YglWORLD

Annual Report **2013**

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Tenth (10th) Annual General Meeting of Ygl Convergence Berhad (or "the Company") will be held at Four Points By Sheraton Penang, 505 Jalan Tanjung Bungah, Tanjung Bungah, 11200 Penang on Monday, 30 June 2014 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 2013 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 2013. **Resolution 1**
3. To re-elect the following Directors who are retiring in accordance with Article 29.1 of the Company's Articles of Association and are offering themselves for re-election:-
   a) Tan Hoay Leng **Resolution 2**
   b) Ahmad Fuad Bin Mohd Ali **Resolution 3**
4. To re-appoint Messrs Cheng & Co. as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 4**

As Special Business:-

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

   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**
6. 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: 6 June 2014

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 5 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 total 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").

As the date of this Notice, no new shares were issued pursuant to the general mandate granted by its shareholders at the last Annual General Meeting ("AGM") held on 27 June 2013 (hereinafter referred to as the "Previous Mandate") and it will lapse at the conclusion of the 10th AGM.

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 will be both time-consuming and costly to organise a general meeting. This General Mandate, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company

The proceeds to be 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.

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 to the shareholders for voting.

2. In respect of deposited securities, only members whose name appears on the Record of Depositors as at 23 June 2014 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 two (2) or more proxies to attend and vote in his or her stead. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as members to speak at the general meeting.

4. A proxy may but need not be a member of the Company and the provisions 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.

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 ("SICDA") 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.

7. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at No. 35, Scotland Road, 10450 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.

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

Chua Kiat Eng
Independent Non-Executive Director

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

REGISTERED OFFICE
No. 35, Scotland Road,
10450 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. (AF0886)
No. 8-2 & 10-2, Jalan 2/114,
Kuchai Business Centre
Off Jalan Klang Lama
58200 Kuala Lumpur
Wilayah Persekutuan

PRINCIPAL BANKERS

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

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

Public Bank Berhad
456, Ground & 1st Floor, Jalan Datuk Keramat,
10460 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 52, 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 the Company's subsidiaries.

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 a 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 47, 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 61, 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 Nominating 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 organisational culture from operations to sales and service oriented.

Currently he is an Advisor in a Corporate Advisory Company and a Executive Search Company and a Director of a project management company.

DR. CH'NG HUCK KHOON
Independent & Non-Executive Director
Aged 45, Malaysian

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

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

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

Currently, he is an Independent Non-Executive Director 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 50, Malaysian

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

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

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

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

i. Family Relationships with Directors and/or Major Shareholders

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

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

ii. Directors' Shareholdings

Details of the Directors' shareholdings in the Company can be found in the Analysis of Shareholdings section in 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 2013.

Looking back at 2013, the market for enterprise solutions was still slow. This is applicable to both the South East Asia and Greater China market. Local and overseas corporate and government spending on enterprise solutions were subject to tight budget constraints. Ygl still maintains its direct staff force and the software development work amidst the very challenging market for IT companies.

Financial Overview

Ygl Group recorded revenue of RM7.437 million for the financial year ended 31 December 2013, representing an increase of 14.5% as compared with the revenue of RM6.494 million for the financial year ended 31 December 2012. Net loss for financial year 2013 was RM2.670 million as compared to net loss of RM2.454 million for financial year 2012, representing an increase of 8.8%. The net loss was due to increase in direct costs which has affected the project margin. Correspondingly, Ygl has net loss per share of 1.55 sen for the year ended 31 December 2013 as compared to net loss per share of 1.52 sen for the year ended 31 December 2012.

Corporate Development

The year 2013 had been a challenging year for Ygl, during which the proprietary product line was introduced to the market while at the same time need enhancements and customisations to suit the unique local requirements and specific industry needs. However, with the effort of the team, Ygl has recorded the following achievements during the year:

1. Ygl Hospitality solution "Hotel2U" was adopted by more five-star hotels and boutique hotels both in Malaysia and Singapore.

2. Ygl Enterprise solution "E-Manufacturing" was adopted by distribution and logistics companies, not in the manufacturing sector.

3. The development work for basic Malaysian Goods and Services Tax ("GST") framework was completed. This has paved the foundation for more advanced GST features and functionalities to be built into the system in 2014.

4. Ygl Workflow and Sharepoint solution were introduced to Singapore market. More customers acquisition were recorded in the Hong Kong and Macau market.

5. Ygl Taxation solution "TAXcom" was redeveloped to pave way for multiple countries application.

6. Ygl moved into the new Yglworld Corporate Office located at Scotland Road, Penang.

Research and Development ("R&D")

For financial year 2013, Ygl Group has invested RM1.335 million in the R&D of Ygl proprietary product. This represents an increase of 6.9% as compared to the R&D's expenditure of RM1.249 million incurred in financial year 2012. The R&D work will continuous to further strengthen the Ygl product line to be upgraded to world class standard.

Chief Executive Officer's Statement (cont'd)

Prospect

The year 2014 provides a great revenue opportunity in the market of Malaysia and Singapore for Ygl. The introduction of Malaysian GST which takes effect on 1 April 2015 provides the compelling factors for companies in Malaysia to source for enterprise software that is equipped with advanced GST functions and features. Such features are very difficult to be developed by the competitive offerings from overseas vendors who normally do not provide the source codes to the local dealers.

Certain infrastructural changes made to Ygl proprietary software will also open up the market in the neighbouring countries.

With the readiness and maturity of Ygl proprietary product lines, which have seen years of development and customisations work tuned to local business operating environment and challenges, I am confident to secure more market recognition that will see Ygl emerging as the 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 msot 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.

Yeap Kong Chean
Chief Executive Officer

Date: 5 May 2014

Audit Committee Report

The Board is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2013 ("FY2013").

MEMBERSHIP

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

Chairman - Dr. Ch'ng Huck Khoon

Members - Ahmad Fuad Bin Mohd Ali
Chua Kiat Eng *(appointed w.e.f. 28 March 2013)*

ATTENDANCE OF MEETINGS

During the FY2013, the AC held a total of five (5) meetings. The details of attendance of the AC members are as follows:-

Directors	Total No. of Meetings Attended	No. of Meetings held during tenure of office	%
Dr. Ch'ng Huck Khoon	5	5	100
Ahmad Fuad Bin Mohd Ali	5	5	100
Chua Kiat Eng *	4	4	100

* *Mr. Chua Kiat Eng was appointed to the AC on 28 March 2013 and he attended all the four meetings held during his tenure of office for FY2013.*

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.

Audit Committee Report (cont'd)

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 of Bursa Malaysia Securities Berhad for ACE market, 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.

4. SUMMARY OF ACTIVITIES

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

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 the 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 ensuring year prior to submission to the Board and shareholders for consideration;

v) Reviewed the internal audit reports prepared by the internal auditors on the strengths and weaknesses of the internal controls in the Group and the Company and followed up on the improvements recommended by the internal auditors; and

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

During the FY2013, the AC met with the external auditors twice without the presence of the Management, in compliance with the recommendations of the Malaysian Code of Corporate Governance 2012.

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 AC 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; and
6. Recommending improvements to the existing internal control procedures.

The total cost incurred by the Group for the internal audit functions in respect of FY2013 amounted to approximately RM10,800.

This Statement is made in accordance with the resolution of the Board of Directors dated 16 May 2014.

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 ("MCCG 2012" or "Code") as a key factor towards achieving an optimal governance framework and enhancing the shareholders' value and the performance of the Group.

With this in mind, the Board has taken relevant measures to apply the key principles and conform to the best practices as set out in the Code with the exception of one area as highlighted below. The reason for such departure is specified therein.

MCCG 2012 Recommendation	Reasons
Appointment of a remuneration committee	The director's remuneration is a matter of the full Board to decide based on market conditions, responsibilities held and the Group's overall financial performance.

BOARD OF DIRECTORS

The Board

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

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

Board Balance

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

The Board complies with Rule 15.02 of Listing Requirements 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.

Statement on Corporate Governance (cont'd)

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

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

For the year 2013, the Board has conducted the annual review of the Board effectiveness as a whole in compliance with the MCCG 2012.

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 Charter is available on the Company's website.

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 ("AC") and Nominating Committee ("NC") 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 2013, the Board had held five meetings which were attended by the following Directors of the Company:-

Directors	Total No. of Meetings Attended	No. of Meetings held during tenure of office	%
Yeap Kong Chean	5	5	100
Tan Hoay Leng	5	5	100
Ahmad Fuad Bin Mohd Ali	5	5	100
Dr. Ch'ng Huck Khoon	5	5	100
Chua Kiat Eng *	4	4	100

* *Mr. Chua Kiat Eng was appointed to the Board on 28 March 2013 and he attended all the four meetings held during his tenure of office for the financial year ended 31 December 2013.*

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.

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

The NC currently comprises exclusively of Independent and Non-Executive Directors as follows:-

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

There was one NC meeting held during the year 2013. All members of the NC were present during that meeting. During the said NC meeting, NC has reviewed and developed the ctiteria in relation to the assessment of the Directors' performance and independence status of the Independent Directors of the Company in compliance with the Recommendation of MCCG 2012.

The Board will be assessing the independent directors on an annual basis based on the criteria developed by the NC 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 have attended the Mandatory Accreditation Programme as required by Bursa Securities on all Directors of listed companies.

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

Descriptions of the type of training(s) attended by the Directors during the financial year 2013 are as follows:-

Directors	Title of Seminar / Workshops / Courses	Mode of Training	No. of Hours / Days Spent
Yeap Kong Chean	Breaking New Ground: Landmark Decisions on Reinvestment Allowance and Capital Allowance	Seminar	8 hours
	Seminar Percukaian Kebangsaan 2013	Seminar	10 hours
	National Tax Seminar 2013	Seminar	10 hours
	2014 Budget Seminar	Seminar	8 hours
	Tax Saving Opportunity for Exporters: Exemptions and Double Deductions	Seminar	8 hours
Tan Hoay Leng	Reinvestment Allowance & Industrial Building Allowance	Seminar	8 hours
	Seminar Percukaian Kebangsaan 2012	Seminar	10 hours
	National Tax Seminar 2013	Seminar	10 hours
	2014 Budget Seminar	Seminar	8 hours
Ahmad Fuad Bin Mohd Ali	Anti-Money Laundering and Anti-Terrorism Financing Act (AMLATFA) 2001 : "Impact on Capital Market"	Seminar	8 hours
Dr. Ch'ng Huck Khoon	Anti-Money Laundering and Anti-Terrorism Financing Act (AMLATFA) 2001 : "Impact on Capital Market"	Seminar	8 hours
	Mergers & Acquisitions : The Process and Making Mergers Succeed	Seminar	8 hours
	The Competition Act 2010 and Decision Making	Seminar	8 hours
Chua Kiat Eng	Mandatory Accreditation Programmed	Seminar	16 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.

Statement on Corporate Governance (cont'd)

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 remuneration reflects the experience and level of responsibilities undertaken individually by the Director concerned.

The summary of the Directors' remuneration in the Company and its subsidiaries for the financial year ended 31 December 2013 is as follows:-

Directors	Company			Group		
	Salaries RM	Bonus RM	Fee RM	Salaries RM	Bonus RM	Fee RM
Executive	-	-	20,000	189,105	-	-
Non-Executive	-	-	55,000	-	-	-
Total	-	-	75,000	189,105	-	-

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 and various announcements made to Bursa Securities.

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

The Group exercises close monitoring of all price sensitive information required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner. In accordance with best practices, the Board would strive to disclose price sensitive information to the public as soon as practicable through Bursa Securities, the media and the Group's website. Price sensitive information refers to any information that, on becoming generally available, would tend to have a material effect on the market price of the Company's listed shares.

Statement on Corporate Governance (cont'd)

Members of the Board and Senior Management with privy to price sensitive information are prohibited from dealing in the shares of the Company until such information is publicly available. This is in addition to the provisions relating to the "closed period" for dealing in the Company's shares.

All public announcements can be downloaded via Bursa Link established by Bursa Securities 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 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.

ACCOUNTABILITY AND AUDIT

The AC 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 AC.

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 AC ensures that financial reporting of the Group is in compliance with the approved accounting standards set by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965.

In this respect, the AC 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 AC prior to tabling them to the Board of Directors for approval and subsequent release to Bursa Securities.

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

The report of the AC is separately set out on pages 11 to 13 of this Annual Report.

Statement on Corporate Governance (cont'd)

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 auditors report directly to the AC.

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

The Statement on Risk Management and Internal Control is set out on pages 21 and 22 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 AC.

The Independent Non-Executive Directors also met with the external auditors without the presence of Management on 23 April 2013 and 28 November 2013 in compliance with the recommendations of the MCCG 2012.

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

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

Compliance with the Recommendations of the Code

Save for the exception set out above, the Board is satisfied that the Group is in substantial compliance with the MCCG 2012 during the financial year ended 31 December 2013.

This Statement is made in accordance with a resolution of the Board of Directors dated 16 May 2014.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("the Board") is committed to maintain and ensure that a sound system of risk management and internal control exists and operates effectively within the Group of Companies and is pleased to provide this Statement outlining the nature and scope of risk management and internal control of the Group during the financial year in review pursuant to Rule 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Bhd for ACE Market ("Listing Requirements") 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 Risk Management and 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 ("AC") on a quarterly basis for review to formulate action plans to address any areas of concern
- Involvement of the Executive Directors in the weekly operational meetings attended by respective senior management to highlight significant matters arising on a timely basis
- Maintain a demanding recruitment standards and employee competency programmes to ensure competent personnel are employed for the operating units to function efficiently
- Adopting the Capability Maturity Model Integration (CMMI) quality assurance processes to appraise the development of software development and implementation.
- Adopting the ISO27001 information security assurance measures to safeguard the data of software in development and business setting
- Constant monitoring of work performance by an effective reporting system
- Maintain strong internal information and data security in compliance with the Personal Data Protection Act, 2010

AUDIT COMMITTEE & INTERNAL AUDIT

The internal audit function has been outsourced to an independent professional firm, Messrs. PKF since 2009 to carry out the internal audit services on a regular basis throughout the year. The findings and recommendations by the internal auditors are reported directly to the AC. This is to provide the AC with assurance in respect of continuity, adequacy and integrity of the system of internal controls within the Group. During the financial year under review, the internal auditors performed two internal assignments in accordance with the internal audit plan approved by the AC. The internal auditors deliberated the internal audit findings and proposals for actions in consultation with the AC, and the Management took appropriate actions to address and monitor the areas of weaknesses. The AC, on behalf of the Board, reviews the internal control issues identified and recommendations in the reports prepared by the internal auditors on regular basis. None of 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 Listing Requirements, the external auditors have reviewed this Statement and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

This Statement is made in accordance with a resolution of the Board of directors dated 16 May 2014.

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 the income statement 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 2013, 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 general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, to prevent and detect fraud and other irregularities.

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

This Statement is made in accordance with a resolution of the Board of Directors dated 16 May 2014.

Additional Compliance Information

UTILISATION OF PROCEEDS

In March 2013, 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 16 August 2013, all the proceeds arising from Private Placement had been fully utilised by the Company for purpose of listing and placement expenses amounting to RM44,699.00 and working capital amounting to RM1,555,075.00.

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 2013.

VARIATION OF ACTUAL PROFIT FROM THE UNAUDITED RESULTS

There were no material variations between the audited results and the unaudited results for the year ended 31 December 2013 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' INTERESTS

For the financial year ended 31 December 2013, there were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests.

Corporate Social Responsibility Statement

Ygl Convergence Berhad ("Ygl") 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.

Dissemination of knowledge

Ygl has defined a new direction of social contribution where the technical knowledge gathered by its team members throughout the years can be put to the benefits of the society by participating as free speakers for business and management conferences.

5th International Management Speakers Conference themed "The Best Business Model"

On 19th July 2013, Mr. Yeap Kong Chean, CEO of YGL Convergence Berhad was the invited special guest to present a talk on "From Small Business to Value Enterprise" at the 5th International Management Speaker Conference with the other 4 speakers from China, Taiwan, Singapore and Malaysia. A token of appreciation presented by from YB Ng Wei Aik.

A token of appreciation from YB Ng Wei Aik during the opening ceremony of 'The 5th International Management Speakers Conference'

Corporate Social Responsibility Statement (cont'd)

4th OIC World Biz

The Islamic Centre for Development of Trade (ICDT) and the Organization of the Islamic Conference (OIC) organised the 4th OIC World Biz from 25th to 28th September 2013 in Kuala Lumpur to host conferences on trade and tourism in Muslim Countries as well as Exhibition to promote the products and services of the OIC member countries. The four days event attracted participants from 70 countries making up 300 local and 200 foreign exhibition booths.

Mr. Yeap Kong Chean was invited to represent Malaysia as a panelist on the topic of **"Online Tourism – Marketing & Distribution perspective – The future"**.

Ygl also showcased its Hotel Management System (Hotel2U), YGL EDM and YGL e-Manufacturing Suite software solutions.

A token of appreciation from Datuk Dr Raja Mohamad Abdullah during 'The 4th OIC World Biz Business & Investment Zone 2013'.

Corporate Social Responsibility Statement (cont'd)

TM Elite Partner

As the Elite Partner of Telekom Malaysia (TM), Ygl was invited to impart hospitality solution knowledge to the guests of a seminar in Penang organized by TM on 20th February 2014. Ygl hospitality software is fully scalable to meet the requirements of different hotel businesses.

Provision of YGL TAXcom software to Universiti of Tunku Abdul Rahman (UTAR)

UTAR, in its continuing effort to intensify practical learning syllabus, has teamed up with industry partners namely Ygl, McMillan Woods and Ngage Advisory PLT to enhance education to its accountancy students so that they are trained to be industry relevant and ready for the workforce upon graduation. Ygl contributed by providing and supporting the taxation software.

Corporate Social Responsibility Statement (cont'd)

WORKPLACE

YGL corporate office is set amid green trees with contemporary office settings for conducive working environment. These corporate settings can accommodate the clients more effectively and efficiently.

MARKET PLACE

National Tax Conference 2013 themed "Managing the Tax Ecosystem"

YGL has been a committed supporter of National Tax Conference since the year 2005. On 24th and 25th June 2013, Ygl was pleased to support the National Tax Conference 2013 which was jointly organized by the Inland Revenue Board of Malaysia and the Chartered Tax Institute of Malaysia at the Kuala Lumpur Convention Centre.

A token of appreciation from Chartered Tax Institute of Malaysia (CTIM) during the National Tax Conference 2013 at KLCC Convention Centre, Kuala Lumpur.

Corporate Social Responsibility Statement (cont'd)

SEMICON Singapore 2014

Enabling Mobility for IoT with Advanced Semiconductor Technology — at SEMICON Singapore 2014

Ygl was glad to have attended the SEMICON Singapore 2014 Expo from 23rd to 25th April 2014. SEMICON Singapore 2014 was the largest annual gathering of Southeast Asia's semiconductor manufacturing industry where the industry's major technology trends and advancement provided valuable information for Ygl and its YGL e-Manufacturing software.

From left: Isaac Yong, Dr. Celvin Tan, Mr. Kwok, Ms Covien Tan, Ms Mindy Poon, Mr. KC Yeap and Mr. Humphrey Ho at the SEMICON Singapore 2014.

Directors' Report

The Board of 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, 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding. The principal activities of the subsidiaries are stated in Note 7 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 financial year	(2,669,993)	(80,949)
Attributable to:		
Owners of the Company	(2,572,351)	(80,949)
Non - controlling interests	(97,642)	-
	(2,669,993)	(80,949)

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
Chua Kiat Eng

In accordance with the Articles of Association, Tan Hoay Leng shall retire by rotation under Article 29.1 and Ahmad Fuad Bin Mohd Ali shall retire under Article 29.1 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' 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 1-1-2013**	**Bought**	**Sold**	**At 31-12-2013**
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 interested in shares in all the subsidiaries to the extent the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received 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 profit or loss and other 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 allowance for doubtful debts, and have satisfied themselves that no known bad debts need to be written off and adequate allowance 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 Group and 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 allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent ; and

Directors' Report (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

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

(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 December 31, 2013 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., Chartered Accountants, have expressed their willingness to continue in office.

SIGNED ON BEHALF OF THE BOARD
IN ACCORDANCE WITH
A RESOLUTION OF THE DIRECTORS

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

Kuala Lumpur
Date: 28 April 2014

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 statements of financial position as at December 31, 2013 of the Group and of the Company and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flow for the financial year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 35 to 93.

Directors' responsibility for the financial statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 gives a true and fair view of the financial position of the Group and of the Company as at December 31, 2013 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 7 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

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

Other Reporting Responsibilities

The supplementary information set out in Note 33 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)
No. 8-2 & 10-2, 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: April 28, 2014

Statements of Consolidated Financial Position

as at December 31, 2013

	NOTE	2013 RM	2012 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	5,588,359	5,392,679
Investment property	5	286,661	287,138
Intangible assets	6	6,533,889	6,689,710
Investment in associates	8	500,169	679,087
		12,909,078	13,048,614
CURRENT ASSETS			
Trade and other receivables	9	4,045,461	4,059,447
Short term investments	10	-	100,932
Amount due by associate company	12	37,800	21,600
Current tax assets		6,584	9,733
Time deposits	13	-	152,786
Cash and bank balances	14	1,056,036	496,005
		5,145,881	4,840,503
TOTAL ASSETS		18,054,959	17,889,117
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	17,597,514	15,997,740
Share premium, non-distributable		2,308,629	2,353,327
Exchange translation reserve, non-distributable		(51,699)	(160,775)
Accumulated losses		(6,591,383)	(4,019,032)
Equity attributable to shareholders of the Company		13,263,061	14,171,260
Non-controlling interests		79,768	178,550
TOTAL EQUITY		13,342,829	14,349,810
NON-CURRENT LIABILITIES			
Loans and borrowings	16	723,603	740,660
Finance lease liabilities	17	7,077	32,495
Deferred tax liabilities	18	-	12,997
		730,680	786,152
CURRENT LIABILITIES			
Trade and other payables	19	3,290,239	2,267,267
Amount due to director	20	19,120	-
Loans and borrowings	16	16,846	16,276
Finance lease liabilities	17	27,282	26,003
Bank overdraft	21	627,963	443,609
		3,981,450	2,753,155
TOTAL LIABILITIES		4,712,130	3,539,307
TOTAL EQUITY AND LIABILITIES		18,054,959	17,889,117

See accompanying notes to the financial statements

Statements of Consolidated Profit or Loss and Other Comprehensive Income

for the year ended December 31, 2013

	NOTE	2013 RM	2012 RM
Revenue	22	7,437,046	6,494,425
Cost of sales		(7,548,778)	(6,140,800)
Gross (loss) / profit		(111,732)	353,625
Other operating income		181,498	128,055
Selling and distribution expenses		(83,897)	(10,404)
Administrative and general expenses		(1,672,032)	(762,143)
Other operating expenses		(764,465)	(1,983,735)
Loss from operations		(2,450,628)	(2,274,602)
Finance costs		(55,314)	(38,884)
Share of results of associates		(178,918)	(117,384)
Loss before tax	23	(2,684,860)	(2,430,870)
Income tax expense	24	14,867	(23,545)
Net loss for the year		(2,669,993)	(2,454,415)
Other comprehensive income			
Exchange differences on translation of foreign operations		109,076	(31,176)
Total comprehensive expense		(2,560,917)	(2,485,591)
Loss attributable to:			
Owners of the Company		(2,572,351)	(2,480,149)
Non-controlling interests		(97,642)	25,734
Net loss for the year		(2,669,993)	(2,454,415)
Total comprehensive expense attributable to:			
Owners of the Company		(2,463,275)	(2,511,325)
Non-controlling interests		(97,642)	25,734
Total comprehensive expense		(2,560,917)	(2,485,591)
Loss per share attributable to equity holders of the Company (sen)	25	(1.55)	(1.52)

See accompanying notes to the financial statements

Statement of Consolidated Changes in Equity

for the year ended December 31, 2013

	------ Attributable to owners of the Company ------						
	Share capital RM	Share premium RM	Exchange translation reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
At 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 expense	-	-	(31,176)	(2,480,149)	(2,511,325)	25,734	(2,485,591)
At 31 December 2012 / 1 January 2013	15,997,740	2,353,327	(160,775)	(4,019,032)	14,171,260	178,550	14,349,810
Other comprehensive income							
Exchange translation differences	-	-	109,076	-	109,076	-	109,076
	-	-	109,076	-	109,076	-	109,076
Net loss for the year	-	-	-	(2,572,351)	(2,572,351)	(97,642)	(2,669,993)
Total comprehensive expense	-	-	109,076	(2,572,351)	(2,463,275)	(97,642)	(2,560,917)
Transactions with owners:							
Disposal of interest	-	-	-	-	-	(1,140)	(1,140)
Issue of shares	1,599,774	(44,698)	-	-	1,555,076	-	1,555,076
Total transactions with owners	1,599,774	(44,698)	-	-	1,555,076	(1,140)	1,553,936
At 31 December 2013	17,597,514	2,308,629	(51,699)	(6,591,383)	13,263,061	79,768	13,342,829

See accompanying notes to the financial statements

Statements of Consolidated Cash Flows
for the year ended December 31, 2013

	NOTE	2013 RM	2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(2,684,860)	(2,430,870)
Adjustments for:			
Allowance for doubtful debts		14,079	-
Amortisation of intangible assets		1,489,125	1,375,889
Bad debts written off		477	22,068
Depreciation of property, plant and equipment		104,469	120,684
Depreciation of investment property		477	477
Impairment loss on intangible assets		2,000	-
Interest expenses		55,314	38,885
Property, plant and equipment written off		1	-
Shares of result of associates		178,918	117,384
Allowance for doubtful debts reversed		(11,704)	(10,437)
Gain on acquisition of subsidiary		(2,531)	-
Gain on disposal of subsidiary		(5,513)	-
Interest income		(4,324)	(25,097)
Unrealised gain on foreign exchange		(47,355)	(61,744)
Operating loss before working capital changes		(911,427)	(852,761)
Changes in software development costs		(1,335,304)	(1,248,995)
Changes in receivables		58,489	(261,941)
Changes in payables		1,022,972	313,699
Changes in director account		19,120	-
Cash used in operations		(1,146,150)	(2,049,998)
Interest received		4,324	25,097
Interest paid		(55,314)	(38,885)
Tax refund / (paid)		5,019	(23,545)
Net cash used in operating activities		(1,192,121)	(2,087,331)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflow from acquisition of a subsidiary		34,995	-
Proceeds from disposal of investment in subsidiary to non-controlling interests		4,000	-
Proceeds from disposal of short term investments		100,932	-
Purchase of property, plant and equipment		(297,694)	(289,668)
Net cash used in investing activities		(157,767)	(289,668)

See accompanying notes to the financial statements

Statements of Consolidated Cash Flows
for the year ended December 31, 2013 (cont'd)

	NOTE	2013 RM	2012 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issued of share capital		1,599,774	-
Share issuance expenses		(44,698)	-
Proceeds from finance lease/term loan		-	78,000
Payment of term loan instalments		(16,487)	(15,604)
Payment of finance lease instalments		(24,139)	(24,080)
Consolidation of subsidiary, net cash		-	55,079
Net cash from financing activities		1,514,450	93,395
NET CHANGES IN CASH AND CASH EQUIVALENTS		164,562	(2,283,604)
EFFECT OF CHANGES IN EXCHANGE RATES		58,329	(5,577)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		205,182	2,494,363
CASH AND CASH EQUIVALENTS CARRIED FORWARD		428,073	205,182
Represented by:-			
Time deposits		-	152,786
Cash and bank balances		1,056,036	496,005
Bank overdraft		(627,963)	(443,609)
		428,073	205,182

See accompanying notes to the financial statements

Statements of Financial Positon

as at December 31, 2013

	NOTE	2013 RM	2012 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	4,400,614	4,157,356
Investment in subsidiaries	7	8,881,822	8,881,821
Investment in associates	8	1,475,000	1,475,000
		14,757,436	14,514,177
CURRENT ASSETS			
Trade and other receivables	9	171,186	765,942
Amount due by subsidiary companies	11	4,309,731	2,338,602
Current tax assets		6,098	-
Time deposits	13	-	152,786
Cash and bank balances	14	23,368	17,594
		4,510,383	3,274,924
TOTAL ASSETS		19,267,819	17,789,101
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	17,597,514	15,997,740
Share premium, non-distributable		2,308,629	2,353,327
Accumulated losses		(702,500)	(621,551)
TOTAL EQUITY		19,203,643	17,729,516
NON-CURRENT LIABILITY			
Deferred tax liabilities	18	-	236
		-	236
CURRENT LIABILITIES			
Trade and other payables	19	64,176	59,141
Current tax liabilities		-	208
		64,176	59,349
TOTAL LIABILITIES		64,176	59,585
TOTAL EQUITY AND LIABILITIES		19,267,819	17,789,101

See accompanying notes to the financial statements

Statements of Profit or Loss and Other Comprehensive Income

for the year ended December 31, 2013

	NOTE	2013 RM	2012 RM
Revenue	22	10,000	10,000
Other operating income		186,409	103,453
Administrative and general expenses		(237,032)	(220,537)
Loss from operations		(40,623)	(107,084)
Loss on financial assets measured at fair value		(66,334)	(22,810)
Loss before tax	23	(106,957)	(129,894)
Income tax expense	24	26,008	(8,016)
Net loss for the financial year		(80,949)	(137,910)
Other comprehensive income			
Loss attributable to:			
Owners of the Company		(80,949)	(137,910)
Non-controlling interests		-	-
		(80,949)	(137,910)
Total comprehensive expense attributable to:			
Owners of the Company		(80,949)	(137,910)
Non-controlling interests		-	-
		(80,949)	(137,910)

Statement of Changes in Equity
for the year ended December 31, 2013

	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
At 1 January 2012	15,997,740	2,353,327	(483,641)	17,867,426
Net loss for the financial year, representing total comprehensive expense for the financial year	-	-	(137,910)	(137,910)
At 31 December 2012	15,997,740	2,353,327	(621,551)	17,729,516
Issue of shares	1,599,774	(44,698)	-	1,555,076
Net loss for the financial year, representing total comprehensive expense for the financial year	-	-	(80,949)	(80,949)
At 31 December 2013	17,597,514	2,308,629	(702,500)	19,203,643

See accompanying notes to the financial statements

Statements of Cash Flows
for the year ended December 31, 2013

	NOTE	2013 RM	2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(106,957)	(129,894)
Adjustments for:			
Depreciation of property, plant and equipment		4,314	2,243
Gain on disposal of investment in subsidiaries		(4,499)	-
Interest income		(181,910)	(103,453)
Property, plant and equipment written off		1	-
Operating loss before working capital changes		(289,051)	(231,104)
Changes in receivables		594,756	205,031
Changes in payables		5,035	20,840
Cash generated from / (used in) operations		310,740	(5,233)
Interest received		181,910	103,453
Tax refund		19,466	1,306
Net cash from operating activities		512,116	99,526
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary companies		(2)	-
Proceed from disposal of subsidiary companies		4,500	-
Purchase of property, plant and equipment		(247,573)	(133,330)
Advances to subsidiaries		(1,971,129)	(648,641)
Net cash used in investing activities		(2,214,204)	(781,971)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from issue of share capital		1,599,774	-
Share issuance expenses		(44,698)	-
Net cash from investing activities		1,555,076	-
NET CHANGES IN CASH AND CASH EQUIVALENTS		(147,012)	(682,445)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		170,380	852,825
CASH AND CASH EQUIVALENTS CARRIED FORWARD		23,368	170,380
Represented by:			
Time deposits		-	152,786
Cash and bank balances		23,368	17,594
		23,368	170,380

See accompanying notes to the financial statements

Notes to the Financial Statements
for the year ended December 31, 2013

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated in Malaysia under the requirement of the Companies Act, 1965 and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are management and investment holding. The principal activities of the subsidiary companies and associated companies are disclosed in Notes 7 and 8 respectively.

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

The functional currency of the Company is Ringgit Malaysia ('RM') as the sales and purchases are mainly dominated in RM, receipts from operations are usually retained in RM and funds from financing activities are mainly generated in RM.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

(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) 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:-

Amendments to MFRS effective 1 January 2014:

MFRS 10, 12 and 127	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment Entities
MFRS 132	Financial Instruments : Presentation offsetting Financial Assets and Financial Liabilities
MFRS 136	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
MFRS 139	Financial Instruments: Recognition and Measurements – Novation Of Derivatives and Continuation of Hedge Accounting.

IC Interpretation 21, Levies

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

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

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

MFRSs, Interpretation and amendments effective for annual periods beginning on or after 1 July 2014

Amendment to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvement 2011 – 2013 Cycle)
Amendment to MFRS 2	Share-based Payment (Annual Improvement 2010 – 2012 Cycle)
Amendment to MFRS 3	Business Combinations (Annual Improvement 2010 – 2012 Cycle and 2011 – 2013 Cycle)
Amendment to MFRS 8	Operating Segments (Annual Improvement 2010 – 2012 Cycle)
Amendment to MFRS 13	Fair Value Measurement (Annual Improvement 2010 – 2012 Cycle and 2011 – 2013 Cycle)
Amendment to MFRS 116	Property, Plant and Equipment (Annual Improvement 2010 – 2012 Cycle)
Amendment to MFRS 119	Employee Benefits – Defined Benefit Plans: Employee Contributions
Amendment to MFRS 124	Related Party Disclosures (Annual Improvement 2010 – 2012 Cycle)
Amendment to MFRS 138	Intangible Assets (Annual Improvement 2010 – 2012 Cycle)
Amendment to MFRS 140	Investment Properties (Annual Improvement 2011 – 2013 Cycle)

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

MFRS 9	Financial Instruments (2009)
MFRS 9	Financial Instruments (2010)
MFRS 9	Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7, and MFRS 139
Amendments to MFRS 7	Financial Instruments: Disclosures – Mandatory Effective of MFRS 9 and Transition Disclosures

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)

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

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

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 on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

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 132, Financial Instruments, Presentation

The amendments to MFRS 132 clarify the criteria for offsetting financial assets and financial liabilities. The Company is currently examining the financial impact of adopting MFRS 132.

(d) **Significant accounting estimates and judgements**

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

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

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

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.

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

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

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

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

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

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

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

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

Depreciation of property, plant and equipment

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

The carrying amount of the Group's and Company's property, plant and equipment as at December 31, 2013 was RM 5.588 million and RM 4.400 million (2012: RM 5.393 million and RM 4.157 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 December 31, 2013 was RM 4.045 million (2012: RM 4.059 million).

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

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

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

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

Impairment of investments in subsidiaries

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

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

The carrying amount of the Company's investments in subsidiaries as at December 31, 2013 was RM 8.882 million (2012: RM 8.882 million).

(e) **Basis of consolidation**

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

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

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

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

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

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

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

(e) **Basis of consolidation** (cont'd)

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 December 31, 2013 was RM 500,169 (2012: RM 679,087).

(f) **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 profit or loss and other comprehensive income.

(g) **Associated Companies**

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

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

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

(g) **Associated Companies** (cont'd)

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

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

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

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

(h) **Intangible assets**

(i) Goodwill

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 2(m).

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

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

(i) **Property, plant and equipment**

(i) Measurement basis

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

(ii) Depreciation

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

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

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

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

(j) **Investment property**

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

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

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

(j) **Investment property** (cont'd)

(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 profit or loss and other 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 proceeds and the carrying amount is recognised in statement of profit or loss and other comprehensive income.

(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.

(k) **Leases**

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

(i) Finance lease

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

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

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

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

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

(k) **Leases** (cont'd)

(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 profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(l) **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.

(m) **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 profit or loss and other 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.

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

(m) **Impairment of non-financial assets** (cont'd)

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

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 profit or loss and other 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.

(n) **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 profit or loss and other 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 profit or loss and other comprehensive income.

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

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

(n) **Impairment of financial assets** (cont'd)

(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.

(o) **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 profit or loss and other comprehensive income.

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

(p) **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.

(q) **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 profit or loss and other comprehensive income on a time proportion basis over the contract period.

(r) **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.

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

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

(r) **Foreign currency** (cont'd)

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

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 profit or loss and other 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 profit or loss and other comprehensive income, any corresponding exchange gain or loss is recognised in statement of profit or loss and other comprehensive income.

(iii) Translation of foreign operations

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

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

All exchange differences arising from the translation of the financial statements of foreign operations are 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 profit or loss and other comprehensive income as part of the gain or loss on disposal.

(s) **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and to 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 profit or loss and other comprehensive income when significant risks and rewards of ownership have been transferred to the customers.

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

(s) **Revenue recognition** (cont'd)

(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.

(t) **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 profit or loss and other 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 profit or loss and other comprehensive income as incurred which is also a defined contribution plan.

(iii) Termination benefits

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

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

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

(u) **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 profit or loss and other comprehensive income over the hire purchase periods so as to give a constant periodic rate of interest on the remaining hire purchase liabilities.

(v) **Income tax expense**

The tax expense in the statement of profit or loss and other 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.

(w) **Cash and cash equivalents**

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

(x) **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.

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

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

(x) **Financial instruments** (cont'd)

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.

3. **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.

3. **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.

4. PROPERTY, PLANT AND EQUIPMENT

Group 2013 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	679,423	804,708	575,258	165,375	4,155,837	7,419,426
Foreign currency exchange adjustments	-	-	53,078	(28,824)	-	-	24,254
Addition	-	-	13,750	52,081	-	231,863	297,694
Written off	-	-	-	(4,230)	-	-	(4,230)
At December 31,	1,038,825	679,423	871,536	594,285	165,375	4,387,700	7,737,144
ACCUMULATED DEPRECIATION							
At January 1,	50,160	582,106	779,537	525,308	89,636	-	2,026,747
Foreign currency exchange adjustments	-	-	50,509	(28,711)	-	-	21,798
Charge for the year	5,016	24,328	28,721	30,696	15,708	-	104,469
Written off	-	-	-	(4,229)	-	-	(4,229)
At December 31,	55,176	606,434	858,767	523,064	105,344	-	2,148,785
NET CARRYING AMOUNT							
At December 31,	983,649	72,989	12,769	71,221	60,031	4,387,700	5,588,359

4. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

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
Foreign currency 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
Foreign currency 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

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

4. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

Company 2013 COST	**Computer equipment RM**	**Furniture and fittings RM**	**Construction work-in-progress RM**	**Total RM**
At January 1,	16,557	14,371	4,155,837	4,186,765
Addition	11,360	4,350	231,863	247,573
Written off	-	(4,230)	-	(4,230)
At December 31,	27,917	14,491	4,387,700	4,430,108
ACCUMULATED DEPRECIATION				
At January 1,	15,520	13,889	-	29,409
Charge for the year	2,964	1,350	-	4,314
Written off	-	(4,229)	-	(4,229)
At December 31,	18,484	11,010	-	29,494
NET CARRYING VALUE				
At December 31,	9,433	3,481	4,387,700	4,400,614

2012 COST	**RM**	**RM**	**RM**	**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

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

4. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

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 RM72,989 (2012 : RM97,317) are acquired under finance lease.

5. **INVESTMENT PROPERTY**

	Group	
	2013	**2012**
Cost	**RM**	**RM**
At 1 January / 31 December,	290,000	290,000
Accumulated depreciation		
At 1 January,	2,862	2,385
Charge for the year	477	477
At 31 December,	3,339	2,862
Net carrying amount		
At 31 December,	286,661	287,138

The fair value of the shop lot at the end of the financial year is RM 715,380 (2012: RM715,380) 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.

6. **INTANGIBLE ASSETS**

Group **Cost**	**Software development costs RM**	**Goodwill RM**	**Club RM**	**Total RM**
At 1 January 2012	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
Exchange translation reserve	93,399	-	-	93,399
Additions	1,295,559	-	-	1,295,559
Disposal of a subsidiary	-	(127)	-	(127)
At 31 December 2013	11,911,716	2,272,892	50,000	14,234,608
Accumulated amortisation				
At 1 January 2012	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
Exchange translation reserve	53,527	-	-	53,527
Amortisation for the year	1,488,218	-	907	1,489,125
Impairment loss	-	-	2,000	2,000
At 31 December 2013	7,695,487	-	5,232	7,700,719
Net carrying amount				
At 31 December 2012	4,369,016	2,273,019	47,675	6,689,710
At 31 December 2013	4,216,229	2,272,892	44,768	6,533,889

(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 the Financial Statements

for the year ended December 31, 2013 (cont'd)

6. **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 the Financial Statements
for the year ended December 31, 2013 (cont'd)

7. INVESTMENT IN SUBSIDIARIES

	Company 2013 RM	Company 2012 RM
Unquoted shares - at cost	8,881,821	8,881,818
Addition	2	3
Disposal	(1)	-
	8,881,822	8,881,821

The subsidiaries are as follows:

Subsidiaries of the Company	Gross equity interest 2013	Gross equity interest 2012	Countries of incorporation	Principal activities
Ygl Convergence Malaysia Sdn Bhd	100%	100%	Malaysia	Marketing and distribution of computer software and hardware and the provision of professional services
*Ygl Multimedia Resources Sdn Bhd	100%	100%	Malaysia	Developing and selling of software systems
*Ygl Convergence (HK) Limited	100%	100%	Hong Kong	Trading of computer equipment and software and provision of related services
*Ygl Convergence (China) Limited	60%	60%	Hong Kong	Investment holding
*Ygl Convergence (Asia Pacific) Pte. Ltd	60%	60%	Singapore	Provision of software consultancy and computer systems integrated services
*Ygl Technologies Sdn. Bhd.	55%	100%	Malaysia	Dormant company
*Ygl Technologies Pte. Ltd. #	100%	100%	Singapore	Provision of software and related services
*Ygl E Manufacturing Sdn. Bhd.	100%	-	Malaysia	Provision of software consultancy and implementation services

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

7. INVESTMENT IN SUBSIDIARIES (cont'd)

Subsidiaries of the Company	Gross equity interest 2013	Gross equity interest 2012	Countries of incorporation	Principal activities
* 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 2013, 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.*

(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 the Financial Statements

for the year ended December 31, 2013 (cont'd)

7. INVESTMENT IN SUBSIDIARIES (cont'd)

(c) Acquisition of subsidiary

On November 25, 2013, the Company acquired 100% of the issued share capital of Ygl E Manufacturing Sdn. Bhd. with a consideration of RM2. The net assets in the transaction arising from acquisition are as follows:

	2013 RM
Trade receivables	79
Cash and cash equivalents	34,997
Other payables	(32,543)
Net identifiable assets	2,533
Less: Gain on acquisition	(2,531)
Purchase consideration	2
Less: Cash and cash equivalents	(34,997)
Cash inflow on acquisition, net of cash and cash equivalents acquired	(34,995)

8. INVESTMENT IN ASSOCIATES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unquoted shares - at cost	1,475,000	1,475,000	1,475,000	1,475,000
Group's share of post-acquisition results	(974,831)	(795,913)	-	-
	500,169	679,087	1,475,000	1,475,000

The associates are as follows:

Associate of the Company	Gross equity interest 2013	Gross equity interest 2012	Countries of incorporation	Principal activities
Ygl iBay International Sdn Bhd	29.50%	22.08%	Malaysia	Providing consultancy services, supplier management and business solutions services and trading of computer software

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

8. **INVESTMENT IN ASSOCIATES** (cont'd))

The associates are as follows (cont'd):

Associate of Ygl Convergence Malaysia Sdn Bhd	Gross equity interest 2013	Gross equity interest 2012	Countries of incorporation	Principal activities
*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.

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 11,151 (2012: RM 11,336) and RM 67,613 (2012: RM 56,462) respectively.

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

The summarised financial information of the associates are as follows:

	Group 2013 RM	Group 2012 RM
Assets and liabilities		
Non-current assets	3,669,423	3,615,486
Current assets	48,378	45,394
Total assets	3,717,801	3,660,880
Non-current liabilities	-	-
Current liabilities	1,296,621	1,255,388
Total liabilities	1,296,621	1,255,388
Results		
Revenue	3,186,856	93,682
Loss for the year	(901,667)	(397,911)

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Gross trade receivables	2,618,135	2,827,063	-	-
Less: Allowance for doubtful debts	(735,872)	(717,912)	-	-
	1,882,263	2,109,151	-	-
Other receivables	261,938	1,718,262	114,236	618,274
Deposits	126,238	219,970	56,950	147,668
Prepayments	75,605	12,064	-	-
Deferred expenses	212,042	-	-	-
Service contract in progress	1,487,375	-	-	-
	4,045,461	4,059,447	171,186	765,942

Movements in allowance for doubtful debts are as follows:

	Group	
	2013 RM	2012 RM
At January 1,	717,912	558,140
Addition during the year	14,079	168,622
Reversal during the year	(11,704)	(10,437)
Foreign currency exchange adjustments	15,585	1,587
At December 31,	735,872	717,912

Notes to the Financial Statements

for the year ended December 31, 2013 (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		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade receivables				
- Ringgit Malaysia	835,255	1,096,653	-	-
- Hong Kong Dollar	447,144	427,873	-	-
- Chinese Renminbi	424,661	463,770	-	-
- Singapore Dollar	175,203	120,855	-	-
	1,882,263	2,109,151	-	-
Other receivables				
- Ringgit Malaysia	116,797	119,393	114,236	618,274
- Hong Kong Dollar	2,049	156,919	-	-
- Chinese Renminbi	141,808	1,440,302	-	-
- Singapore Dollar	1,284	1,648	-	-
	261,938	1,718,262	114,236	618,274
Deposits				
- Ringgit Malaysia	77,254	163,134	56,950	147,668
- Hong Kong Dollar	47,689	56,836	-	-
- Singapore Dollar	1,295	-	-	-
	126,238	219,970	56,950	147,668
Deferred expenses				
- Ringgit Malaysia	87,321	-	-	-
- Hong Kong Dollar	124,721	-	-	-
	212,042	-	-	-
Service contract in progress				
- Ringgit Malaysia	610,116	-	-	-
- Hong Kong Dollar	877,259	-	-	-
	1,487,375	-	-	-

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 the Financial Statements
for the year ended December 31, 2013 (cont'd)

10. SHORT TERM INVESTMENTS

	Group	
	2013	2012
	RM	RM
Unit trust quoted in Malaysia, at cost		
At January 1,	100,932	100,932
Disposal	(100,932)	-
At December 31,	-	100,932

11. AMOUNT DUE BY SUBSIDIARY COMPANIES

The amount due by subsidiary companies totalling RM 4,163,083 bears interest at BLR -1.90% per annum and has 5 years fixed terms of repayment.

The currency profiles of the amount owing by related companies are as follow:

	Company	
	2013	2012
	RM	RM
Ringgit Malaysia	3,464,276	2,001,868
Hong Kong Dollar	704,407	336,734
Singapore Dollar	141,048	-
	4,309,731	2,338,602

12. AMOUNT DUE BY ASSOCIATE COMPANY

Amount due by associate company is interest free, unsecured and no fixed terms of repayment.

13. TIME DEPOSIT

In the financial year 2012, the time deposits are placed with licensed banks and have weighted average effective interest rate at 3.0% per annum.

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

14. CASH AND BANK BALANCES

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	878,330	302,969	23,368	17,594
Hong Kong Dollar	140,126	121,684	-	-
Chinese Renminbi	1,034	24,924	-	-
Singapore Dollar	36,546	46,428	-	-
	1,056,036	496,005	23,368	17,594

15. SHARE CAPITAL

	Group and Company			
	2013		2012	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Ordinary shares of RM 0.10 each				
Authorised:-				
At January 1/December 31,	200,000,000	20,000,000	200,000,000	20,000,000
Issued and fully paid:-				
At January 1,	159,977,400	15,997,740	159,977,400	15,997,740
Shares issued during the year	15,997,740	1,599,774	-	-
At December 31,	175,975,140	17,597,514	159,977,400	15,997,740

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

16. LOANS AND BORROWINGS

	Group 2013 RM	Group 2012 RM
Classified as:-		
- Non-current liabilities	723,603	740,660
- Current liabilities	16,846	16,276
	740,449	756,936
Present value of term loan is analysed as follow:-		
Payable within 1 year	16,846	16,276
Payable after 1 year but not later than 5 years	76,824	73,304
Payables after 5 years	646,779	667,356
	740,449	756,936

Borrowing facilities:-

Term loan up to a limit of RM 780,000 extended to the subsidiary.

Interest rate, terms of repayment and security:-

(a) Repayable by three hundred (300) monthly instalment of RM 4,292 each.
(b) Interest is charged at 1.9% per annum below base lending rate of lending bank.
(c) Secured by office lot of the Group.
(d) Joint and several guarantee by directors of the Company.

17. FINANCE LEASE LIABILITIES

	Group 2013 RM	Group 2012 RM
Future minimum lease payments:-		
- Non-current liabilities	7,148	35,780
- Current liabilities	28,632	28,632
	35,780	64,412
Less: Finance charges	(1,421)	(5,914)
	34,359	58,498
Present value of payments is analysed as follow:-		
- Not later than 1 year	27,282	26,003
- Later than 1 year but not later than 5 years	7,077	32,495
	34,359	58,498

The effective interest rates of the finance lease liabilities at a flat rate of 3.37% (2012: 3.37%) per annum.

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

18. DEFERRED TAX LIABILITIES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
At January 1,	12,997	409	236	-
Transfer (to)/from income statement (Note 24)	(12,997)	12,588	(236)	236
At 31 December,	-	12,997	-	236

Presented after appropriate offsetting as follows:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Deferred tax assets	(12,997)	-	(236)	-
Deferred tax liabilities	12,997	12,997	236	236
	-	12,997	-	236

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unabsorbed capital allowances	(12,997)	-	(236)	-
Differences between the carrying amount of property, plant and equipment and their tax base	12,997	12,997	236	236
	-	12,997	-	236

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unabsorbed capital allowances	253,602	-	-	-
Unutilised tax losses	4,894,799	-	-	-
	5,148,401	-	-	-

19. TRADE AND OTHER PAYABLES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Trade payables	1,289,065	422,472	-	-
Other payables	535,082	610,788	22,616	8,396
Accruals	509,412	652,185	41,560	50,745
Deposits	410,337	213,601	-	-
Deferred revenues	546,343	368,221	-	-
	3,290,239	2,267,267	64,176	59,141

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

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Trade payables				
- Ringgit Malaysia	716,437	68,228	-	-
- Hong Kong Dollar	558,843	324,691	-	-
- Chinese Renminbi	13,785	29,553	-	-
	1,289,065	422,472	-	-
Other payables				
- Ringgit Malaysia	65,646	199,863	22,616	8,396
- Chinese Renminbi	469,436	410,925	-	-
	535,082	610,788	22,616	8,396
Accruals				
- Ringgit Malaysia	214,197	307,694	41,560	50,745
- Hong Kong Dollar	259,301	323,032	-	-
- Chinese Renminbi	5,298	8,204	-	-
- Singapore Dollar	30,616	13,255	-	-
	509,412	652,185	41,560	50,745
Deposits				
- Ringgit Malaysia	10,300	16,298	-	-
- Hong Kong Dollar	400,037	197,303	-	-
	410,337	213,601	-	-
Deferred revenues				
- Ringgit Malaysia	304,002	52,051	-	-
- Hong Kong Dollar	242,341	316,170	-	-
	546,343	368,221	-	-

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

19. TRADE AND OTHER PAYABLES (cont'd)

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

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

20. AMOUNT DUE TO DIRECTOR

Amount due to director is interest free, unsecured and no fixed terms of repayment.

21. BANK OVERDRAFT

	Group	
	2013 RM	2012 RM
Classified as:-		
- current liability	627,963	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 Group.
(c) Joint and several guarantee by directors of the Company.

22. GROSS REVENUE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Revenue from sale of computer software and hardware and consulting services	7,437,046	6,494,425	-	-
Management fees	-	-	10,000	10,000
	7,437,046	6,494,425	10,000	10,000

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

23. LOSS BEFORE TAX

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
This is stated after charging:-				
Allowance of doubtful debts	14,079	168,622	-	-
Amortisation of intangible assets	1,489,125	1,373,564	-	-
Auditors' remuneration				
- current year	65,452	60,463	28,000	25,000
- underprovision in prior year	3,174	3,826	2,000	2,660
Bad debts written off	477	22,068	-	-
Depreciation of:				
- investment property	477	477	-	-
- property, plant and equipment	104,469	120,684	4,314	2,243
Directors' remuneration				
- fees	75,000	75,000	75,000	75,000
- other emoluments	190,705	188,780	1,600	-
Finance cost:				
- interest expenses	667	-	-	-
- interest on finance lease	4,493	2,049	-	-
- interest on loan	35,017	35,870	-	-
- interest on bank overdraft	15,137	965	-	-
Impairment loss for intangible asset	2,000	-	-	-
Loss on realised foreign exchangce				
- trade	3,226	1,920	-	-
- non-trade	1,463	-	-	-
Loss on financial asset measured at fair value	-	-	66,334	22,810
Property, plant and equipment written off	1	-	1	-
Rental of equipment	1,321	659	-	-
Rental of premises	221,252	187,033	1,472	700

23. **LOSS BEFORE TAX** (cont'd)

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
And crediting:-				
Allowance of doubtful debts reversed	11,704	10,437	-	-
Dividend income	1,833	2,787	-	-
Gain on acquisition of subsidiary	2,531	-	-	-
Gain on disposal of subsidiary	5,513	-	4,499	-
Gain on foreign exchange				
- realised	412	-	-	-
- unrealised	47,355	61,744	-	-
Interest income	4,324	25,097	186,409	103,453
Rental income	70,500	63,600	-	-

24. **INCOME TAX EXPENSE**

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Income tax expense				
- current	35,959	-	18,000	20,000
- deferred	-	17,204	-	-
	35,959	17,204	18,000	20,000
Over/(Under) provision in prior year				
- current	(37,829)	(6,247)	(43,772)	(12,000)
- deferred	(12,997)	12,588	(236)	16
	(50,826)	6,341	(44,008)	(11,984)
	(14,867)	23,545	(26,008)	8,016

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

24. INCOME TAX EXPENSE (cont'd)

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Accounting loss	(2,684,860)	(2,430,870)	(106,957)	(129,894)
Tax at applicable tax rate of 25% (2012: 25%)	(671,215)	(607,717)	(26,739)	(32,473)
Add / (Less):				
Effects of different in tax rates	(15,862)	-	-	-
Tax effect of expenses not deductible in determining taxale profit	809,246	481,289	45,864	32,515
Tax effect of income not taxable in determining taxable profit	(348,701)	-	(1,125)	-
Deferred tax income relating reversal of temporary difference not recognised during the year	236,497	143,632	-	19,974
	9,965	17,204	18,000	20,016
Add / (Less):				
(Under)/Over provision:				
- current tax	(37,829)	(6,247)	(43,772)	(12,000)
- deferred tax	12,997	12,588	(236)	-
	(14,867)	23,545	(26,008)	8,016

Subject to the agreement by the Inland Revenue Board, the unabsorbed capital allowances and unutilised tax losses available for utilisation against future taxable profits are approximated to be as follows:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unabsorbed capital allowances	1,026,881	-	-	-
Unutilised tax losses	19,109,048	-	-	-
	20,135,929	-	-	-

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

25. LOSS PER SHARE

The loss per share is calculated based on the consolidated net loss for the year of RM 2,454,415 (2012: net profit of RM 2,454,415) and on 172,819,422 (2012: 159,977,400) weighted average number of ordinary shares.

26. EMPLOYEES BENEFITS EXPENSE

	Group	
	2013 RM	2012 RM
Employee benefits expense	3,582,022	4,557,209

Included in employee benefit expenses is EPF contributions amounting to RM 230,345 (2012: RM 242,628) for the Group.

27. 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 and associate company

	Group	
	2013 RM	2012 RM
Transactions with associates:-		
Advances to associate	37,800	21,600

	Company	
	2013 RM	2012 RM
Transactions with subsidiary companies:-		
Management fee received from subsidiarie	10,000	10,000
Advances from subsidiary	412,250	341,931
Repayment from subsidiaries	126,893	30,000
Advances to subsidiaries	2,242,306	948,791

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

27. RELATED PARTY DISCLOSURES (cont'd)

(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	
	2013 RM	2012 RM
Short-term employee benefits	643,794	790,164
Post employment benefits		
- defined contribution plan	61,543	68,123
Total compensation	705,337	858,287

	Company	
	2013 RM	2012 RM
Short-term employee benefits	76,600	75,000

28. 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.

2013	**Malaysia** **RM**	**Asia Pacific** **RM**	**Group** **RM**
Revenue	4,800,092	2,799,668	7,599,760
Less: Inter-segment sales	(162,714)	-	(162,714)
External sales	4,637,378	2,799,668	7,437,046

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

28. **SEGMENT ANALYSIS** (cont'd)

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

2013	**Malaysia RM**	**Asia Pacific RM**	**Group RM**
Results			
Segment operating loss	(1,311,073)	(1,139,555)	(2,450,628)
Finance costs	(54,647)	(667)	(55,314)
Share of associate's loss	(178,918)	-	(178,918)
Loss before tax			(2,684,860)
Income tax expense	18,505	(3,638)	14,867
Loss after tax			(2,669,993)
Other information			
Segment assets	14,042,208	4,012,751	18,054,959
Segment liabilities	2,713,353	1,998,777	4,712,130
Capital expenditure	297,693	-	297,693
Depreciation and amortisation	1,453,183	140,888	1,594,071

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

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

28. **SEGMENT ANALYSIS** (cont'd)

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

2012	**Malaysia RM**	**Asia Pacific RM**	**Group RM**
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

(b) Secondary reporting format - business segment

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

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

29. OPERATING LEASE COMMITMENT

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

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

	Group	
	2013 RM	2012 RM
Future minimum lease payments		
- payable not later than 1 year	65,583	130,741
- payable later than 1 year and not later than 5 years	-	65,370
	65,583	196,111

30. 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 December 31, 2013, the Group is in a net borrowing position.

	Group	
	2013 RM	2012 RM
Term loan	740,449	756,936
Finance lease liabilities	34,359	58,498
Bank overdraft	627,963	443,609
	1,402,771	1,259,043
Less: Cash and cash equivalents	(1,056,036)	(648,791)
Net borrowing	346,735	610,252

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

31. 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
2013			
Trade and other receivables	-	3,969,856	3,969,856
Amount due by associate company	-	37,800	37,800
Cash and cash equivalents	-	1,056,036	1,056,036
	-	5,063,692	5,063,692
2012			
Trade and other receivables	-	4,047,383	4,047,383
Short term investment	100,932	-	100,932
Amount due by associate company	-	21,600	21,600
Time deposits	-	152,786	152,786
Cash and cash equivalents	-	496,005	496,005
	100,932	4,717,774	4,818,706

Company	Loan and receivables	
	2013 RM	2012 RM
Trade and other receivables	171,186	765,942
Amount due by subsidiary companies	4,309,731	2,338,602
Time deposits	-	152,786
Cash and cash equivalents	23,368	17,594
	4,504,285	3,274,924

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

31. **FINANCIAL INSTRUMENTS** (cont'd)

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

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

Group	**Financial liabilities at amortised cost**	
	2013	**2012**
	RM	**RM**
Trade and other payables	3,290,239	2,267,267
Amount due to director	19,120	-
Loans and borrowings	740,449	756,936
Finance lease liabilities	34,359	58,498
Bank overdraft	627,963	443,609
	4,712,130	3,526,310

Company	**Financial liabilities at amortised cost**	
	2013	**2012**
	RM	**RM**
Trade and other payables	64,176	59,141

All other financial instruments are carried at amounts not materially different from their fair values as at December 31, 2013 and 2012.

(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 the Financial Statements

for the year ended December 31, 2013 (cont'd)

31. **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:

	Group 2013 RM	Group 2012 RM
Past due		
Up to 90 days	614,572	978,302
>90 to 180 days	221,406	540,533
>180 to 360 days	230,588	281,401
>360 days	815,697	308,915
Total past due amount	1,882,263	2,109,151

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 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Fixed rate instruments				
Financial assets	-	152,786	-	152,786
Financial liabilities	(34,359)	(58,498)	-	-
	(34,359)	94,288	-	152,786
Floating rate instruments				
Financial assets	-	-	4,163,083	2,338,602
Financial liabilities	(1,368,412)	(1,200,545)	-	-
	(1,368,412)	(1,200,545)	4,163,083	2,338,602

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

31. **FINANCIAL INSTRUMENTS** (cont'd)

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

(ii) Interest rate risk (cont'd)

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.

(iii) Foreign currency risk

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

The Group's and the Company's exposure to foreign currency is as follows:-

Group	**Ringgit Malaysia**	**Hong Kong Dollar**	**Chinese Renminbi**	**Singapore Dollar**	**Total**
2013	**RM**	**RM**	**RM**	**RM**	**RM**
Trade and other receivable	1,726,743	1,498,862	566,469	177,782	3,969,856
Trade and other payable	(1,310,582)	(1,460,522)	(488,519)	(30,616)	(3,290,239)
Currency exposure	416,161	38,340	77,950	147,166	679,617
2012					
Trade and other receivable	1,379,180	641,628	1,904,072	122,503	4,047,383
Trade and other payable	(644,134)	(1,161,196)	(448,682)	(13,255)	(2,267,267)
Currency exposure	735,046	(519,568)	1,455,390	109,248	1,780,116

Company	**Ringgit Malaysia**	**Hong Kong Dollar**	**Singapore Dollar**	**Total**
2013	**RM**	**RM**	**RM**	**RM**
Amount due by subsidiary companies	3,464,276	704,407	141,048	4,309,731
2012				
Amount due by subsidiary companies	2,001,868	336,734	-	2,338,602

31. **FINANCIAL INSTRUMENTS** (cont'd)

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

(iii) Foreign currency risk (cont'd)

Currency risk sensitivity analysis

Foreign currency risk arises from the Group and the Company entities which have a RM functional currency.

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

	Group		**Company**	
Effect on loss after taxation/ equity	**2013 Increase/ (Decrease) RM**	**2012 Increase/ (Decrease) RM**	**2013 Increase/ (Decrease) RM**	**2012 Increase/ (Decrease) RM**
Hong Kong Dollar				
- strengthened by 5%	1,438	(19,484)	26,415	12,628
- weakened by 5%	(1,438)	19,484	(26,415)	(12,628)
Chinese Renminbi				
- strengthened by 5%	2,923	54,577	-	-
- weakened by 5%	(2,923)	(54,577)	-	-
Singapore Dollar				
- strengthened by 5%	6,667	4,097	5,289	-
- weakened by 5%	(6,667)	(4,097)	(5,289)	-

A 5% weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(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.

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

31. **FINANCIAL INSTRUMENTS** (cont'd)

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

(iv) Liquidity risk (cont'd)

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

Non-derivate financial liabilities (2013)

Group	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Trade and other payables	3,290,239	-	3,290,239	3,290,239	-	-
Loans and borrowings	740,449	4.70%	1,150,256	51,504	51,504	1,047,248
Finance lease liabilities	34,359	3.37%	35,780	28,632	7,148	-
Bank overdraft	627,963	5.40%	627,963	627,963	-	-
	4,693,010		5,104,238	3,998,338	58,652	1,047,248
Company						
Trade and other payables	64,176	-	64,176	64,176	-	-

Non-derivate financial liabilitis (2012)

Group	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Trade and other payables	2,267,267	-	2,267,267	2,267,267	-	-
Loans and borrowings	756,936	4.70%	1,201,760	51,504	51,504	1,098,752
Finance lease liabilities	58,498	3.37%	64,412	28,632	28,632	7,148
Bank overdraft	443,609	5.40%	443,609	443,609	-	-
	3,526,310		3,977,048	2,791,012	80,136	1,105,900
Company						
Trade and other payables	59,141	-	59,141	59,141	-	-

Notes to the Financial Statements

for the year ended December 31, 2013 (cont'd)

31. FINANCIAL INSTRUMENTS (cont'd)

(c) Fair value of financial instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values except for following:

Group	2013 Carrying amount RM	2013 Fair value RM	2012 Carrying amount RM	2012 Fair value RM
Loans and borrowings	740,449	740,449	756,936	756,936
Finance lease liabilities	34,359	33,353	58,498	55,669
	774,808	773,802	815,434	812,605

The following summarises the methods used to determine the fair values of the financial instruments:

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

(ii) The fair value of finance lease payables is determined by the discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

(iii) The carrying amounts of the loans and borrowings approximated their fair values as these instruments bear interest at variable rates.

(d) Fair value hierarchy

At the end of the reporting period, there were no financial instruments carried at fair values.

32. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on April 28, 2014 by the Board of directors.

Notes to the Financial Statements
for the year ended December 31, 2013 (cont'd)

33. RESERVES

The disclosure as required by Bursa Malaysia Securities Berhad on the realised and unrealised unappropriated profits or accumulated losses as at December 31, 2013 is as follows:

	2013 RM	2012 RM
Total accumulated losses of the Company:		
- Realised	(5,663,907)	(3,161,374)
- Unrealised	47,355	(61,744)
	(5,616,552)	(3,223,118)
Total share of accumulated losses from associated company:		
- Realised	(974,831)	(795,913)
- Unrealised	-	-
Total group accumulated losses as per consolidated accounts	(6,591,383)	(4,019,031)

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 35 to 93, are drawn up in accordance with applicable Malaysian Financial Reporting Standard, International Financial Reporting Standard and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2013 and of their financial performance and cash flows for the year ended.

In the opinion of the Directors, the information set out in Note 33 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 ON BEHALF OF THE BOARD
IN ACCORDANCE WITH
A RESOLUTION OF THE DIRECTORS

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

Kuala Lumpur,
Date: 28 April 2014

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 35 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 28 April 2014)

TAN HOAY LENG
Director

Before me,

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	14	983,649
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	6	286,661

Analysis of Shareholdings
as at 12 May 2014

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	-	-
479	100 - 1,000	66,600	0.04
162	1,001 - 10,000	968,200	0.55
199	10,001 to 100,000 shares	8,977,400	5.10
105	100,001 to less than 5% of issued shares	99,189,608	56.37
2	5% and above of issued shares	66,773,332	37.94
947	**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	CHENG MEI WAN	4,060,000	2.31
10	CHEONG YEN YOON	3,562,800	2.02
11	THONG NYOK SEEN	3,360,000	1.91
12	LOH GIM CHUAN	3,260,000	1.85
13	YEAP KONG YEOW	2,433,000	1.38
14	TAN LAN WAH	2,362,000	1.34
15	AMY LOH SHOOK FUN	2,023,280	1.15
16	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KOH YAP HENG*	1,994,000	1.13
17	YEAP TEIK EE	1,700,000	0.97
18	KEVIN WONG WYE KEONG	1,671,180	0.95
19	YEO HONG THIAM JASON	1,623,280	0.92
20	NG CHENG GUAN	1,604,100	0.91

Analysis of Shareholdings

as at 12 May 2014 (cont'd)

30 Largest Securities Account Holders (cont'd)

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	YEAP KAH PHAIK	1,000,000	0.57
24	YEAP KING JIN	888,000	0.50
25	YEAP KONG YEOW	868,400	0.49
26	ONG BOEY HWA	850,000	0.48
27	LIM POH FONG	832,200	0.47
28	POR CHYE SENG	730,100	0.41
29	YAP EAN SIN	704,000	0.40
30	TEOH CHENG SIANG	700,000	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.

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 Tenth (10^{th}) Annual General Meeting of the Company to be held at Four Points By Sheraton Penang, 505 Jalan Tanjung Bungah, Tanjung Bungah, 11200 Penang on Monday, 30 June 2014 at 11.00 a.m. at any adjournment thereof.

NO.	RESOLUTIONS	For	Against
1.	To approve the payment of Directors' fees for the financial year ended 31 December 2013		
2.	To re-elect Madam Tan Hoay Leng as Director of the Company		
3.	To re-elect Encik Ahmad Fuad Bin Mohd Ali 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		
5.	Ordinary Resolution - Authority to the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965		

** Strike out whichever not applicable*

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

Note: Please note that the short description given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. Shareholders are encouraged to refer to the Notice of 10th Annual General Meeting for the full purpose and intent of the Resolutions to be passed.

As witness *my/our hand(s) this ______ day of ___________, 2014.

____
Signature of Member / Common Seal of the Corporate Shareholders

Notes:-

1. *In respect of deposited securities, only members whose name appears on the Record of Depositors as at 23 June 2014 shall be entitled to attend, speak and vote at the meeting.*
2. *A member entitled to attend and vote at the meeting is entitled to appoint two (2) or more proxies to attend and vote in his or her stead. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as members to speak at the general meeting.*
3. *A proxy may but need not be a member of the Company and the provisions 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.*
4. *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.*
5. *Where a member of the Company is an Exempt Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") 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.*
6. *The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at No. 35, Scotland Road, 10450 Penang not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.*
7. *The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy.*
8. *Any alteration in this form must be initialed.*

Affix Stamp

To:

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Malaysia

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