 each At 1 January/31 December,	159,977,400	15,997,740	159,977,400	15,997,740

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

13. TERM LOAN

Group	2012 RM	2011 RM	1.1.2011 RM
Term loan			
Classified as:-			
- current liabilities	16,487	15,573	-
- non - current liabilities	740,449	756,967	-
	756,936	772,540	-
Present value of term loan			
Analysed as follow:-			
- Not later than 1 year	16,487	15,573	-
- Later than 1 year but not later than 5 years	74,256	69,928	-
- Later than 5 years	666,193	687,039	-
	756,936	772,540	-

Interest rate and security:-

(a) Interest is charged at 1.9% per annum below base lending rate of lending bank.
(b) Secured by office lot of the Company.
(c) Joint and several guarantee by directors of the Company.

Group	2012 RM	2011 RM	1.1.2011 RM
Bank overdraft			
Classified as:-			
- current liability	443,609	-	-

Interest rate and security:-

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

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

14. FINANCE LEASE LIABILITIES

Group	2012 RM	2011 RM	1.1.2011 RM
Finance lease liabilities			
Future minimum lease payments:-			
- current liabilities	28,632	4,655	56,460
- non - current liabilities	35,780	-	4,655
	64,412	4,655	61,115
Less: Finance charges	(5,914)	(77)	(1,002)
	58,498	4,578	60,113
Analysed as follow:-			
- Not later than 1 year	26,003	4,578	50,806
- Later than 1 year but not later than 5 years	32,495	-	9,307
	58,498	4,578	60,113

The effective interest rates of the finance lease liabilities are between 2.25% and 3.45% (2011: 3.50% and 3.85%) per annum.

15. DEFERRED TAX LIABILITIES

Group	2012 RM	2011 RM	1.1.2011 RM
At January 1,	409	21,971	1,521
Transfer (to)/from income statement (Note 20)	12,588	(21,562)	20,450
At 31 December,	12,997	409	21,971

Company	2012 RM	2011 RM	1.1.2011 RM
At January 1,	-	173	1,521
Transfer (to)/from income statement (Note 20)	236	(173)	(1,348)
At 31 December,	236	-	173

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 2012 (cont'd)

16. TRADE AND OTHER PAYABLES

Group	2012 RM	2011 RM	1.1.2011 RM
Trade payables	422,472	333,219	69,245
Other payables	610,788	597,645	361,364
Accruals	652,185	612,411	561,107
Deposits	213,601	66,142	15,949
	1,899,046	1,609,417	1,007,665

Company	2012 RM	2011 RM	1.1.2011 RM
Other payables	8,396	2,000	4,634
Accruals	50,745	36,301	29,452
	59,141	38,301	34,086

The currency profile of the Group and of the Company's trade and other payables are as follows:

Group	2012 RM	2011 RM	1.1.2011 RM
Trade payables			
- Ringgit Malaysia	68,228	113,375	(10,932)
- Hong Kong Dollar	324,691	219,844	-
- Chinese Renminbi	29,553	-	80,177
	422,472	333,219	69,245
Other payables			
- Ringgit Malaysia	199,863	175,427	45,321
- Hong Kong Dollar	-	18,460	38,541
- Chinese Renminbi	410,925	403,758	277,502
	610,788	597,645	361,364
Accruals			
- Ringgit Malaysia	307,694	293,092	119,643
- Hong Kong Dollar	323,032	298,577	441,464
- Singapore Dollar	13,255	3,968	-
- Chinese Renminbi	8,204	16,774	-
	652,185	612,411	561,107
Deposits			
- Ringgit Malaysia	16,298	48,578	4,000
- Hong Kong Dollar	197,303	17,564	11,949
	213,601	66,142	15,949

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

16. TRADE AND OTHER PAYABLES (cont'd)

Company	2012 RM	2011 RM	1.1.2011 RM
Other payables			
- Ringgit Malaysia	8,396	2,000	4,634
Accruals			
- Ringgit Malaysia	50,745	36,301	29,452

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

17. DEFERRED REVENUE

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

18. GROSS REVENUE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Revenue from sale of computer software and hardware and consulting services	6,494,425	9,989,972	-	-
Management fees	-	-	10,000	10,000
	6,494,425	9,989,972	10,000	10,000

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

19. NET (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
This is stated after charging:-				
Allowance of doubtful debts	168,622	258,852	-	-
Amortisation of software development costs	1,373,564	1,216,539	-	-
Auditors' remuneration				
- current year	60,463	58,545	25,000	33,105
- underprovision in prior year	3,826	-	2,660	-
Bad debts written off	22,068	40,420	-	-
Depreciation of property, plant and equipment	120,684	185,105	2,243	3,320
Depreciation of investment property	477	477	-	-
Directors' remuneration				
- fees	75,000	80,000	75,000	80,000
- other emoluments	188,780	175,340	-	-
Finance costs				
- finance lease	2,048	925	-	-
Loss on foreign exchange				
- realised	1,920	2,693	-	-
Loss/(Gain) on financial asset measured at fair value	-	(12,174)	22,810	(35,646)
Rental of equipment	659	263	-	-
Rental of premises	187,033	183,294	700	700
And crediting:-				
Dividend income	2,787	2,704	-	-
Interest income	25,097	34,848	103,453	98,805
Rental income	63,600	45,600	-	-
written back	-	9,225	-	-
Allowance for impairment losses written back	10,437	-	-	1,314,403
Gain on foreign exchange unrealised	61,744	55,871	-	-

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

20. INCOME TAX EXPENSE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Malaysian taxation based on results for the year				
- current	-	(5,454)	-	-
- deferred	(17,204)	244	(7,780)	(19,952)
	(17,204)	(5,210)	(7,780)	(19,952)
Over / (Under) provision in prior year				
- current	6,247	(20,000)	-	-
- deferred	(12,588)	21,562	(236)	173
	(6,341)	1,562	(236)	173
	(23,545)	(3,648)	(8,016)	(19,779)

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Accounting (loss)/profit	(2,430,870)	2,173,274	(129,894)	1,241,365
Tax at applicable tax rate of 25% (2011: 25%)	(607,717)	543,319	(32,473)	310,341
Add:				
Tax effect of expenses not deductible in determining taxable profit	157,719	(50,752)	32,515	(310,341)
Deferred tax income relating to reversal of temporary difference not recognised during the year	156,220	25,272	19,974	-
Less:				
Tax effect of income not taxable in determining taxable profit	323,570	(492,385)	-	-
	29,792	25,454	20,016	-
Add / (Less):				
(Under)/Over provision:				
- current tax	(6,247)	-	(12,000)	20,000
- deferred tax	-	(21,806)	-	(221)
	23,545	3,648	8,016	19,779

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

21. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share is calculated based on the consolidated net loss for the year of RM 2,454,415 (2011: net profit of RM2,169,626) and on 159,977,400 (2011: 159,977,400) weighted average number of ordinary shares in issue as follows:

	2012 RM	2011 RM	1.1.2011 RM
Number of ordinary shares at 1 January	159,977,400	159,977,400	145,434,000
Effect of additional shares issued	-	-	14,543,400
	159,977,400	159,977,400	159,977,400

22. ANALYSIS OF CONSOLIDATION OF A SUBSIDIARY

The Company consolidated the financial results of a 100% owned subsidiary, Ygl Technologies Pte Ltd. ("YGLTECH") into the Group's results for the financial year. The subsidiary was formed with Singapore Dollar one only.

The effects of the consolidation of subsidiary on the consolidated financial statements were as follows:-

(a) Effect on consolidated statement of comprehensive income for the year ended 31 December 2012:

	RM
Gross revenue	41,572
Cost of sales	3,145
Profit from operations	22,621
Increase in Group's results	22,621

(b) Effect on consolidated statement of financial position as at 31 December 2012:

	RM
Non current assets	517,406
Current assets	52,906
Current liabilities	(546,592)
Increase in Group's net assets	23,720

(c) Effect on consolidated statement of cash flow for the year ended 31 December 2012:

	RM
Net cash flows on consolidation	55,078

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

23. EMPLOYEES BENEFITS EXPENSE

Group	2012 RM	2011 RM
Employee benefits expense	4,557,209	4,082,318

Included in employee benefit expenses is EPF contributions amounting to RM 242,628 (2011: RM 260,206) for the Group.

24. 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	2012 RM	2011 RM
Transactions with associates:-		
Advances to associates	21,600	-

Company	2012 RM	2011 RM
Transactions with subsidiary companies:-		
Management fee received	10,000	10,000
Advances from subsidiaries	341,931	674,881
Repayment from subsidiaries	30,000	1,095,108
Advances to subsidiaries	948,791	180,000

(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	2012 RM	2011 RM
Short-term employee benefits	790,164	857,892
Post employment benefits		
- defined contribution plan	68,123	68,075
Total compensation	858,287	925,967

Company	2012 RM	2011 RM
Short-term employee benefits	75,000	80,000

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

25. SEGMENT ANALYSIS

(a) Primary reporting format - geographical segment

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

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

2012	**Malaysia RM**	**Asia Pacific RM**	**Group RM**
Revenue	3,020,958	3,652,160	6,673,118
Less: Inter-segment sales	(178,693)	-	(178,693)
External sales	2,842,265	3,652,160	6,494,425
Results			
Segment operating (loss) / profit	(2,382,958)	108,356	(2,274,602)
Finance costs	(38,884)	-	(38,884)
Share of associate's loss	(117,384)	-	(117,384)
Loss before tax			(2,430,870)
Income tax expense	(20,586)	(2,959)	(23,545)
Loss after tax			(2,454,415)
Other information			
Segment assets	13,336,153	4,552,964	17,889,117
Segment liabilities	1,862,430	1,676,877	3,539,307
Capital expenditure	286,075	3,272	289,347
Depreciation and amortisation	1,463,487	33,563	1,497,050

2011	**Malaysia RM**	**Asia Pacific RM**	**Group RM**
Revenue	5,949,499	4,040,473	9,989,972
Less: Inter-segment sales	-	-	-
External sales	5,949,499	4,040,473	9,989,972

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

25. SEGMENT ANALYSIS (cont'd)

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

2011	Malaysia RM	Asia Pacific RM	Group RM
Results			
Segment operating profit	2,159,241	181,150	2,340,391
Finance costs	(27,812)	-	(27,812)
Gain on financial assets measured at fair value	12,174	-	12,174
Share of associate's loss	(151,479)	-	(151,479)
Profit before tax			2,173,274
Income tax expense	1,805	(5,453)	(3,648)
Loss after tax			2,169,626
Other information			
Segment assets	15,920,236	3,718,057	19,638,293
Segment liabilities	1,407,999	1,394,893	2,802,892
Capital expenditure	300,991	41,016	342,007
Depreciation and amortisation	1,372,972	29,149	1,402,121

(b) Secondary reporting format - business segment

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

26. OPERATING LEASE COMMITMENT

The Group 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	2012 RM	2011 RM
Future minimum lease payments		
- payable not later than 1 year	130,741	62,869
- payable later than 1 year and not later than 5 years	65,370	-
	196,111	62,869

Notes to and forming part of the Financial Statements

for the year ended 31 December 2012 (cont'd)

27. CAPITAL DISCLOSURE

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

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

The Group monitors capital using a gearing ratio which is net debt divided by total equity. The Group's policy to keep the gearing ratio at manageable levels. As at 31 December 2012, the Group is in a net borrowing position.

Group	**2012 RM**	**2011 RM**
Term loan	756,936	772,540
Finance lease liabilities	58,498	4,578
Bank overdraft	443,609	-
	1,259,043	777,118
Less: Cash and cash equivalents	(648,791)	(2,494,363)
Net borrowing / (cash)	610,252	(1,717,245)

28. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

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

Group	**At fair value through profit or loss RM**	**Loan and receivables RM**	**Total RM**
2012			
Trade and other receivables	-	4,047,383	4,047,383
Short term investment	100,932	-	100,932
Time deposits	-	152,786	152,786
Cash and cash equivalents (Note 11)	-	496,005	496,005
	100,932	4,696,174	4,797,106
2011			
Trade and other receivables	-	4,416,506	4,416,506
Short term investment	98,145	-	98,145
Time deposits	-	1,454,690	1,454,690
Cash and cash equivalents (Note 11)	-	1,039,673	1,039,673
	98,145	6,910,869	7,009,014
1.1.2011			
Trade and other receivables	-	3,050,545	3,050,545
Short term investment	95,441	-	95,441
Time deposits	-	1,296,353	1,296,353
Cash and cash equivalents (Note 11)	-	845,146	845,146
	95,441	5,192,044	5,287,485

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

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

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

Company	Loan and receivables 2012 RM	2011 RM	1.1.2011 RM
Trade and other receivables	765,942	970,976	385,383
Time deposits	152,786	754,690	1,296,353
Cash and cash equivalents (Note 11)	17,594	98,135	26,070
	936,322	1,823,801	1,707,806

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

Group	Financial liabilities at amortised cost 2012 RM	2011 RM	1.1.2011 RM
Trade and other payables	1,899,046	1,609,417	1,007,665
Term loan	756,936	772,540	-
Finance lease liabilities (Note 14)	58,498	4,578	60,113
Bank overdraft	443,609	-	-
	3,158,089	2,386,535	1,067,778

Company	Financial liabilities at amortised cost 2012 RM	2011 RM	1.1.2011 RM
Trade and other payables	59,141	38,301	34,086

All other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2012 and 2011.

(b) Financial risk management objectives and policies

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.

(i) 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.

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

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

(i) Credit risk (cont'd)

Analysis of trade receivables past due but not impaired:

Past due	2012 RM	2011 RM
Up to 90 days	978,302	1,625,963
>90 to 180 days	540,533	255,328
>180 to 360 days	281,401	269,861
>360 days	308,915	219,839
Total past due amount	2,109,151	2,370,991

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.

(ii) Interest rate risk

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

Exposure to interest rate risk

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Fixed rate instruments				
Financial assets	152,786	1,454,690	152,786	754,690
Financial liabilities	(1,259,042)	(777,118)	-	-
	(1,106,256)	677,572	152,786	754,690

The Group's and the Company's income and operating cash flows are independent of changes in market interest rates. The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Notes to and forming part of the Financial Statements

for the year ended 31 December 2012 (cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

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

(iii) Foreign currency risk

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

(iv) Liquidity risk

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

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

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

Non-derivate financial liabilities (2012)

Group	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Trade and other payables (Note 16)	1,899,046	-	1,899,046	1,899,046	-	-
Finance lease liabilities	58,498	3.37%	64,412	28,632	28,632	7,148
Term loans	756,936	4.70%	1,201,760	51,504	51,504	1,098,752
Bank overdraft	443,609	5.40%	443,609	443,609	-	-
Company						
Trade and other payables (Note 16)	59,141	-	59,141	59,141	-	-

(iv) Liquidity risk

Non-derivate financial liabilities (2011)

Group	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Trade and other payables (Note 16)	1,609,417	-	1,609,417	1,609,417	-	-
Finance lease liabilities	4,578	2.58%	4,655	4,655	-	-
Term loans	772,540	4.70%	1,253,264	8,584	8,584	1,236,096
Company						
Trade and other payables (Note 16)	38,301	-	38,301	38,301	-	-

Notes to and forming part of the Financial Statements
for the year ended 31 December 2012 (cont'd)

29. RESERVES

The disclosure as required by Bursa Malaysia Securities Berhad on the realised and unrealised unappropriated profits or accumulated losses as at 31 December 2012 is as follows:

	2012 RM	2011 RM
Total accumulated losses of the Company:		
- Realised	(3,161,374)	(916,225)
- Unrealised	(61,744)	55,871
	(3,223,118)	(860,354)
Total share of accumulated losses from associated company:		
- Realised	(795,913)	(678,529)
- Unrealised	-	-
Total group accumulated losses as per consolidated accounts	(4,019,031)	(1,538,883)

30. SUBSEQUENT EVENTS

(a) Ygl iHoliday Sdn. Bhd. has changed its name to Ygl Technologies Sdn. Bhd. with effect from 1 April 2013.

(b) Private placement of up to 10% of the issued and paid-up share capital of representing 15,997,740 new ordinary shares of RM 0.10 each were listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad on 15 March 2013.

(c) The Company's wholly-owned subsidiary, Ygl Convergence Malaysia Sdn Bhd ("YglCM") has procured a project from Malayan Banking Berhad ("Maybank") whereby YglCM will provide services to Maybank, specifically for the development and implementation of SAP Human Resource (HR) system including the HR Self-service functionalities such as the online staff portal for employees to process leaves, claims etc through the web. The project covers Maybank's branches and subsidiaries in this region including Singapore, Thailand, Vietnam, Indonesia and Philippines. The project amount is approximately RM 6.1million for a period commencing from year 2013 to 2014 on 26 March 2013.

31. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on 23 April 2013 by the board of directors

Statement By Directors

We, Yeap Kong Chean and Tan Hoay Leng, being the directors of Ygl Convergence Berhad, do hereby state that in our opinion, the financial statements and accompanying notes set out on pages 41 to 93, are drawn up in accordance with applicable Malaysian Financial Reporting Standards and the Companies Act, 1965 in Malaysia and with International Financial Reporting Standard so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2012 and of their financial performance and cash flows for the year ended.

In the opinion of the Directors, the information set out in Note 29 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysia Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH
A RESOLUTION OF THE DIRECTORS

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

Kuala Lumpur,
Date : 23 April 2013

Statutory Declaration

I, Tan Hoay Leng, I/C No. : 570422-08-5951 being the director primarily responsible for the accounting records and financial management of YGL CONVERGENCE BERHAD, do solemnly and sincerely declare that the financial statements as set out on pages 41 to 93, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at)
Kuala Lumpur in the Federal Territory)
on this 23 April 2013)

Before me,

TAN HOAY LENG
Director

Leong See Keong (W494)
Commissioner for Oath

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	13	988,665
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	5	287,138

Analysis of Shareholdings

as at 06 May 2013

Authorised Capital	:	RM20,000,000.00
Issued and Fully Paid-up Capital	:	RM17,597,514.00 comprising 175,975,140 Ordinary Shares of RM0.10 each
Class of Equity Securities	:	Ordinary Shares of RM0.10 each ("Shares")
Voting Rights	:	One vote per Share

Distribution Schedule of Shareholders

No. of Holders	Size of Shareholdings	No. of Shares	%
-	Less than 100	-	-
481	100 - 1,000	64,400	0.04
168	1,001 - 10,000	983,000	0.56
234	10,001 to 100,000 shares	10,629,200	6.04
105	100,001 to less than 5% of issued shares	97,525,208	55.42
2	5% and above of issued shares	66,773,332	37.94
990	Total	175,975,140	100.00

30 Largest Securities Account Holders

No.	Name	No. of Shares held	%
1	YEAP KONG CHEAN	33,986,668	19.31
2	YEAP KONG TAI (Deceased)	32,786,664	18.63
3	ASPIRE SUCCESS SDN. BHD.	7,000,000	3.98
4	KUAN YUEN SOONG @ KUAN CHU TENG	6,743,000	3.83
5	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YEAP KONG CHEAN*	6,680,000	3.80
6	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YEAP KONG TAI*	6,680,000	3.80
7	CHAN LI KHENG	6,136,000	3.49
8	YEAP CHOR BENG & SONS SDN. BHD.	5,500,000	3.13
9	LIM KHENG LOY	4,060,000	2.31
10	THONG NYOK SEEN	3,360,000	1.91
11	LOH GIM CHUAN	3,260,000	1.85
12	YEAP KONG YEOW	2,433,000	1.38
13	TAN LAN WAH	2,362,000	1.34
14	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KOH YAP HENG*	2,044,000	1.16
15	AMY LOH SHOOK FUN	2,023,280	1.15
16	YEAP TEIK EE	1,700,000	0.97
17	KEVIN WONG WYE KEONG	1,671,180	0.95
18	YEO HONG THIAM JASON	1,623,280	0.92
19	CHEONG YEN YOON	1,614,400	0.92
20	NG CHENG GUAN	1,604,100	0.91

Analysis of Shareholdings
as at XX May 2013 (cont'd)

30 Largest Securities Account Holders

No.	Name	No. of Shares held	%
21	YEAP TEIK EE	1,555,000	0.88
22	TAN LAN WAH	1,200,000	0.68
23	LIM POH FONG	1,086,100	0.62
24	YEAP KAH PHAIK	1,000,000	0.57
25	YEAP KING JIN	888,000	0.50
26	YEAP KONG YEOW	868,400	0.49
27	ONG BOEY HWA	850,000	0.48
28	POR CHYE SENG	730,100	0.41
29	HLB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KOH YAP HENG*	718,300	0.41
30	YAP EAN SIN	704,000	0.40

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	23.11	-	-
2	Yeap Kong Tai (Deceased)	39,466,664	22.43	-	-

Directors' Shareholdings

		No. of Shares beneficially held			
No.	Name of Directors	Direct Interest	%	Indirect Interest	%
1	Yeap Kong Chean	40,666,668	23.11	-	-
2	Tan Hoay Leng	-	-	40,666,668 *	23.11
3	Ahmad Fuad Bin Mohd Ali	-	-	-	-
4	Dr. Ch'ng Huck Khoon	-	-	-	-
5	Chua Kiat Eng	-	-	-	-

Note:
* *Disclosure of Deemed interests through her spouse Mr Yeap Kong Chean pursuant to section 134 (12) of the Companies Act, 1965*

Interests in the related corporations

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

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

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Ygl Convergence Berhad

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 Ninth (9th) Annual General Meeting of the Company to be held at Cititel Penang, 66, Jalan Penang, 10000 Penang on Thursday, 27 June 2013 at 11.00 a.m. at any adjournment thereof.

Agenda			
To receive the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2012 together with the Auditors' Report thereon		*(Please refer to Note 1)*	
AS ORDINARY BUSINESS:			
RESOLUTIONS NO.		**For**	**Against**
1.	To approve the payment of Directors' fees for the financial year ended 31 December 2012		
2.	To re-elect Mr. Yeap Kong Chean as Director of the Company		
3.	To re-elect Mr. Chua Kiat Eng as Director of the Company		
4.	To re-appoint Messrs. Cheng & Co. as Auditors for the ensuing year and to authorise Directors to fix their remuneration		
AS ORDINARY BUSINESS:			
5.	Ordinary Resolution - Authority to the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965		
6.	Special Resolution - Proposed Amendments to the Articles of Association of the Company		

** Strike out whichever not applicable*

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

As witness *my/our hand(s) this _______ day of ___________, 2013.

____

Signature of Member / Common Seal

Notes:-

1. The first agenda of this meeting is meant for discussion only, as the provision of Section 169 (1) of the Companies Act, 1965 does not require a formal approval for the audited financial statements from the shareholders. Hence, this Agenda is not put forward for voting.
2. In respect of deposited securities, only member whose name appears on the Record of Depositors as at 21 June 2013 shall be entitled to attend, speak and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his or her stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.
5. The instrument appointing a proxy and the power of attorney or other authority (if any) shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. In the case where a member is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarized certified copy of that power or authority, shall be deposited at the Registered Office of the Company at No. 10, China Street, 10200 Penang not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.
8. Any alteration in this form must be initialed.

Affix Stamp

To:

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

Ygl Convergence Berhad

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