Ygl Convergence Berhad

KLSE stock code 0086
649013-W

ANNUAL REPORT 2006

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Form of Proxy

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Third (3rd) Annual General Meeting of YGL Convergence Berhad ("Ygl" or "the Company") will be held at G Hotel, 168-A Persiaran Gurney, 10250 Penang on Friday, 22 June 2007 at 10.00 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 2006 together with the Auditors' Report thereon. **Resolution 1**

2. To approve the payment of Directors' fees of RM40,000 for the financial year ended 31 December 2006. **Resolution 2**

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

4. To re-appoint Messrs. Moores Rowland 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 resolutions with or without modification:-

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

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

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

   "**THAT** the alterations, modifications, additions and/or deletions to the Articles of Association of the Company as set out under Appendix I of the Circular to Shareholders dated 31 May 2007 be and are hereby approved." **Resolution 6**

By Order of the Board

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

Penang
31 May 2007

Notice of Annual General Meeting (cont'd)

Explanatory Note to Special Business:-

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

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

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

The Resolution 6 above is mainly to update the Articles of Association of the Company, where relevant, to streamline with the recent revamped Listing Requirements of Bursa Malaysia Securities Berhad for the Malaysian Exchange of Securities Dealing & Automated Quotation ("MESDAQ") Market.

Notes:-

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

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

3. The instrument appointing a proxy shall (where Members are to be given an opportunity to instruct the proxy how to vote) be in any form approved by the Directors which enables the Members to determine how their votes are to be cast on each of the resolutions comprised in the business of the meeting for which it is to be used.

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

Statement Accompanying Notice of Annual General Meeting

DIRECTOR STANDING FOR RE-ELECTION

The Director standing for re-election at the 3rd Annual General Meeting of the Company to be held at G Hotel, 168-A Persiaran Gurney, 10250 Penang on Friday, 22 June 2007 at 10.00 a.m. is as follow:-

Name of Director	Details of individual Director standing for re-election
Mr. Yeap Kong Chean	Refer to pages 6, 7 & 66 of the Annual Report

Corporate Information

BOARD OF DIRECTORS
Yeap Kong Chean
Chief Executive Officer
Yeap Kong Tai
Chief Operating Officer
Dato' Muhammad Farid bin Haji Ahmad Ridhwan
Independent Non-Executive Director
Chong Kai Min
Independent Non-Executive Director

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

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

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

SPONSOR
Kenanga Investment Bank Berhad
(Formerly known as K&N Kenanga Bhd)
801, 8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2164 6689
Fax: 03- 2164 6690

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

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

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

STOCK EXCHANGE LISTING
The MESDAQ 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 45, 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 acting as director of the subsidiary companies namely Ygl Convergence Malaysia Sdn Bhd (formerly known as Ygl Consulting Sdn Bhd) ("Ygl (M)") and Ygl Multimedia Resources Sdn Bhd.

He graduated with a Bachelor's degree in Commerce from University of Melbourne in 1984, with a double major in Accounting and Computer Science. He is an Associate member of the Institute of Chartered Accountant in Australia & 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 (M) in 1993, assisting Ygl (M) in business re-engineering and ERP deployment work.

YEAP KONG TAI
Chief Operating Officer
Aged 44, Malaysian

Yeap Kong Tai was appointed to the Board on 1 June 2005. He is presently the Chief Operating Officer of the Company. He is also a member of the Audit Committee of the Company. He is also acting as director of the subsidiary companies namely Ygl Convergence Malaysia Sdn Bhd (formerly known as Ygl Consulting Sdn Bhd) ("Ygl (M)") and Ygl Multimedia Resources Sdn Bhd.

He graduated with a Bachelor of Commerce degree from University of Melbourne in 1985, with a double major in Accounting and Computer Science. He is an Associate member of the Institute of Chartered Accountant in Australia & the Malaysia Institute of Accountants.

He commenced his career in 1986 with Price Waterhouse Malaysia and was subsequently seconded to Price Waterhouse Australia. Throughout the seven (7) years in Price Waterhouse, he had consulted a number of companies, both local and foreign of various sizes and industries. He joined Ygl (M) in 1993 as a Director, initially overseeing the Consulting business, and thereafter directing the Group's own software development and deployment.

DATO' MUHAMMAD FARID BIN HAJI AHMAD RIDHWAN
Independent Non-Executive Director
Aged 51, Malaysian

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

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

Profile of Directors (cont'd)

CHONG KAI MIN
Independent Non-Executive Director
Aged 42, Malaysian

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

He holds a Bachelor of Science (Information Technology and Computer Science) from the National University of Singapore. In 1990, he joined Microsoft Singapore Pte Ltd as one of its pioneer employees and was with Microsoft for more than eight (8) years culminating as the Regional Marketing Manager for the Windows Platform. After that, he served as the Vice-President of Investment at OptixLab, a Malaysian venture capital company before becoming the Principal Consultant at Korean TechnoAllianz Sdn Bhd, a company that provides consulting services mainly to Korean companies expanding to South East Asia.

Notes:

i. Family Relationships and Substantial Shareholders

Directors	Relationship	Substantial Shareholder
Yeap Kong Chean	Brother of Yeap Kong Tai, a substantial shareholder of the Company	Yes
Yeap Kong Tai	Brother of Yeap Kong Chean, a substantial shareholder of the Company	Yes

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

ii. Directors' Shareholdings

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

iii. No Conflict of Interest

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

iv. Non-conviction of Offences

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

v. Attendance at Board Meetings

Directors	No. of Board Meetings attended by Directors	No. of Board Meetings held in financial year ended 31 December 2006	% of attendance
Yeap Kong Chean	4	5	80
Yeap Kong Tai	5	5	100
Dato' Muhammad Farid bin Haji Ahmad Ridhwan	5	5	100
Chong Kai Min	4	5	80

Yeap Kong Chean, CEO of Ygl was awarded 'Distinguish CEO Award of 2006' in Hong Kong during the CEO Nite 2006 organised by Capital CEO Magazine. In an interview with Capital CEO, Yeap said that the corporation is thankful to have the right personnel who shares Ygl's vision to 'Meet in One Value'.

The Board of Directors and the management team of Ygl is pleased to present the Annual Report and Financial Statements of the Group ("Ygl Group") and Company for the financial year ended 31 December 2006.

2006 has been a year of growth for the world of Ygl as Ygl successfully increased its presence across Asia, through the strategic acquisitions into Hong Kong and China. This has paved the way for Ygl to be one of the largest Business Application Solution provider in Asia.

Financial overview

Ygl Group recorded revenue of RM10.903 million for the year ended 2006, and this represents an increase of 143% as compared with the proforma revenue of RM4.476 million for the year ended 2005. Net profit after tax has increased by 31% from RM2.322 million for the year ended 2005 to RM3.053 million for the year ended 2006. Accordingly, Ygl's earnings per share have increased from 3.60 sen per share for the year ended 2005 to 4.53 sen per share for the year ended 2006.

Corporate development

In June 2006, Ygl completed the acquisition of 44,677,220 ordinary shares, representing 100% equity interest in SCS Information Technology (HK) Limited (now known as Ygl Convergence (HK) Limited), a service provider and outsourcer for enterprise solutions, for RM484,242. This Hong Kong based company has extensive knowledge base in library information systems and outsourcing solutions with a wide range of clientele in the government and commercial sector.

In line with the identification and integration into the world of Ygl, the subsidiary company in Singapore, namely Elitus Asia Pacific Pte Ltd had changed its name to Ygl Convergence (Asia Pacific) Pte Ltd. Similarly, SCS Information Technology (HK) Limited had also changed its name to Ygl Convergence (HK) Limited.

In October 2006, Bank Negara Malaysia approved the acquisition by Ygl of China based King's System (Shanghai) Co. Ltd for HKD2.76 million through the acquisition of 60% equity interest in Computer Processing Services Limited, an investment holding company incorporated in Hong Kong. King's System (Shanghai) Co. Ltd. is an established enterprise solutions provider, serving a wide range of manufacturers in China. The acquisition was completed in April 2007. Similarly, Computer Processing Services Limited had changed its name to Ygl Convergence (China) Limited to identify and integrate into the world of Ygl.

Ygl is now represented regionally in five countries, namely Malaysia, Thailand, Singapore, Hong Kong and China, with a clientele of more than 600 Tier 1 and Tier 2 customers, covering both government and private sectors.

Management Discussion (cont'd)

Research and Development ("R&D")

For the year 2006, Ygl had invested RM0.865 million in the new module development and feature enhancement of Ygl existing proprietary TAXCOM product line; and the new development of vertical solutions for specific industries.

Prospect

In view of the growth potential in the information and communication technology (ICT) industry, particularly in the Asia region; Ygl is well positioned in terms of niche product offerings and wide market penetration coupled with its ability to leverage on its well established relationships with the world class players.

We expect 2007 to be another year of growth; both in terms of contribution from Ygl's existing offerings, and also from new penetrations and partnerships. Ygl has and will continue to establish itself as the preferred partner of choice in terms of effective business solutions.


Ygl Hong Kong office


Signing ceremony of the acquisition of King's System (Shanghai) Co. Ltd.

Appreciation

We wish to take this opportunity to extend our appreciation to:

- our valued customers for believing and sharing our methodology;
- our business partners for working with us in providing the most effective business solutions;
- the management team and employees for their dedication and contribution; and
- our shareholders for their confidence in us.

For and on behalf of the Board

Yeap Kong Chean
Chief Executive Officer

7 May 2007

Audit Committee Report

MEMBERSHIP

The Audit Committee comprises the following members:

Chairman
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan (Independent Non-Executive Director)

Members
Chong Kai Min (Independent Non-Executive Director)
Yeap Kong Tai (Chief Operating Officer, Executive Director)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. COMPOSITION

1.1 The Committee members shall be appointed by the Board of Directors with at least three members, of which the majority shall comprise Independent Directors. The Chief Executive Officer or alternate Director shall not be a member of the Committee.

The definition of "Independent Directors" shall have the meaning given in Rule 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for MESDAQ Market.

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

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

2. AUTHORITY

2.1 The Committee is empowered by the Board to investigate any activity within its terms of reference. The Committee shall:-

(i) have explicit authority to investigate any matters within its term of reference;
(ii) have the resources which it needs to perform its duties;
(iii) have full access to any information which it requires in the course of performing its duties;
(iv) have direct communication channels with the external auditors and internal auditors (if any);
(v) be able to obtain independent professional or other advice in the performance of its duties at the costs of the Company;
(vi) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever necessary; and
(vii) be able to invite outsiders with relevant experience to attend its meetings if necessary.

Audit Committee Report (cont'd)

3. DUTIES AND RESPONSIBILITIES

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

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

- i) the nomination of external auditors;
- ii) the adequacy of the existing external audit arrangement, with particular emphasis on the scope and quality of the audit;
- iii) the effectiveness of the internal audit function (if any);
- iv) the effectiveness of the internal control and management information systems;
- v) the financial statements of the Company with both the external auditors and management;
- vi) the external auditors' plan and audit report;
- vii) the internal audit programme, process, the results of the internal audit functions and that it has the necessary authority to carry out its work;
- viii) the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on:-
  - changes in or implementation of major accounting policy changes;
  - significant and unusual events; and
  - compliance with accounting standards and other legal requirements;
- ix) any management letter sent by the external auditors to the Company and the management's response to such letter;
- x) any letter of resignation from the Company's external auditors;
- xi) the assistance given by the Company's employees to the external auditors;
- xii) 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;
- xiii) the allocation of employees' share option scheme ("ESOS") to ensure its compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any and to make such statement to be included on the annual report of the Company in relation to a share scheme for the employees; and
- xiv) any other functions as may be delegated by the Board of Directors.

4. MEETINGS & QUORUM

4.1 During year 2006, a minimum of two members shall form the quorum for a meeting of the Committee. However, in conjunction with revamped Listing Requirements for MESDAQ Market introduced by Bursa Securities which took effect from 1 January 2007, in order to form a quorum in respect of a meeting of the Committee, the majority of members present must be independent directors.

4.2 The Company Secretaries shall be the secretaries of the Committee.

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

5. REPORTING PROCEDURES

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

NUMBER OF MEETING AND DETAILS OF ATTENDANCE

The Committee had held five (5) meetings during the financial year 2006 which were attended by the following Committee members:-

Directors	Meeting Attended	Total No. of Meetings held	%
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan	5	5	100
Chong Kai Min	4	5	80
Yeap Kong Tai	5	5	100

SUMMARY OF ACTIVITIES

During the financial year 2006, the Committee carried out the following activities in the discharge of its functions and duties:-

1. Reviewed the quarterly and annual reports of the Group and the Company prior to submission to the Board of Directors for consideration and approval;
2. Reviewed the related party transactions of the Company;
3. Reviewed the audit reports prepared by the external auditors for the Group and the Company;
4. Reviewed the improvements recommended by the Capability Maturity Model Integration (CMMI) quality assurance processes which aims to improve the standard of software implementation; and
5. Made recommendation to the Board on the re-appointment of the external auditors.

INTERNAL AUDIT

The functions of Internal Audit includes review and appraisal of the effectiveness, adequacy and application of accounting, financial and internal controls of the Group.

The Internal Audit also identifies the opportunities to improve the standard and facilitate the operation of software projects.

Statement on Corporate Governance

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

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 consists of four (4) Directors, comprising two (2) Executive Directors and two (2) 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 7 of this Annual Report.

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

The executive directors are responsible for the implementation of the Board's policies and decision and keep the Board informed of the overall operations of the Group. Both the Non-Executive Directors are of sufficient caliber and experience to bring objectivity, balance and independent judgments to Board decision.

Board Meetings

The Board meetings are held at quarterly intervals and additional meetings are held should the need arise. During financial year 2006, five (5) Board meetings were held. The following is the record of attendance by the Board members:-

Directors	Meeting Attended	Total No. of Meetings held	%
Yeap Kong Chean	4	5	80
Yeap Kong Tai	5	5	100
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan	5	5	100
Chong Kai Min	4	5	80

Supply of and Access to Information

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

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

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

Appointment of the Board and Re-election

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

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

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

Directors' Training

All the Directors have attended the Mandatory Accreditation Programme as required by Bursa Securities for all Directors of listed companies. In addition, they also attended an in-house seminar on topics relating to an overview of the new/revised Financial Reporting Standards during the financial year ended 31 December 2006.

The Directors will continue to attend other training programmes, talks, seminars, workshops and conferences to update themselves on new developments in the business environment.

DIRECTORS' REMUNERATION

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

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

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

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

Statement on Corporate Governance (cont'd)

The details of the Directors' remuneration for the financial year ended 31 December 2006 are:-

Company Directors	Company			Group		
	Salaries RM	Bonus RM	Fee RM	Salaries RM	Bonus RM	Fee RM
Executive	-	-	-	135,640	-	-
Non-Executive	-	-	40,000	-	-	-
Total	-	-	40,000	135,640	-	-

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

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

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 relating to the Group's performance and other developments. The communication with its shareholders and investors are made through AGM, Annual Report, Quarterly Financial Statements, Research Reports 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.

Company's AGM

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

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

The report of the Audit Committee is separately set out on pages 10 to 12 of this Annual Report.

Internal Control

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

The Board, through the Audit Committee, will continuously 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 of Internal Control is set out on page 17 of this Annual Report.

Relationship with the External Auditors

The Board maintains a formal and good working relationship with the external auditors, Moores Rowland.

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

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

Compliance with the Best Practices of the Code

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

This statement is made in accordance with a resolution of the Board of Directors dated 7 May 2007.

Statement on Internal Control

1. Board Responsibilities

The Board has overall responsibilities to safeguard shareholders' investment and the Group's assets, and for reviewing the adequacy and integrity of the system.

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

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

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

2. 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 needs to be taken and the appropriate authority levels for major capital expenditure projects, acquisitions and disposals of businesses and other significant transactions that require Board approval as follows:-

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

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

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

The Board has engaged an Internal Auditor to review the work processes of the Group to ensure its effectiveness and efficiencies. The Audit Committee meetings were held quarterly to discuss significant issues found and make necessary recommendations to the Board.

The existing system or internal control is viewed by the Board as sound and adequate at the current level of operations. There were no significant problems or material weaknesses in the internal control procedures that had arose during the financial year.

This statement is made in accordance with a resolution of the Board of Directors dated 7 May 2007.

Directors' Responsibilities Statement on Financial Statements

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

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

In preparing the financial statements for the financial year ended 31 December 2006, the Directors have:-

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

– made judgements and estimates that are reasonable and prudent;

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

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

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

This statement is made in accordance with a resolution of the Board of Directors dated 7 May 2007.

Additional Compliance Information

UTILISATION OF PROCEEDS

As at 31 December 2006, Ygl Group has utilised approximately 83% of the proceeds raised from its initial public offering in July 2005. The remaining amount will be utilised in due course, in accordance with the disclosure set out in the Company's prospectus. The details of the utilisation of the gross listing proceeds as at 31 December 2006 are as follows:-

Description	Proposed Utilisation RM	Actual Utilisation RM	Balance RM	Time Frame for Utilisation
Future business expansion and capital expenditure	4,130,000	3,312,595	817,405	End 2007
R&D expenditure	1,320,000	864,563	455,437	End 2007
Working Capital	610,000	610,000	-	End 2006
Estimated Listing Expenses	1,500,000	1,500,000	-	Mid 2005
Total	**7,560,000**	**6,287,158**	**1,272,842**	

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.

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

During the financial year, the Company did not sponsor any ADR or GDR 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 2006.

VARIATION OF ACTUAL PROFIT FROM THE UNAUDITED RESULTS

There were no material variations between the audited results for the financial year ended 31 December 2006 and the unaudited results for the quarter ended 31 December 2006 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 SUBSTANTIAL SHAREHOLDERS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders.

REVALUATION POLICY

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

The directors have pleasure in submitting their report and the audited financial statements of the Company and of the Group for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are indicated in Note 5 to the financial statements.

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

RESULTS

	Group RM	Company RM
Net profit for the year	3,053,587	1,040,939
Attributable to:		
Shareholders of the Company	3,023,591	1,040,939
Minority interests	29,996	-
	3,053,587	1,040,939

DIVIDEND

Dividend paid or declared by the Company since the end of the previous financial year was as follows:

In respect of the financial year ended 31 December 2006	
- Interim dividend of 16% tax exempt paid on 28 June 2006	RM1,068,800

The directors do not recommend the payment of any further dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

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

Directors' Report
for the year ended 31 December 2006 (cont'd)

DIRECTORS

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

Yeap Kong Chean
Yeap Kong Tai
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan
Chong Kai Min

In accordance with of the Company's Articles of Association, Mr Yeap Kong Chean retires from the board at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS IN SHARES

According to the register of directors' shareholdings required to be kept under section 134 of the Companies Act, 1965, the directors' interests in shares in the Company and its related corporations during the financial year were as follows:

	---- Number of ordinary shares of RM0.10 each ----			
	At 1-1-2006	**Bought**	**Sold**	**At 31-12-2006**
Yeap Kong Chean	23,333,334	-	(3,000,000)	20,333,334
Yeap Kong Tai	23,333,332	-	(3,600,000)	19,733,332
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan	40,000	-	(40,000)	-
Chong Kai Min	10,000	-	(5,000)	5,000

By virtue of their interests in shares in the Company, Yeap Kong Chean and Yeap Kong Tai are deemed to be interested in shares of the subsidiaries to the extent the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

OTHER STATUTORY INFORMATION

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

(i) to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts but that adequate allowance had been made for doubtful debts; and

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

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

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

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

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

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

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

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

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

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

(f) In the opinion of the directors:

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

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made except for events as disclosed in Note 26 to the financial statements.

Directors' Report
for the year ended 31 December 2006 (cont'd)

AUDITORS

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

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

YEAP KONG CHEAN
Director

YEAP KONG TAI
Director

25 April 2007

Report of the Auditors to the Members
Financial Statements - 31 December 2006

We have audited the financial statements of the Company set out on pages 25 to 62. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards issued by the Malaysian Institute of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as an evaluation of the overall presentation of the financial statements. We believe our audit has provided us with a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities so as to give a true and fair view of:

  (i) the state of affairs of the Company and of the Group at 31 December 2006 and of their results and cash flows for the year ended on that date; and

  (ii) the matters required by section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company and of the Group; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification, and in respect of subsidiaries incorporated in Malaysia, did not include any comment made under section 174 (3) of the Act.

MOORES ROWLAND
No. AF: 0539
Chartered Accountants

GAN MORN GHUAT
No. 1499/5/07 (J)
Partner

25 April 2007

Balance Sheets
- 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	1,324,215	1,208,840	11,463	-
Intangible assets	4	2,179,133	639,874	-	-
Investments in subsidiaries	5	-	-	4,298,646	2,500,000
Investment in associate	6	-	-	-	-
Deferred tax assets	7	33,373	46,222	-	-
		3,536,721	1,894,936	4,310,109	2,500,000
CURRENT ASSETS					
Inventories		196,695	196,695	-	-
Trade and other receivables	8	4,937,476	1,068,782	820,042	-
Amount owing by subsidiaries	5	-	-	357,624	98,000
Amount owing by associate	6	158,884	146,457	-	-
Current tax assets		275,012	201,484	-	-
Time deposits	9	5,416,902	5,860,821	2,955,754	5,860,821
Cash and bank balances	10	1,173,011	1,464,986	69,706	135,003
		12,157,980	8,939,225	4,203,126	6,093,824
TOTAL ASSETS		15,694,701	10,834,161	8,513,235	8,593,824
EQUITY					
Share capital	11	6,680,000	6,680,000	6,680,000	6,680,000
Share premium, non-distributable		1,727,153	1,739,455	1,727,153	1,739,455
Exchange translation reserve, non-distributable		24,805	-	-	-
Unappropriated profit		4,018,386	334,769	47,363	75,224
Equity attributable to shareholders of the Company		12,450,344	8,754,224	8,454,516	8,494,679
Minority interests		82,718	-	-	-
TOTAL EQUITY		12,533,062	8,754,224	8,454,516	8,494,679

Balance Sheets
- 31 December 2006 (cont'd)

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
NON-CURRENT LIABILITIES					
Negative goodwill	12	-	1,728,826	-	-
Hire purchase liability	13	63,651	84,889	-	-
Deferred tax liabilities	14	1,661	-	1,205	-
		65,312	1,813,715	1,205	-
CURRENT LIABILITIES					
Trade and other payables	15	3,016,831	227,356	15,514	39,134
Amount owing to subsidiary	5	-	-	-	41,361
Hire purchase liability	13	21,238	20,216	-	-
Current tax liabilities		58,258	18,650	42,000	18,650
		3,096,327	266,222	57,514	99,145
TOTAL LIABILITIES		3,161,639	2,079,937	58,719	99,145
TOTAL EQUTIY AND LIABILITIES		15,694,701	10,834,161	8,513,235	8,593,824

Income Statements
for the year ended 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Gross revenue	16	10,903,782	2,475,194	1,078,800	1,100,000
Cost of sales		(5,890,644)	(737,904)	-	-
Gross profit		5,013,138	1,737,290	1,078,800	1,100,000
Other operating income		375,727	90,705	155,466	67,474
Selling and distribution expenses		(163,258)	(64,714)	-	-
Administrative and general expenses		(982,521)	(183,792)	(150,120)	(66,180)
Other operating expenses		(1,078,272)	(158,551)	-	-
Profit from operations		3,164,814	1,420,938	1,084,146	1,101,294
Finance costs		(5,241)	(1,265)	-	-
Share of results in associate		-	(10)	-	-
Profit before tax	17	3,159,573	1,419,663	1,084,146	1,101,294
Tax expense	18	(105,986)	(77,474)	(43,207)	(18,650)
Net profit for the year		3,053,587	1,342,189	1,040,939	1,082,644
Attributable to:					
Shareholders of the Company		3,023,591	1,342,189	1,040,939	1,082,644
Minority interests		29,996	-	-	-
Net profit for the year		3,053,587	1,342,189	1,040,939	1,082,644
Earnings per ordinary share attributable to equity holders of the Company (sen)	19	4.53	3.60		
Net dividend per ordinary share (sen)	20	1.6	1.5	1.6	1.5

Notes to and forming part of the financial statements are set out on pages 32 to 62
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Consolidated Statement of Changes in Equity
for the year ended 31 December 2006

	Attributable to equity holders of the Company						
	Share capital RM	Share premium RM	Exchange translation reserve RM	Unappropriated profit RM	Total RM	Minority interests	Total equity RM
At 1 January 2005	2	-	-	(5,420)	(5,418)	-	(5,418)
Issue of share capital							
- acquisition of subsidiaries	2,499,998	-	-	-	2,499,998	-	2,499,998
- public issue	840,000	6,720,000	-	-	7,560,000	-	7,560,000
- bonus issue of 1 : 1	3,340,000	(3,340,000)	-	-	-	-	-
Net loss recognised directly in equity - share issue and listing expenses	-	(1,640,545)	-	-	(1,640,545)	-	(1,640,545)
Net profit for the year	-	-	-	1,342,189	1,342,189	-	1,342,189
Total recognised income and expenses for the year	-	(1,640,545)	-	1,342,189	(298,356)	-	(298,356)
Dividend paid (Note 20)	-	-	-	(1,002,000)	(1,002,000)	-	(1,002,000)
At 31 December 2005	6,680,000	1,739,455	-	334,769	8,754,224	-	8,754,224
Effect of adopting FRS 3	-	-	-	1,728,826	1,728,826	-	1,728,826
At 1 January, restated	6,680,000	1,739,455	-	2,063,595	10,483,050	-	10,483,050
Share issue and listing expenses	-	(12,302)	-	-	(12,302)	-	(12,302)
Exchange translation differences	-	-	24,805	-	24,805	-	24,805
Acquisition of subsidiaries	-	-	-	-	-	52,722	52,722
Net gains/(losses) recognised directly in equity	-	(12,302)	24,805	-	12,503	52,722	65,225
Net profit for the year	-	-	-	3,023,591	3,023,591	29,996	3,053,587
Total recognised income and expenses for the year	-	(12,302)	24,805	3,023,591	3,036,094	82,718	3,118,812
Dividend paid (Note 20)	-	-	-	(1,068,800)	(1,068,800)	-	(1,068,800)
At 31 December 2006	6,680,000	1,727,153	24,805	4,018,386	12,450,344	82,718	12,533,062

Notes to and forming part of the financial statements are set out on pages 32 to 62

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Statement of Changes in Equity
for the year ended 31 December 2006

	Share capital RM	Share premium RM	(Accumulated loss)/ Unappropriated profit RM	Total RM
At 1 January 2005	2	-	(5,420)	(5,418)
Issue of share capital				
- acquisition of subsidiaries	2,499,998	-	-	2,499,998
- public issue	840,000	6,720,000	-	7,560,000
- bonus issue of 1 : 1	3,340,000	(3,340,000)	-	-
Net loss recognised directly in equity				
- share issue and listing expenses	-	(1,640,545)	-	(1,640,545)
Net profit for the year	-	-	1,082,644	1,082,644
Total recognised income and expenses for the year	-	(1,640,545)	1,082,644	(557,901)
Dividend paid (Note 20)	-	-	(1,002,000)	(1,002,000)
At 31 December 2005	6,680,000	1,739,455	75,224	8,494,679
Net loss recognised directly in equity				
- share issue and listing expenses	-	(12,302)	-	(12,302)
Net profit for the year	-	-	1,040,939	1,040,939
Total recognised income and expenses for the year	-	(12,302)	1,040,939	1,028,637
Dividend paid (Note 20)	-	-	(1,068,800)	(1,068,800)
At 31 December 2006	6,680,000	1,727,153	47,363	8,454,516

Notes to and forming part of the financial statements are set out on pages 32 to 62
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Cash Flow Statements
for the year ended 31 December 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	3,159,573	1,419,663	1,084,146	1,101,294
Adjustments for:				
Negative goodwill recognised	(94,795)	-	-	-
Depreciation	117,703	79,854	2,866	-
Amortisation of software development costs	310,021	109,217	-	-
Loss on disposal of property, plant and equipment	2,285	-	-	-
Share of results in associate	-	10	-	-
Dividend income	-	-	(1,068,800)	(1,100,000)
Interest income	(218,685)	(68,960)	(155,466)	(67,474)
Interest expenses	858	9	-	-
Hire purchase term charges	4,383	1,256	-	-
Operating profit/(loss) before working capital changes	3,281,343	1,541,049	(137,254)	(66,180)
Changes in software development costs	(613,960)	(226,537)	-	-
Changes in inventories	(253,328)	(62,005)	-	-
Changes in receivables	(1,539,565)	1,310,085	(830,042)	-
Changes in payables	114,276	(92,560)	(23,620)	33,714
Cash generated from/(utilised in) operations	988,766	2,470,032	(990,916)	(32,466)
Interest received	218,685	68,960	155,466	67,474
Interest paid	(858)	(9)	-	-
Tax paid	(149,853)	(351,160)	(18,652)	-
Tax refund	24,457	-	-	-
Net cash from/(used in) operating activities	1,081,197	2,187,823	(854,102)	35,008
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(196,345)	(103,084)	(14,329)	-
Purchase of investments in subsidiaries, net of cash (Note 21)	(465,942)	476,219	(1,798,646)	(2)
Proceed from disposal of property, plant and equipment	5,413	-	-	-
Advances to subsidiary	-	-	(249,624)	(98,000)
Advances to associate	(12,427)	(146,457)	-	-
Dividend received from subsidiary	-	-	1,068,800	1,100,000
Net cash (used in)/from investing activities	(669,301)	226,678	(993,799)	1,001,998

Cash Flow Statements
for the year ended 31 December 2006 (cont'd)

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	-	5,919,455	-	5,919,455
(Repayment to)/Advances from subsidiary	-	-	(41,361)	41,361
Dividend paid	(1,068,800)	(1,002,000)	(1,068,800)	(1,002,000)
Payment of hire purchase instalments	(20,216)	(4,895)	-	-
Hire purchase term charges paid	(4,383)	(1,256)	-	-
Payment of share issue and listing expenses	(12,302)	-	(12,302)	-
Net cash (used in)/from financing activities	(1,105,701)	4,911,304	(1,122,463)	4,958,816
NET CHANGES IN CASH AND CASH EQUIVALENTS	(694,813)	7,325,805	(2,970,364)	5,995,822
EFFECT OF CHANGES IN EXCHANGE RATES	(41,081)	-	-	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	7,325,807	2	5,995,824	2
CASH AND CASH EQUIVALENTS CARRIED FORWARD	6,589,913	7,325,807	3,025,460	5,995,824
Represented by:				
TIME DEPOSITS	5,416,902	5,860,821	2,955,754	5,860,821
CASH AND BANK BALANCES	1,173,011	1,464,986	69,706	135,003
	6,589,913	7,325,807	3,025,460	5,995,824

In the previous financial year, the Group acquired property, plant and equipment amounting to RM213,084 of which RM110,000 was financed under hire purchase and the balance of RM103,084 was paid by cash.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board. At the beginning of the current financial year, the Group and the Company had adopted the following new and revised Financial Reporting Standards ("FRS") which are mandatory and applicable to the Group and the Company for financial periods beginning on or after 1 January 2006:

FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The Group has not opted for early adoption of FRS 117, Leases and FRS 124, Related Party Disclosures, which are effective for financial periods beginning on or after 1 October 2006 and FRS 139, Financial Instruments : Recognition and Measurement, which has been deferred to an effective date yet to be announced.

In the opinion of the Directors, the adoption of these FRSs other than as described below does not result in significant changes in the accounting policies of the Group and the Company, or has significant impact on the financial statements of the Group and the Company except for the presentation of the balance sheets to the Group and the Company upon the adoption of the revised FRS 101. The principal changes in accounting policies and their effects resulting from the adoption of the following FRSs are discussed below:

(i) FRS 3, Business Combinations, FRS 136, Impairment of Assets and FRS 138, Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

Prior to 1 January 2006, goodwill was capitalised and amortised on a straight line basis over its estimated useful life and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit to which the goodwill was attached. With the adoption of FRS 3 and FRS 136, the Group ceased to amortise goodwill. Instead, goodwill is carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. The adoption of these FRSs has no impact on the financial statement of the Group for the financial year ended 31 December 2005 as the Group did not have any goodwill brought forward at 1 January 2006.

Notes to and forming part of The Financial Statements
for the year ended 31 December 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

(i) FRS 3, Business Combinations, FRS 136, Impairment of Assets and FRS 138, Intangible Assets (cont'd)

In accordance with the transitional provision of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 January 2006. The new accounting policy on the recognition and measurement of goodwill is disclosed in Note 1(f).

Prior to 1 January 2006, negative goodwill was retained in the consolidated balance sheet and would be credited to income statement over a suitable period decided in relation to the particular circumstances which give rise to it. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is recognised immediately in the consolidated income statement. In accordance with the transitional provisions of FRS 3, the negative goodwill of the Group at 1 January 2006 of RM1,728,826 was derecognised with a corresponding increase in the unappropriated profit of the Group as follows:

Group	At 1-1-2006 RM
Increase in unappropriated profit	1,728,826
Decrease in negative goodwill	(1,728,826)

Because the revised accounting policy has been applied prospectively, the change has no impact on amounts reported for 2005.

(ii) FRS 101, Presentation of Financial Statements

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the consolidated statement of changes in equity. FRS 101 also requires disclosure, on the face of the consolidated statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

These changes in presentation have been applied retrospectively, and accordingly, the comparatives have been restated. These changes in presentation have no impact on the financial statements of the Company.

Prior to 1 January 2006, the Group's share of tax expense of associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of FRS 101, the share of tax expense of associates accounted for using the equity method is now included in the respective share of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

These changes in presentation have no impact on the financial statements of the Group and Company.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

(ii) FRS 101, Presentation of Financial Statements (cont'd)

The measurement bases applied in the presentation of the financial statements of the Group and the Company include cost, amortised cost, recoverable value, realisable value and fair value as indicated in the accounting policies set out below. Accounting estimates are used in measuring these values.

The financial statements of the Group and the Company are presented in Ringgit Malaysia ("RM") which is also the functional currency of the Company. The financial statements of foreign operations that have a functional currency other than RM have been translated and presented in RM.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

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, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 4 : Measurement of the recoverable amount of cash-generating units containing goodwill.

(c) Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's balance sheet, investments in subsidiaries are stated at cost less accumulated impairment losses, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Uniform accounting policies are adopted for like transactions and events in similar circumstances. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Notes to and forming part of The Financial Statements
for the year ended 31 December 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Basis of consolidation (cont'd)

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

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only. Unrealised profits and losses resulting from intra-group transactions that are recognised in assets are also eliminated in full. The temporary differences arising from the elimination of unrealised profits and losses are recognised in accordance with Note 1(r).

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of a business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued, plus any costs directly attributable to the acquisition. The excess of the cost of a business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities recognised, over the Group's cost of a business combination is recognised immediately in the consolidated income statement after reassessment.

Minority interests represent the portion of profit or loss and net assets of subsidiaries, attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Company. Minority interests are presented separately in the consolidated balance sheet within equity while minority interests in the profit or loss of the Group are separately disclosed in the consolidated income statement.

(e) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary 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 not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting unless it is classified as held for sale or included in a disposal group that is classified as held for sale. Under the equity method, the investments in associates are carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of the net profit or loss of the associates is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such change. In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interests in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investments in the associates. The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investments are acquired.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Associates (cont'd)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-tem interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has an obligation or has made payments on behalf of the associate.

In applying the equity method of accounting, the post-acquisition results and reserves of the associates accounted for are based on the most recent available audited financial statements of the associates and where the dates of the audited financial statements used is not coterminous with that of the Group, the share of results is derived from the last audited financial statements available and management financial statements made up to the end of the accounting year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's balance sheet, investments in associates are stated at cost less accumulated impairment losses unless it is classified as held for sale or included in a disposal group that is classified as held for sale.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(f) Intangible assets

(i) Goodwill

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

(ii) Computer software development costs

Computer software development costs are stated at cost less accumulated amortisation and accumulated impairment loss.

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

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Property, plant and equipment

(i) Measurement basis

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

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

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

(ii) Depreciation

Freehold land is not amortised. 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 useful lives at the following annual rates:

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

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.

(iii) Changes in estimates

The residual value of motor vehicle was revised by the Group during the year and the effect of this change is disclosed in Note 3.

(h) Leases

(i) Finance Leases - assets acquired under hire purchase agreements

Assets financed by hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group, are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. On initial recognition, assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present values of the minimum hire purchase payments at the inception of the hire purchase agreements. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

In calculating the present value of the minimum hire purchase payments, the discount rate is the interest rate implicit in the hire purchase agreements, if this is practicable to determine, if not, the Group's incremental borrowing rates are used.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Leases (cont'd)

(ii) Operating leases

Operating leases are those leases other than finance lease. Lease payments under operating lease are charged to the income statement on a straight line basis over the period of the lease.

(i) Inventories

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

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

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

(j) Receivables

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

(k) Impairment of assets

The carrying amounts of assets other than financial assets, deferred tax assets and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. For goodwill that has an indefinite useful life, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are charged to the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or groups of units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Share capital

Ordinary shares are recorded at nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the income statement.

Dividends on ordinary shares, when declared or proposed by the directors of the Company are disclosed in the notes to the financial statements. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year in which the dividends are paid.

(m) 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.

(n) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the functional currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operations, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statement. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operations, are recognised in the income statement for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, regardless of the currency of the monetary item, are recognised in the income statement in the Company's financial statements or the individual financial statements of the foreign operations, as appropriate.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Foreign currencies (cont'd)

(ii) Foreign currency transactions (cont'd)

Exchange differences arising on the translation of non-monetary items carried at fair value are recognised in income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency other than the presentation currency of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rates prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

(o) Revenue recognition

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

(i) Sale of computer software and hardware

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

(ii) Provision of consulting services

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

(iii) Dividend income

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Revenue recognition (cont'd)

(iv) Rental income

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

(v) Management fee

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

(vi) Interest income

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

(p) Employees benefits

(i) Short-term benefits

Salaries, allowances, bonuses and social security contributions are recognised as an expense in the financial year in which the services are rendered by the employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlements to future compensated absences and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Non-monetary benefits such as medical care and other staff related expenses are charged to the income statement as and when incurred.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement in the financial year to which they relate.

(iii) Termination benefits

Employee termination benefits are recognised only either after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy or after individual employees have been advised of the specific terms.

(q) Borrowing costs

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

(r) Tax expense

The tax expense in the income statement comprises current tax and deferred tax. Current tax is an estimate of tax payable in respect of taxable profit for the year based on tax rate enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Tax expense (cont'd)

Deferred tax is recognised in full, based on the liability method for taxation deferred in respect of all material temporary differences arising from differences between the tax bases of the assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Current and deferred tax is recognised as an income or an expense in the income statement or is credited or charged directly to equity if the tax relates to items that are credited or charged, whether in the same or different period, directly to equity.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits held on call with licensed financial institutions 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.

(t) Financial instruments

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

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

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

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2006 (cont'd)

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

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

(i) Credit risk

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

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

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

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

(ii) Foreign currency exchange risk

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

The Group has not hedged against this foreign currency exposure as the currency fluctuation of Ringgit Malaysia to foreign currencies is minimal.

(iii) Interest rate risk

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

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

Group 2006 Cost	Freehold land and office lot RM	Motor vehicle RM	Computer RM	Furniture, fittings and office equipment RM	Total RM
At 1 January	1,038,825	164,390	216,783	236,809	1,656,807
Acquisition of subsidiaries	-	-	732,028	129,307	861,335
Additions	-	-	73,139	123,206	196,345
Disposals	-	-	(74,622)	(30,707)	(105,329)
Exchange adjustments	-	-	(20,911)	(3,773)	(24,684)
At 31 December	1,038,825	164,390	926,417	454,842	2,584,474
Accumulated depreciation					
At 1 January	15,048	32,878	198,445	201,596	447,967
Acquisition of subsidiaries	-	-	711,520	105,363	816,883
Charge for the year	5,016	20,378	47,215	45,094	117,703
Disposals	-	-	(74,622)	(23,009)	(97,631)
Exchange adjustments	-	-	(20,890)	(3,773)	(24,663)
At 31 December	20,064	53,256	861,668	325,271	1,260,259
Net book value at 31 December	1,018,761	111,134	64,749	129,571	1,324,215
2005					
Cost					
At 1 January	-	-	-	-	-
Acquisition of subsidiaries	1,038,825	-	184,119	220,779	1,443,723
Additions	-	164,390	31,515	17,179	213,084
Disposal	-	-	-	-	-
At 31 December	1,038,825	164,390	215,634	237,958	1,656,807
Accumulated depreciation					
At 1 January	-	-	-	-	-
Acquisition of subsidiaries	11,286	-	177,926	178,901	368,113
Charge for the year	3,762	32,878	20,519	22,695	79,854
	15,048	32,878	198,445	201,596	447,967
Net book value at 31 December	1,023,777	131,512	17,189	36,362	1,208,840

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

Company 2006	**Computer equipment RM**	**Furniture and fittings RM**	**Total RM**
Cost			
At 1 January	-	-	-
Additions	10,099	4,230	14,329
Disposal	-	-	-
At 31 December	10,099	4,230	14,329
Accumulated depreciation			
At 1 January	-	-	-
Charge for the year	2,020	846	2,866
Disposal	-	-	-
At 31 December	2,020	846	2,866
Net book value at 31 December	8,079	3,384	11,463
2005			
Cost	-	-	-
Accumulated depreciation	-	-	-
Net book value	-	-	-

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 vehicle stated at net book value of RM111,134 is acquired under hire purchase.

During the financial year, the Group revised the residual value of its motor vehicle. The revision was accounted for prospectively as a change in accounting estimate and as a result, the depreciation charge for motor vehicle for the current financial year has been reduced by RM12,500. The effect on future periods is not disclosed as it is impracticable to estimate the revised residual values of motor vehicle for future periods.

4. INTANGIBLE ASSETS

Cost	Software development costs RM	Goodwill RM	Total RM
At 1 January 2005	-	-	-
Acquisition of subsidiaries	709,608	-	709,608
Addition	226,537	-	226,537
At 31 December 2005	936,145	-	936,145
Acquisition of subsidiaries	-	1,235,320	1,235,320
Addition	613,960	-	613,960
At 31 December 2006	1,550,105	1,235,320	2,785,425
Accumulated amortisation and impairment			
At 1 January 2005	-	-	-
Acquisition of subsidiaries	187,054	-	187,054
Amortisation for the year	109,217	-	109,217
At 31 December 2005	296,271	-	296,271
Amortisation for the year	310,021	-	310,021
Impairment loss recognised during the year	-	-	-
At 31 December 2006	**606,292**	**-**	**606,292**
Net carrying amount at 31 December 2006	**943,813**	**1,235,320**	**2,179,133**
Net carrying amount at 31 December 2005	639,874	-	639,874

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

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

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

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by 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	-	39%
Growth rate	-	5.56%
Discount rate	-	9.91%

Notes to and forming part of The Financial Statements
for the year ended 31 December 2006 (cont'd)

4. INTANGIBLE ASSETS (cont'd)

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

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

(i) Budgeted gross margin

The basis used to determine the budgeted gross margin is based on expected rate of efficiency improvements achieved in the year immediately before the budgeted year.

(ii) Growth rate

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

(iii) Discount rate

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

(iv) Bond rate

The bond rate used is the yield on a 10-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 values of respective CGUs to materially exceed their recoverable amounts.

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2006 RM	2005 RM
Unquoted shares, at cost	4,298,646	2,500,000

The amounts owing by the subsidiaries are as follows:

	2006 RM	2005 RM
Trade receivables	10,000	-
Advances	347,624	98,000
	357,624	98,000

The amounts owing by the subsidiaries are unsecured and interest free. Trade receivables have a normal credit period of 30 days while the advances have no fixed term of repayment.

5. INVESTMENT IN SUBSIDIARIES (cont'd)

The amount owing to a subsidiary in the previous financial year represented unsecured advances which were interest free and had no fixed terms of repayment.

The subsidiaries are as follows:

	Gross equity interest		Country of incorporation	Principal activities
	2006	2005		
Ygl Convergence Malaysia Sdn Bhd (formerly known as Ygl Consulting 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 (formerly known as SCS Information Technology (HK) Ltd)	100%	-	Hong Kong	Trading of computer equipment and software and provision of related services
*Ygl Convergence (Asia Pacific) Pte Ltd (formerly known as Elitus Asia Pacific Pte Ltd)	60%	-	Singapore	Provision of software consultancy and computer systems integration services

*Subsidiaries not audited by Moores Rowland

6. INVESTMENT IN ASSOCIATE

	Group	
	2006 RM	2005 RM
Unquoted shares, at cost	10	10
Group's share of post-acquisition results	(10)	(10)
	-	-

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

Notes to and forming part of The Financial Statements
for the year ended 31 December 2006 (cont'd)

6. INVESTMENT IN ASSOCIATE (cont'd)

The summarised financial information of the associate is as follows:

	Group	
	2006	**2005**
	RM	**RM**
Assets and liabilities		
Current assets	60,830	53,418
Non-current assets	140,588	147,853
Total assets	201,418	201,271
Current liabilities	1,831	1,668
Total liabilities	1,831	1,668
Results		
Revenue	10,890	78,001
Loss for the year	2,053	5,356

The associate is Ygl Consulting (Thailand) Co. Ltd, a company incorporated in Thailand, in which the subsidiary, Ygl Convergence Malaysia Sdn Bhd holds 39% (2005 : 39%) of its issued and paid-up share capital. The principal activities of the associated company are marketing and distribution of computer software and the provision of related services.

The Group has discontinued the recognition of its share of losses in the associate as the share of losses has exceeded the Group's interest in the said associate. The Group's unrecognized share of losses for the current year and cumulative years is RM801 (2005 : RM2,089) and RM2,890 (2005 : RM2,089) 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.

7. DEFERRED TAX ASSETS

	Group	
	2006	**2005**
	RM	**RM**
At 1 January	46,222	-
Acquisition of subsidiary	-	55,450
Transfer to income statement	(12,849)	(9,228)
At 31 December	33,373	46,222

7. DEFERRED TAX ASSETS (cont'd)

The deferred tax assets comprise:

	Group	
	2006 RM	2005 RM
Deductible temporary differences between net book value and tax written down value of property, plant and equipment	6,415	19,264
Other deductible temporary differences	26,958	26,958
	33,373	46,222

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Gross trade receivables	3,355,254	1,153,191	-	-
Less:				
Allowance for doubtful debts	134,790	134,790	-	-
	3,220,464	1,018,401	-	-
Other receivables	784,343	46,373	1,019	-
Deposits	922,021	3,670	819,023	-
Prepayments	10,648	338	-	-
	4,937,476	1,068,782	820,042	-

The currency profiles of the receivables are as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables				
- Ringgit Malaysia	1,303,595	1,018,401	-	-
- Hong Kong Dollar	975,215	-	-	-
- Singapore Dollar	941,654	-	-	-
	3,220,464	1,018,401	-	-
Other Receivables				
- Ringgit Malaysia	86,786	46,373	1,019	-
- Hong Kong Dollar	697,557	-	-	-
	784,343	46,373	1,019	-

Notes to and forming part of The Financial Statements
for the year ended 31 December 2006 (cont'd)

8. TRADE AND OTHER RECEIVABLES (cont'd)

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Deposits				
- Ringgit Malaysia	822,693	3,670	819,023	-
- Hong Kong Dollar	99,328	-	-	-
	922,021	3,670	819,023	-
Prepayments				
- Ringgit Malaysia	199	338	-	-
- Hong Kong Dollar	10,449	-	-	-
	10,648	338	-	-

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 30 to 90 days.

Other receivables, deposits and prepayments are from the normal business transactions of the Group.

9. TIME DEPOSITS

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Time deposits				
- in Ringgit Malaysia placed with licensed banks in Malaysia	4,590,047	5,860,821	2,955,754	5,860,821
- in Hong Kong Dollar placed with foreign bank	826,855	-	-	-
	5,416,902	5,860,821	2,955,754	5,860,821

The effective interest rates of the time deposits are as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
Time deposits placed with				
- licensed banks in Malaysia	3.00% - 4.05%	3.9%	3.85% - 4.05%	3.9%
- foreign bank	4.70%	-	-	-

All the time deposits have maturity periods of less than one year.

10. CASH AND BANK BALANCES

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

	Group		Company	
	2006	2005	2006	2005
Ringgit Malaysia	1,040,214	1,464,986	69,706	135,003
Hong Kong Dollar	126,395	-	-	-
Singapore Dollar	6,402	-	-	-
	1,173,011	1,464,986	69,706	135,003

11. SHARE CAPITAL

	2006		2005	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised				
Ordinary shares of RM0.10 each				
At 1 January	100,000,000	10,000,000	1,000,000	100,000
Created during the year	-	-	99,000,000	9,900,000
At 31 December	100,000,000	10,000,000	100,000,000	10,000,000
Issued and fully paid				
Ordinary shares of RM0.10 each				
At 1 January	66,800,000	6,680,000	20	2
Shares issue by way of				
- acquisition of subsidiary companies	-	-	24,999,980	2,499,998
- public issue	-	-	8,400,000	840,000
- bonus issue of 1 : 1	-	-	33,400,000	3,340,000
	-	-	66,799,980	6,679,998
At 31 December	66,800,000	6,680,000	66,800,000	6,680,000

12. NEGATIVE GOODWILL

	Group	
	2006 RM	2005 RM
At 1 January	1,728,826	-
Effect of adopting FRS 3	(1,728,826)	-
At 1 January, restated	-	-
Acquisition of subsidiary	-	1,728,826
At 31 December	-	1,728,826

13. HIRE PURCHASE LIABILITY

	Group	
	2006 **RM**	**2005** **RM**
Outstanding hire purchase instalments due:		
- not later than one year	24,600	24,600
- later than one year and not later than five years	67,630	92,230
	92,230	116,830
Less:		
Unexpired term charges	7,341	11,725
Outstanding principal amount due	84,889	105,105
Less:		
Outstanding principal amount due not later than one year (included in current liabilities)	21,238	20,216
Outstanding principal amount due later than one year and not later than five years	63,651	84,889

The effective interest rate of the hire purchase liability is 2.36% (2005 : 2.36%) per annum.

14. DEFERRED TAX LIABILITIES

	Group		Company	
	2006 **RM**	**2005** **RM**	**2006** **RM**	**2005** **RM**
At 1 January	-	-	-	-
Transfer from income statement	1,661	-	1,205	-
At 31 December	1,661	-	1,205	-

The deferred tax liabilities represents taxable temporary differences between net book value and tax written down value of property, plant and equipment.

15. TRADE AND OTHER PAYABLES

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Trade payables	642,287	18,059	-	-
Other payables	1,499,202	91,670	2,614	28,684
Accruals	834,518	112,627	12,900	10,450
Deposits	40,824	5,000	-	-
	3,016,831	227,356	15,514	39,134
The currency profiles of the payables are as follows:				
Trade payables				
- Ringgit Malaysia	5,632	305	–	
- Singapore Dollar	554,615	-	-	-
- Hong Kong Dollar	82,040	-	-	-
- US Dollar	-	17,754	-	-
	642,287	18,059	-	-
Other payables				
- Ringgit Malaysia	69,711	91,670	2,614	28,684
- Hong Kong Dollar	1,360,764	-	-	-
- Singapore Dollar	68,727	-	-	-
	1,499,202	91,670	2,614	28,684
Accruals				
- Ringgit Malaysia	128,111	112,627	12,900	10,450
- Hong Kong Dollar	600,494	-	-	-
- Singapore Dollar	105,913	-	-	-
	834,518	112,627	12,900	10,450
Deposits				
- Ringgit Malaysia	5,000	5,000	-	-
- Hong Kong Dollar	35,824	-	-	-
	40,824	5,000	-	-

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

Other payables, deposits and accruals are from the normal business transactions of the Group.

Included in other payables in the previous financial year was an amount of RM33,791 and RM13,791 for the Group and Company respectively, owing to a company in which a director of the Company had substantial financial interest.

Notes to and forming part of The Financial Statements
for the year ended 31 December 2006 (cont'd)

16. GROSS REVENUE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Revenue from sale of computer software and hardware and consulting services	10,903,782	2,475,194	-	-
Dividend income	-	-	1,068,800	1,100,000
Management fees	-	-	10,000	-
	10,093,782	2,475,194	1,078,800	1,100,000

17. PROFIT BEFORE TAX

Profit before tax is stated after charging:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Amortisation of software development costs	310,021	109,217	-	-
Auditors' remuneration				
- current year	51,948	18,000	8,000	8,000
- overestimated in prior year	(500)	-	-	-
Depreciation	117,703	79,854	2,866	-
Directors' remuneration				
- fees	45,804	32,000	40,000	32,000
- other emoluments	241,268	135,500	-	-
Finance costs				
- interest expenses	858	9	-	-
- hire purchase term charges	4,383	1,256	-	-
Loss on disposal of property, plant and equipment	2,285	-	-	-
Rental of premises	11,143	7,000	-	-
Rental of office equipment	5,133	652	-	-
and crediting:				
Gross dividend income from a subsidiary	-	-	1,068,800	1,100,000
Interest income	218,685	68,960	155,466	67,474
Rental income	35,000	16,000	-	-

18. TAX EXPENSE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current tax expense				
- current year	89,422	68,663	42,000	18,650
- under/(over)estimated in prior year	2,054	(417)	2	-
	91,476	68,246	42,002	18,650
Deferred tax expense relating to origination and reversal of temporary differences during the year				
- current year	3,087	9,228	1,205	-
- underestimated in prior year	11,423	-	-	-
	14,510	9,228	1,205	-
	105,986	77,474	43,207	18,650

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Accounting profit (excluding share of results in associate)	3,159,573	1,419,673	1,084,146	1,101,294
Tax at the applicable tax rate of 20% (2005 : average tax rate of 22.5%) for the Group and 28% (2005 : 28%) for the Company	631,915	319,426	303,561	308,362
Add:				
Tax effect of expenses not deductible in determining taxable profit	65,828	51,799	38,908	18,288
	697,743	371,225	342,469	326,650
Less:				
Tax effect of income not taxable in determining taxable profit	(605,234)	293,334	299,264	308,000
	92,509	77,891	26,025	18,650
Add/(Less):				
Current tax expense under/(over) estimated in prior years	2,054	(417)	2	-
Deferred tax expense underestimated in prior year	11,423	-	-	-
Tax expense for the year	105,986	77,474	43,207	18,650

Based on estimated tax credits available and the prevailing tax rate applicable to dividends, the entire unappropriated profit of the Company at year end is available for distribution by way of dividends without incurring additional tax liability.

Notes to and forming part of The Financial Statements
for the year ended 31 December 2006 (cont'd)

19. EARNINGS PER SHARE

The earnings per share is calculated based on the consolidated net profit for the year of RM3,023,591 (2005: RM 1,342,189) and on 66,800,000 (2005: 36,866,684) weighted average number of ordinary shares in issue during the financial year as follows:

	2006	2005
Number of ordinary shares at 1 January	66,800,000	20
Effects of shares issue from:		
- acquisition of subsidiary companies	-	14,583,322
- public issue	-	3,850,000
- bonus issue	-	18,433,342
	66,800,000	36,866,684

20. DIVIDEND PAID

	Company	
	2006 RM	2005 RM
Recognised as distribution to equity holders during the year:		
Interim dividend of 16% tax exempt for the financial year ended 31 December 2006 (2005 : Interim dividend of 15% tax exempt for the financial year ended 31 December 2005)	1,068,800	1,002,000
Net dividend per ordinary share (sen)	1.6	1.5

21. ANALYSIS OF ACQUISITION OF SUBSIDIARIES

During the financial year, the Company acquired the following subsidiaries:

(a) Ygl Convergence (Asia Pacific) Pte Ltd (formerly known as Elitus Asia Pacific Pte Ltd.)

On 11 May 2006, the Company acquired 60% equity interest, representing 192,000 ordinary shares of SGD1 each, in Ygl Convergence (Asia Pacific) Pte Ltd (formerly known as Etitus Asia Pacific Pte Ltd), a company incorporated in the Republic of Singapore, at a total cash consideration, including incidental cost, of RM1,314,404. The goodwill on acquisition arising from the acquisition was RM1,235,320.

(b) Ygl Convergence (HK) Ltd (formerly known as SCS Information Technology (HK) Ltd.)

On 16 June 2006, the Company acquired the entire equity interest, representing 44,677,200 ordinary shares of HKD1 each, in Ygl Convergence (HK) Ltd (formerly known as SCS Information Technology (HK) Ltd), a company incorporated in Hong Kong SAR, at a cash consideration of SGD200,000 (RM484,242).

21. ANALYSIS OF ACQUISITION OF SUBSIDIARIES (cont'd)

The effects of acquisition of subsidiary companies on the consolidated net profit, the consolidated financial position and consolidated cash flow statement were as follows:

(a) Effect on consolidated net profit for the year

	Subsidiaries acquired in 2006 RM	Subsidiaries acquired in 2005 RM
Gross revenue	5,678,902	2,475,194
Cost of sales	(4,108,199)	(737,904)
Profit from operations	296,349	1,419,644
Finance costs	-	(1,265)
Profit before tax	296,349	1,418,379
Tax expense	(16,849)	(58,824)
Profit after tax	279,500	1,359,555
Minority interest	(29,996)	-
Increase in Group's net profit	249,504	1,359,555

(b) Effect on consolidated financial position

	Subsidiaries acquired in 2006 RM	Subsidiaries acquired in 2005 RM
Non-current assets	156,384	1,894,946
Current assets	3,683,855	3,208,190
Non-current liabilities	(456)	(84,889)
Current liabilities	(2,824,635)	(529,866)
Minority interest	(82,718)	-
Increase in Group's share of net assets	932,430	4,488,381

21. ANALYSIS OF ACQUISITION OF SUBSIDIARIES (cont'd)

(c) Effect on consolidated cash flow statement

	Subsidiaries acquired in 2006 RM	Subsidiaries acquired in 2005 RM
Net assets acquired		
Property, plant and equipment	44,452	1,075,610
Non-current assets	1,235,320	578,014
Current assets	3,463,980	3,011,198
Current liabilities	(2,797,589)	(435,996)
Negative goodwill	(94,795)	(1,728,826)
Minority interest	(52,722)	-
Total purchase consideration	1,798,646	2,500,000
Less:		
Purchase consideration discharged by issue of shares in the Company	-	(2,499,998)
Cash and cash equivalents acquired	(1,332,704)	(476,221)
Net cash flows on acquisition	465,942	(476,219)

22. EMPLOYEES BENEFITS EXPENSE

	Group 2006 RM	Group 2005 RM
Salaries, allowances and bonuses		
- Executive directors	225,628	120,000
- Other employees	2,273,444	851,101
Defined contribution plan - EPF contributions	217,911	130,509
Social security costs - SOCSO contributions	16,821	13,163
Other benefits	79,321	54,423
	2,813,125	1,169,196

No staff costs were incurred by the Company as the Company did not have any employees.

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group has controlling related party relationship with its subsidiaries.

The Group also has related party relationship with the following related parties:

(a) Associate of Ygl Convergence Malaysia Sdn Bhd (formerly known as Ygl Consulting Sdn Bhd)

- Ygl Consulting (Thailand) Co. Ltd

(b) A company in which a director of the Company, Yeap Kong Tai has a substantial financial interest

- Yeap Kong Tai & Co

(c) A company in which a director of the Company, Yeap Kong Chean has a substantial financial interest

- Ygl Tax Services Sdn Bhd

23. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

Significant related party transactions during the financial year are as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sale of software to				
- Ygl Consulting (Thailand) Co. Ltd	-	62,719	-	-
- Ygl Tax Services Sdn Bhd	50,000	-	-	-
Management fee received from				
YGL Multimedia Resources Sdn Bhd	-	-	5,000	-
YGL Convergence Malaysia Sdn Bhd (formerly known as Ygl Consulting Sdn Bhd)	-	-	5,000	-

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business.

Non-trade balances with related parties at the end of the financial year are as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Outstanding advances owing by:				
Ygl Multimedia Resources Sdn Bhd	-	-	311,748	98,000
Ygl Convergence Malaysia Sdn Bhd (formerly known as Ygl Consulting Sdn Bhd)	-	-	35,876	-
Ygl Consulting (Thailand) Co. Pte Ltd	158,884	146,457	-	-
Outstanding advances owing to:				
Ygl Convergence Malaysia Sdn Bhd (formerly known as Ygl Consulting Sdn Bhd)	-	-	-	41,361
Yeap Kong Tai & Co	-	33,791	-	13,791

24. SEGMENT ANALYSIS

Segment reporting

(a) Primary reporting format - geographical segment

The Group operates mainly in Asia. 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.

Notes to and forming part of The Financial Statements
for the year ended 31 December 2006 (cont'd)

24. SEGMENT ANALYSIS (cont'd)

Year ended 31 December 2006

	Malaysia RM	Asia Pacific RM	Group RM
Revenue			
Sales	5,234,880	5,678,902	10,913,782
Less: Inter-segment sales	(10,000)	-	(10,000)
External sales	5,224,880	5,678,902	10,903,782
Results			
Segment operating profit	2,868,465	296,245	3,164,814
Finance costs			(5,241)
Profit before tax			3,159,573
Tax expense			(105,986)
Profit after tax			3,053,587
Minority interest			(29,996)
			3,023,591
Other information			
Segment assets	11,854,462	3,840,239	15,694,701
Segment liabilities	336,548	2,825,091	3,161,639
Capital expenditure	645,694	164,611	810,305
Depreciation and amortisation	382,764	44,960	427,724

Comparative figures for the year ended 31 December 2005 were not prepared as the Group was engaged in a single industry segment in Malaysia only.

(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 services.

25. OPERATING LEASE COMMITMENT

	Group	
	2006	**2005**
	RM	**RM**
Operating lease commitment in respect in rental of premises		
- payable not later than one year	214,023	-
- payable later than one year and not later than five years	343,814	-
	557,837	-

26. SIGNIFICANT EVENTS

On 28 September 2006, the Company entered into a conditional share sale agreement with a third party for the acquisition of 2,760,000 ordinary shares of HKD1.00 each, representing 60% equity interest in Computer Processing Services Limited ("CPSL"), a company incorporated in Hong Kong SAR, at a cash consideration of HKD2,730,000 (RM1,289,926). The principal activity of CPSL is investment holding.

27. SUBSEQUENT EVENTS

On 3 April 2007, the Company proposed to undertake a private placement of up to 6,680,000 new ordinary shares of RM0.10 each representing 10% of the existing issued and paid-up share capital of the Company. The proceeds from the proposed private placement will be utilised for working capital requirements of the Group.

28. FINANCIAL INSTRUMENTS

(a) Credit risk

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

(b) Fair values

The carrying amounts of the financial assets and liabilities of the Group and the Company at 31 December 2006 approximated their fair values.

29. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company were authorised for issue by the directors on 25 April 2007.

Statement by Directors

In the opinion of the directors, the financial statements set out on pages 25 to 62 are drawn up:

(a) so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2006 and of their results and cash flows for the year then ended; and

(b) in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities.

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

YEAP KONG CHEAN	**YEAP KONG TAI**
Director	Director

25 April 2007

Statutory Declaration

I, Yeap Kong Chean, being the director primarily responsible for the financial management of YGL Convergence Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 25 to 62 are correct.

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

Subscribed and solemnly declared at	)	
Kuala Lumpur in the Federal Territory	)	
	)	
on this 25 day of April 2007	)	
	)	
	)	
	)	**YEAP KONG CHEAN**

Before me:

Robert Lim Hock Kee (W 092)
Commissioner for Oaths

List of Properties

Location	Description and Existing Use	Tenure	Land area / Built-up area (sq ft)	Date of acquisition / Completion	Approximate age of Building (Years)	Net Book Value (RM)
Unit 9-10, 9th Floor, Wisma UOA II, No.21, Jalan Pinang, 50450 Kuala Lumpur	One office unit held under GRN46212 master issue document for title at HS(D) 87450, PT 35, Section 57, Town of Kuala Lumpur, District of Wilayah Persekutuan Office Use	Freehold	2,508	08/12/2000	8	1,023,777

Analysis of Shareholdings
as at 4 May 2007

Authorised Capital	:	RM10,000,000.00
Issued and Fully Paid-up Capital	:	RM6,680,000.00 comprising 66,800,000 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	%
2	Less than 100	100	*
36	100 - 1,000	28,400	0.04
74	1,001 - 10,000	374,000	0.56
51	10,001 to 100,000 shares	1,898,400	2.84
39	100,001 to less than 5% of issued shares	24,432,434	36.58
4	5% and above of issued shares	40,066,666	59.98
206	Total	66,800,000	100.00

* Negligible

30 Largest Securities Account Holders

No.	Name	No. of Shares held	%
1	Yeap Kong Chean	16,993,334	25.44
2	Yeap Kong Tai	16,393,332	24.54
3	Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeap Kong Chean	3,340,000	5.00
4	Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeap Kong Tai	3,340,000	5.00
5	Lembaga Tabung Haji	2,939,400	4.40
6	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sim Thean Shee	1,644,000	2.46
7	Yeap Kong Yeow	1,519,400	2.27
8	Foo Chee Boon	1,456,200	2.18
9	Ta Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Lam Kok	1,290,000	1.93
10	Yap Lam Kok	1,232,500	1.85
11	Yeap Chor Beng & Sons Sdn Bhd	1,200,000	1.80
12	Loh Seong Hooi	1,033,700	1.55
13	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Loh Seong Hooi	1,007,400	1.51
14	Sim Thean Shee	910,100	1.36
15	Lee Keng Seng	726,500	1.09
16	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Yeap Mar Cheng	716,400	1.07
17	Tan Chong Lum	639,000	0.96
18	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Tan Hong Guan	586,800	0.88
19	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Leow Hooi Khim	566,000	0.85
20	Rani A/P Kurunathan	540,000	0.81

Analysis of Shareholdings
as at 4 May 2007 (cont'd)

No.	Name	No. of Shares held	%
21	Sarina Binti A Karim	509,934	0.76
22	Koay Seng Seong	455,000	0.68
23	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Tan Yi Lim	452,300	0.68
24	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chuan Hock	350,000	0.52
25	Ramli Bin Hussien	333,600	0.50
26	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Ramli Bin Hussien	312,600	0.47
27	Low Cheng Soon	302,000	0.45
28	Ng Cheng Guan	300,000	0.45
29	Lee Keng Soon	290,000	0.43
30	Yeoh Siew Kim	287,400	0.43

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	20,333,334	30.44	-	-
2	Yeap Kong Tai	19,733,332	29.54	-	-

Directors' Shareholdings

		No. of Shares beneficially held			
No.	**Name of Directors**	**Direct Interest**	**%**	**Indirect Interest**	**%**
1	Yeap Kong Chean	20,333,334	30.44	-	-
2	Yeap Kong Tai	19,733,332	29.54	-	-
3	Dato' Muhammad Farid bin Haji Ahmad Ridhwan	-	-	-	-
4	Chong Kai Min	5,000	0.01	-	-

FORM OF PROXY

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 Third (3rd) Annual General Meeting of the Company to be held at G Hotel, 168-A Persiaran Gurney, 10250 Penang on Friday, 22 June 2007 at 10.00 a.m. and at any adjournment thereof.

*My / Our proxy is to vote as indicated below:

RESOLUTIONS		For	Against
	Ordinary Business:-		
1.	To receive the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2006 together with the Auditors' Report thereon		
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2006		
3.	To re-elect Mr. Yeap Kong Chean who is retiring in accordance with Article 29.1 of the Company's Articles of Association		
4.	To re-appoint Messrs. Moores Rowland as Auditors		
	Special Business:		
5.	Ordinary Resolution - Authority to the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965		
6.	Special Resolution – Proposed Amendments to the Articles of Association of the Company		

* Strike out whichever not applicable

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

As witness *my/our hand(s) this _______ day of ____________, 2007.

____
Signature of Member / Common Seal

No. of Share held	

Notes:-

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

Affix Stamp

To:

The Company Secretaries

Ygl Convergence Berhad (649013-W)

10 China Street

10200 Penang

Malaysia

www.yglworld.com

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