YglWORLD

Ygl Convergence Berhad

(649013-W)

Annual Report 2018

CONTENTS

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifteenth (15th) Annual General Meeting of Ygl Convergence Berhad ("Ygl" or "the Company") will be held at Royale Chulan Hotel, No. 1 & 2, Pengkalan Weld, 10300 George Town, Penang on Monday, 27 May 2019 at 10.30 a.m. for the following purposes:-

As Ordinary Business:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. *(Please refer to Note 2)*

2. To approve the payment of Directors' fees of RM75,000.00 for the financial year ended 31 December 2018. **Resolution 1**

3. To renew the mandate for the payment of benefits payable to the Directors up to an amount RM20,000.00 from 28 May 2019 up to the conclusion of the next Annual General Meeting of the Company pursuant to Section 230(1)(b) of the Companies Act, 2016. **Resolution 2**

4. To re-elect the following Directors, who are retiring in accordance with Article 29.1 of the Constitution of the Company and being eligible, have offered themselves for re-election:-
   (i) Mr. Yeap Kong Chean; and **Resolution 3**
   (ii) Dr. Ch'ng Huck Khoon. **Resolution 4**

5. To re-appoint Messrs. CHENGCO PLT (formerly known as Cheng & Co) as the Company's Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 5**

As Special Business:-

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

   i) **Ordinary Resolution:-**
   Authority to issue and allot shares

   "THAT subject always to the Companies Act, 2016 ("Act"), the Constitution of the Company and approvals of the relevant governmental/regulatory authorities, if applicable, the Directors be and are hereby empowered to issue and allot shares in the Company, pursuant to the Act, 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 total number of issued share (excluding treasury shares) 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 ("AGM") of the Company, or the expiration of the period within which the next AGM is required to be held, whichever is earlier, unless such authority is revoked or varied by resolution passed by the shareholders in general meeting." **Resolution 6**

Notice of Annual General Meeting (cont'd)

6. To consider and if thought fit, to pass the following resolution with or without modification:- (cont'd)

   ii) **Special Resolution:-**
   Proposed Alteration of the whole Memorandum and Articles of Association by replacing with a new Constitution of the Company ("Proposed Alteration")

   "THAT approval be and is hereby given for the Company to revoke its existing Memorandum and Articles of Association with immediate effect and in place thereof, the proposed new Constitution as set out in Appendix A to the Company's Annual Report for the financial year ended 31 December 2018 be approved and adopted as the Company's Constitution, in substitution for, and to the exclusion of, the existing Memorandum and Articles of Association of the Company, AND THAT the Directors be authorised with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by the Listing Requirements of Bursa Malaysia Securities Berhad or any other relevant authorities and to do all such acts and things and to take such steps that are necessary to give effect to the adoption of the new Constitution of the Company." **Resolution 7**

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016 and the Company's Constitution.

By Order of the Board

THUM SOOK FUN (MIA 24701)
LOW SEOW WEI (MAICSA 7053500)
Company Secretaries

Penang
Date: 26 April 2019

Notice of Annual General Meeting (cont'd)

Notes:-

1) Information for Shareholders/Proxies

1.1 For the purpose of determining a member who shall be entitled to attend, speak and vote at this 15th Annual General Meeting ("AGM"), the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 20.3 of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 17 May 2019. Only a depositor whose name appears on the Record of Depositors as at 17 May 2019 shall be entitled to attend, speak and vote at the said meeting or appoint proxy to attend, speak and vote on his/her behalf.

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

1.3 A proxy may but need not to be a member of the Company. There shall be no restriction as to the qualification of the proxy. Any proxy or duly authorised representative appointed to vote and attend instead of a member, shall have the same right as the member to speak at the meeting.

1.4 In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

1.5 Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.

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

1.7 The instrument appointing a proxy must be deposited at the registered office of the Company at No. 35, Scotland Road, 10450 Penang, not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof.

1.8 Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), all resolutions set out in this notice will be put to vote by way of a poll.

2) Audited Financial Statements for the financial year ended 31 December 2018

This Agenda is meant for discussion only, as Section 304(1) of the Companies Act, 2016 ("Act") does not require a formal approval for the Audited Financial Statements from the shareholders. Therefore, this Agenda is not put forward for voting.

3) Payment of Directors' fees

The proposed Directors' fees of RM75,000.00 to be paid to all Directors (except for the Chief Executive Officer) for the financial year ended 31 December 2018 are based on the annual fee of RM20,000.00 for each Director.

4) Payment of benefits made payable to the Directors

Section 230(1) of the Act provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

Under Resolution 2, the benefits payable to the Executive and Non-Executive Directors pursuant to Section 230(1)(b) of the Act have been reviewed by the Board of Directors of the Company, which recognises that the benefits payable are in the best interest of the Company for the ensuing period up to the conclusion of next AGM. The benefits comprise of customary benefits such as business travel and accommodation, communication, insurance, medical coverage and other claimable benefits.

In this respect, the Board wishes to seek shareholders' approval for the benefits payable to the Directors from 28 May 2019 up to the conclusion of the next AGM.

5) Re-election of Directors

Article 29.1 of the Company's Constitution states that one-third (1/3) of the Directors shall retire from office and shall be eligible for re-election at each AGM. All Directors shall retire from office at least once in each three (3) years but shall be eligible for re-election.

In determining the eligibility of the Directors to stand for re-election at the forthcoming AGM, the Nominating Committee ("NC") has considered the following:-

(i) Evaluation on the effectiveness of the Individual Directors, the Board as a whole and all Board Committees; and
(ii) For Independent Non-Executive Directors ("INEDs") only, the level of independence demonstrated by the INEDs and their ability to act in the best interest of the Company.

In line with Practice 5.1 of the Malaysian Code on Corporate Governance 2017 ("MCCG"), the Board has conducted a separate assessment of independence of the INEDs, the evaluation criteria adopted as well as the process of assessment by the Board have been duly elaborated in the Corporate Governance Overview Statement of the Annual Report 2018 and the Corporate Governance Report ("CG Report") of the Company.

The Board approved the NC's recommendation for the retiring Directors pursuant to Article 29.1 of the Company's Constitution. All the retiring Directors have consented to their re-election and abstained from deliberation as well as decision on their own eligibility to stand for re-election at the relevant NC and Board meetings, where applicable.

6) Re-appointment of Auditors

The Board had at its meeting held on 25 February 2019 approved the recommendation by the Audit and Risk Management Committee ("ARMC") on the re-appointment of Messrs. CHENGCO PLT (formerly known as Cheng & Co) as Auditors of the Company. The Board and ARMC collectively agreed that Messrs. CHENGCO PLT (formerly known as Cheng & Co) has met the relevant criteria prescribed by Rule 15.21 of ACE Market Listing Requirements of Bursa Securities.

6) Re-appointment of Auditors (cont'd)

The ARMC have assessed the suitability and independence of the External Auditors and recommended the re-appointment of Messrs. CHENGCO PLT (formerly known as Cheng & Co) as External Auditors of the Company for the financial year ending 31 December 2019. The Board has in turn reviewed the recommendation of the ARMC and recommended the same be tabled to the shareholders for approval at the forthcoming AGM of the Company under Resolution 5. The evaluation criteria adopted as well as the process of assessment by the ARMC and Board, respectively, have been duly elaborated in the Corporate Governance Overview Statement of the Annual Report 2018 and CG Report of the Company.

7) Authority to issue and allot shares

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

The Company has been granted a general mandate by its shareholders at the last AGM held on 28 May 2018 (hereinafter referred to as the "**Previous Mandate**") and it will lapse at the conclusion of 15th AGM.

As at the date of this Notice, the Company did not implement its proposal for new allotment of shares under the Previous Mandate.

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

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

8) Proposed Alteration of the whole Memorandum and Articles of Association by replacing with a new Constitution of the Company ("Proposed Alteration")

The Special Resolution proposed under Resolution 7, if passed, will bring the new Constitution in line with the Act and ACE Market Listing Requirements of Bursa Securities as well as to provide clarity to certain provision and to render consistency throughout in order to facilitate and further enhance administrative efficiencies.

Further information on the Proposed Alteration is set out in the Appendix A to the Company's Annual Report 2018.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("AGM") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Statement Accompanying Notice of Annual General Meeting

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

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

- General Mandate for issue of securities in accordance with Rule 6.04(3) of the ACE Market Listing Requirement of Bursa Malaysia Securities Berhad

  Details of the General Mandate to issue securities in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016 are set out in Note 7 of the Notice of the 15th AGM.

Corporate Information

BOARD OF DIRECTORS

Yeap Kong Chean
Chief Executive Officer

Tan Hoay Leng
Executive Director

Dr. Ch'ng Huck Khoon
Independent Non-Executive Director

Chua Kiat Eng
Independent Non-Executive Director

Dato' Lee Wai Mun, *D.I.M.P, J.P.*
Non-Independent Non-Executive Director

COMPANY SECRETARIES
Thum Sook Fun (MIA 24701)
Low Seow Wei (MAICSA 7053500)

REGISTERED OFFICE
No. 35, Scotland Road,
10450 Penang.
Tel: 04-229 0619
Fax: 04-228 3379

SHARE REGISTRAR
Securities Services (Holdings) Sdn. Bhd.
Suite 18.05, MWE Plaza,
No. 8, Lebuh Farquhar,
10200 Georgetown, Penang.
Tel: 04-263 1966
Fax: 04-262 8544

PRINCIPAL BANKERS

Malayan Banking Berhad
Ground Floor, MWE Plaza,
No. 8, Lebuh Farquhar,
10200 Georgetown, Penang.
Tel: 04-263 6685
Fax: 04-263 6645

United Overseas Bank Malaysia Berhad
No. 9, Jalan Kelawei,
10250 Georgetown, Penang
Tel: 04-222 8799
Fax: 04-226 2382

Public Bank Berhad
No. 456, Ground & First Floor,
Jalan Datuk Keramat,
10460 Georgetown, Penang.
Tel: 04-229 2459
Fax: 04-229 1978

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

WEBSITE
www.yglworld.com

AUDITORS
CHENGCO PLT
(Formerly known as Cheng & Co)
LLP0017004-LCA & AF0886
No. 8-2 & 10-2, Jalan 2/114,
Kuchai Business Centre,
Off Jalan Klang Lama,
58200 Kuala Lumpur,
Wilayah Persekutuan.

Profile of Directors

YEAP KONG CHEAN
Chief Executive Officer
Aged 57, Male, Malaysian

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

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

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

He has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

He attended all the five (5) Board of Directors' Meetings held in the financial year ended 31 December 2018.

TAN HOAY LENG
Executive Director
Aged 52, Female, Malaysian

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

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

She commenced her career in 1991 with Coopers & Lybrand where she served for three (3) years. Madam Tan Hoay Leng was subsequently involved in public practice, providing consultation services to customers in various industries. She has vast experience in public accounting, taxation, outsourcing and human resource management.

She has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

She attended all the five (5) Board of Directors' Meetings held in the financial year ended 31 December 2018.

Profile of Directors (cont'd)

DR. CH'NG HUCK KHOON
Independent
Non-Executive Director
Aged 50, Male, Malaysian

Dr. Ch'ng Huck Khoon was appointed to the Board on 28 February 2012. He is the Chairman the Audit and Risk Management Committee of the Company. He is also a member of the Nominating Committee and Remuneration Committee of the Company.

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

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

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

He has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

He attended all the five (5) Board of Directors' Meetings held in the financial year ended 31 December 2018.

CHUA KIAT ENG
Independent
Non-Executive Director
Aged 55, Male, Malaysian

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

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

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

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

He has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

He attended all the five (5) Board of Directors' Meetings held in the financial year ended 31 December 2018.

Profile of Directors (cont'd)

DATO' LEE WAI MUN,
D.I.M.P., J.P.
Non-Independent
Non-Executive Director
Aged 46, Male, Malaysian

Dato' Lee Wai Mun, D.I.M.P., J.P. was appointed to the Board on 20 April 2018. He is also a member of the Audit and Risk Management Committee, Nominating Committee and Remuneration Committee of the Company.

He graduated with an Advanced Diploma, Business Administration from ATC College in year 1992. He has been active in pursuing CEO courses on Investment Strategy for Emerging Markets and Innovative Products "清华大学战略性新兴产业投资董事长高级研修班" from School of Continuing Education, Tsinghua University, one of the oldest technical universities in China.

Dato' Lee has been the Chief Executive Officer of Edubest Group of Companies since November 2005. He is also a Director and Chief Executive Officer of Ygl iBay International Group of Companies. He has twenty seven years (27) of experience as a businessman with diverse expertise in mining, construction, property development and trading.

He is instrumental in the marketing of Malaysian iron ores to China based steel manufacturers. Dato' Lee is an active member of the Pahang Iron ore Association and the Malaysian Chamber of Mines.

Dato' Lee was awarded the title of Dato' by Sultan of Pahang in year 2013. In year 2017, he was appointed as Jaksa Pendamai (J.P.) by the Sultan of Kelantan.

He has no conflict of interest with the Group and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

He attended all the three (3) Board of Directors' Meetings held in the financial year ended 31 December 2018 since his appointment to the Board on 20 April 2018.

i. Family Relationships with Director and/or Major Shareholders

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

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

ii. Directors' Shareholdings

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

Profile of Key Senior Management

YONG CHENG YEW
Senior R&D Manager
Aged 41, Male, Malaysian

Yong Cheng Yew joined the Company as Senior Developer Manager on 20 June 2011. He graduated from University of Queensland with a Bachelor's Degree in Computer Science / Information Technology in year 2002.

He started his career with Mightysoft System Sdn Bhd in 2002 where he spent 3 years as Programmer. He spent another 3 years in Platronix Sdn Bhd as Enterprise resource Planning ("ERP") consultant. His responsibilities included handling customer implementation and technical issues. He was also responsible for analysis of customers' requirements, creating system documents, design, software development and implementing solutions to meet system specifications.

When he joined the Company in 2011 as Senior Developer Manager, he started developing Ygl ERP system, managing resource allocation and management to ensure delivery of quality software on time. He assumed the role of Senior R&D Manager in 2015 and he has been overseeing the development of ERP solutions and ePortal.

He has no family relationship with other directors and/or major shareholders of the Company, nor any conflict of interest with the Company. He does not hold any directorships in public companies and public listed companies. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

YEAP KAH PHAIK
Project Manager
Aged 54, Female, Malaysian

Yeap Kah Phaik joined the Company as Project Manager on 15 January 2015. She graduated from University of New England with a Bachelor of Finance degree in 1989.

She started her career as an auditor in accounting firms. She had been working in Flextronics Sdn Bhd as Manager in charge of Business Process Improvement, System Support and Conversion for fifteen (15) years. The projects she was involved in included implementing enterprise solution in SAP, BAAN, OutlookSoft etc. She also acquired a number of years of experience in Multi-National Company ('MNC') as system administrator and project implementor.

When she joined the Company in 2015, she was able to immediately take on the role of Project Manager for ERP systems. Her MNC and accounting background has supported her well in successfully implemented Ygl E-Manufacturing solution for various customers from manufacturers to charitable organization to property developer.

She is the sister of Mr. Yeap Kong Chean, Director and major shareholder of the Company. She is also the sister of Mr. Yeap Kong Tai (deceased), a major shareholder of the Company. She is the sister in law of Madam Tan Hoay Leng, Executive Director of the Company.

She holds 1 million ordinary shares in the Company which is 0.43% shareholding. She does not hold any directorships in public companies and public listed companies. She has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

Profile of Key Senior Management (cont'd)

LEONG VAI LONG
General Manager
Aged 49, Male, Malaysian

Leong Vai Long joined the Company as General Manager on 1 September 2008. He graduated from EU Institute College with a Diploma in Accounting in 1989.

He started his career with Genting Group in 1989 where he spent 3 years as Finance Executive. In Genting Group, he was in charge of Awana Golf and Country Club accounts and membership billings.

He joined Kuala Lumpur Golf and Country Club Berhad ("KLGCC") in 1992 where he spent another 3 years as Membership & Finance Executive. During his tenure with KLGCC, he was part of the pre-opening team involving in setting up of standard operating procedures for after sales services for membership, club accounts and application of the club operation prospectus. At the same time, he handled back end accounting which was linked to front end operation.

With his 6 years' experience in hospitality industry, he moved up to become the Financial Controller of Berjaya Golf Resort Berhad for another 3 years. In addition to overseeing the financial aspects, he helped the said golf resort to set up the entire club operation system.

He later joined Bukit Unggul Golf and Country Club as Finance Manager from 1997 to 2003. His tasks include handling the finance and accounts for the hospitality division and its travel and tour side.

During 2003 to 2007 while he was with MK Land Holdings Berhad as PA to the Chairman, he further gained immense knowledge about the business flow of the hospitality and property industry.

When he joined the Company in 2008, his domain knowledge in wide array of hospitality industry contributed in helping the Company to develop its hospitality software for the hotels, timeshare facilities and clubs.

He has no family relationship with other directors and/or major shareholders of the Company, nor any conflict of interest with the Company. He does not hold any directorships in public companies and public listed companies. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

Profile of Key Senior Management (cont'd)

HO SOO WEE
Group Marketing Manager
Aged 51, Male, Malaysian

Ho Soo Wee joined the Company as Assistant Marketing Executive on 2 February 2006. He graduated with a Bachelor in Computer Studies from Edith Cowan University, Western Australia in year 1991. He further obtained his Master of Business Administration in 1995 from University of Portsmouth, UK.

His first job was with B.Braun Medical Industries Sdn Bhd from 1991 to 1994 where he began as an Assistant System Engineer and was later promoted to System Engineer and Analyst Programmer. His responsibilities included overseeing and maintenance of system security, network connectivity and integration. He also prepared manual for network structure, hardware/software configuration and recovery plan.

He made a career move to the financial market in 1995 by joining Thong & Kay Hian Securities Sdn Bhd, a prestigious stockbroking firm, as a dealer's representative trading in equities and options. After Thong & Kay Hian Securities Sdn Bhd was acquired by Hwang-DBS Securities Berhad in year 2004, he stayed on until 2006.

He became the Group Marketing Manager on 1 October 2006 and took on the task of setting up Ygl own marketing department by planning and implementing marketing strategies in alignment with the Company's brand objectives. He gained good experience working with public relation companies to launch investor relation events and establish rapport with members of the media and customers.

With his background and experience, he has contributed to managerial meeting. He is currently the leader for Corporate Social Responsibility activities of the Company. Through which he empowers people to expand their limits, increase their commitment and focus on achieving a united organisational goal.

He has no family relationship with other directors and/or major shareholders of the Company, nor any conflict of interest with the Company. He does not hold any directorships in public companies and public listed companies. He has no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years other than traffic offences and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

Chief Executive Officer's Statement, Management Discussion & Analysis

On behalf of the Board of Directors and the management team of Ygl Convergence Berhad ("Ygl"), I would like to present the Annual Report and Financial Statements of the Company and Group for the financial year ended 31 December 2018 ("FYE2018").

The wave of Industry 4.0 is sweeping across Malaysia now and it is time that the small and medium sized enterprises (SMEs) in the manufacturing sector seriously pursue the incentives provided by the government to help them to adopt Industry 4.0 technology. Local SMEs are already lagging in Industry 4.0 readiness and our enterprise resource planning ("ERP") solution is well poised to help them to kick start their drive to Industry 4.0.

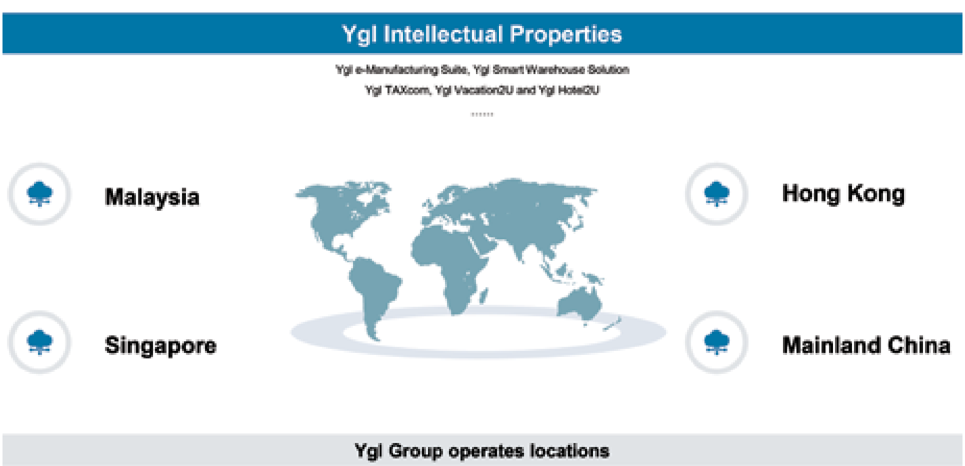
We are putting our Ygl E-Manufacturing Solution on "cloud" to enable a wider market of SMEs access to affordable ERP solution to "autonomate" their manufacturing processes. ERP solution forms the core to which before any Industry 4.0 initiative can be undertaken.

The expediency and versatility of internet portal created a niche itself. Ygl anticipates that with the increasing number of businesses transacting on cloud, Ygl's industry specific internet portals serve as powerful tool to integrate all the stakeholders within the portal and enable them to transact with ease.

We faced some challenges in the year 2018 amidst uncertain local political and economy climate, further aggravated by the trade war between the United States of America and China which persisted till now. There were delay and cut down of local projects as well as certain semi-government projects overseas and our bottomline was hit whereas our direct workforce locally and overseas were necessarily maintained.

Overview of Group's Business and Operations

Ygl owns the intellectual properties for its product line comprising Ygl e-Manufacturing Suite, Ygl Smart Warehouse Solution, Ygl TAXcom, Ygl Vacation2U and Ygl Hotel2U. These products cater for businesses in the manufacturing, large wholesale & distribution, taxation, vacation clubs and hotel industries respectively.



Chief Executive Officer's Statement, Management Discussion & Analysis (cont'd)

Currently Ygl Group operates from 3 locations in Malaysia and other Asian countries namely Singapore, Hong Kong and Mainland China. As of to date, Ygl Propriety software has been used by customers in 7 countries namely Malaysia, Singapore, Australia, India, Mauritius China and the Philippines.

On 6 March 2019, the Company incorporated a new 80% owned subsidiary, namely NS Infotech Sdn Bhd ("NS Infotech"). We intend to create new revenue stream by extending our domain knowledge to a wider market segment in line with our product and service offerings.

Financial Performance Review

Ygl Group recorded a revenue of RM3.430 million for the FYE2018, representing a decrease of 36.9% as compared with the revenue of RM5.440 million for the financial year ended 31 December 2017 ("FYE2017"). Net loss attributable to ordinary equity holders of the parent was RM2.289 million as compared to RM0.329 million in FYE2017. The decrease in revenue was due to uncertainty in the economy both pre and post 14th General Election in May 2018 where the Goods and Services Tax regime was abolished and new Sales and Services Tax were introduced in a haste. Many business enterprises hold back their investment in software system. The net loss position was due to the lower revenue recorded during the year while direct overheads were maintained.

Net loss per share for the FYE2018 was 0.98 sen as compared to 0.14 sen for the FYE2017.

Research and Development ("R&D")

For the financial year 2018, Ygl Group invested of RM2.049 million in the R&D of Ygl's proprietary products, of which RM0.602 million was technology transferred from Hong Kong subsidiary. The R&D's expenditure was consistent with RM1.317 million incurred in the FYE2017. Innovation and keeping in tandem with technology changes are key to our R&D activities so as to ensure that Ygl products are in line with the market demand.

Strategies and Initiatives

Internally Ygl is aligning the management and teams to our corporate vision and values. We want to build a sustainable business with responsible practices and at the same time being a profitable organisation. There is a need for us to stay focus on our core competency, review our revenue model and at the same time expand on a wider market segment.

We shall engage with our employees at all levels by continuing to organise meaningful community activities as we believe positive values will translate into good results for the Group.

Externally there are a number of initiatives involving Industry 4.0 objectives including collaborations between Ygl and Penang Skills Development Centre ("PSDC"), Collaborative Research in Engineering, Science and Technology ("CREST") and Knowledgecom Corporation Sdn Bhd ("KCom"). Ygl is the Industry 4.0 ERP solution representative speaker for Ministry of International Trade and Industry ("MITI"), Malaysia External Trade Development Corporation ("MATRADE") and Malaysia Productivity Centre ("MPC"). Ygl is collaborating with other Industry 4.0 related providers to enable the SMEs manufacturers in Malaysia to embark on Industry 4.0 journey.

Chief Executive Officer's Statement, Management Discussion & Analysis (cont'd)

The Company incorporated a new subsidiary, namely NS Infotech Sdn Bhd ("NS Infotech") in March 2019, with the aim of creating new revenue stream for our product line and tap into new market segment.

Future and Prospects of YGL Group

Going forward, our challenges persist due to weak economic outlook and subdued business spending but we expect demand for Industry 4.0 enabled ERP solution from the local manufacturers will rise in line with the matching grant of RM245 million under the Domestic Investment Strategic Fund and the RM2 billion soft loan for automation and modernisation under the Business Loan Guarantee Scheme provided by the Malaysian government.

We also expect the demand for internet portal by certain industry to rise as businesses need to operate under digital world to synergise all the stakeholders from different discipline and geographical areas in the future. It is the aspiration of Ygl to become the world exporter of software solution to the rest of the world from Malaysia.

Appreciation

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

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

The Board would like to welcome aboard our new Non-Independent Non-Executive Director, Dato' Lee Wai Mun, D.I.M.P., J.P. us who joined us on 20 April 2018. Dato' Lee is also a member of Audit and Risk Management Committee, Nominating Committee and Remuneration Committee. We look forward to his contribution to Ygl Group.

Yeap Kong Chean
Chief Executive Officer

Date: 8 April 2019

Sustainability Statement

This Sustainability Statement describes the Group's commitment towards improving its sustainability practices while taking into consideration the concerns of the stakeholders. The Group, by having a sustainability focus, aims to manage its economic, environmental and social risks to play a responsible role in the local economy, preserve natural resources and contribute to social wellbeing.

Our approach to sustainability

Governance structure

The Audit and Risk Management Committee ("ARMC") oversees the overall sustainability initiatives of the Group and reports to the Board of Directors ("Board"). The responsibilities of managing day to day operations based on good social and ethical practices are delegated to the key management. Selective initiatives with local impact are chosen yearly which reflects the Group's values.

Core values

Our approach to sustainability is built on the Group's core values of commitment to our responsibilities, integrity in honouring our duties and contributing to mankind and society. It is the aim of the Group to instil these values in our employees through our work and purposeful corporate social responsibility ("CSR") activities.

Engaging stakeholders

The Group identified sustainability related issues by taking into account the expectations and interests of internal and external stakeholders groups which may directly or indirectly impact on the Group's business as below:

Stakeholders	Concerns	Engagement approach
Customers	• Product deliverables • Service and support quality	• Customers' feedback • Support website • Uphold confidentiality
Employees	• Employee compensation, benefits and welfare • Employee health and safety • Self and career development • Employee performance, standard of procedures, code of conduct	• Review of remuneration package • Open internal communication channel • Performance assessment and training • Sporting activities
Investors	• Business strategy and governance • Group financial performance • Use of company resources	• Annual General Meeting ("AGM") • Quarterly reporting of financial results • Annual reports
Suppliers	• Pricing and quality of services • Information security	• Vetting of suppliers • Restricted access
Statutory and Regulatory bodies	• Non-compliance with regulatory requirements	• Relevant laws and regulations • Guidelines and standards • Warning letters or feedback from respective regulatory bodies
Communities	• Community service activities • Aids and support	• Social contribution • Employee engagement in charitable activities

Sustainability initiatives

Workplace

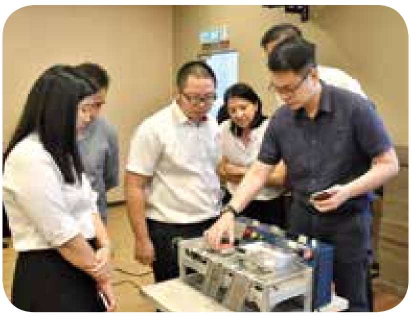
1. Being a leader in the software industry, Ygl understands how the information and communication technology ("ICT") will shape the future of the world. It is important that the younger generation of Malaysia keep abreast with the advancement of technology. During the year 2018, Ygl engaged with Universiti Utara Malaysia in a joint effort to empower undergraduates in the field of accounting and business to embrace information technology system. Ygl provided its enterprise resource planning ("ERP") solution for the relevant faculty so that the undergraduates obtain understanding and knowledge outside textbooks.

2. For undergraduates in the field of computing, Ygl provided internship programme for them to learn coding under actual business requirements. Our team of programmers were keen to coach these young talents.

3. Employees are the biggest assets of the Group to power the long term growth of the business. The key management and first level leaders from different divisions including Hong Kong's staff were ushered to personal development and leadership workshops under the philosophy created by Kazuo Inamori, the founder of Kyocera Corporation, Japan.
4. The Management places importance in creating a comfortable and happy working environment for the employees where they can think creatively and work productively.
5. Our "Circle of Love" coin box and coffee through which our employees show their loving thoughts daily contributed to a donation to the Pure Lotus Hospice of Compassion.

Marketplace

1. Ygl is gearing towards creating a pathway with Universiti Utara Malaysia for business organisations and professionals to strengthen their IT departments and skills by acquiring training and certification from the university.



2. With the spread of Industry 4.0 to all aspects of modern world, Ygl is collaborating with various agencies to provide a platform to the small and medium sized enterprises ("SMEs") in the manufacturing sector who are struggling to adopt Industry 4.0 technology with its manufacturing solutions.

Community

1. Currently Ygl's Case Management cum-Tracking Facility ("CMTF") solution has automated the workflow of Hong Kong Social Welfare Department for Licensing of the Residential Care Elderly Homes through business intelligence. This project was a Bronze Award winner of the prestigious Hong Kong Best Public Service Application.

2. There is a plan to expand Ygl's "Empowering the Students through Education" programme after the initial support channelled through Bodhi Meditation Charity Fund. This programme supports the under privileged students to continue higher education to the Universiti Tunku Abdul Rahman ("UTAR").

Environment

1. The Drainage Services Department (DSD) of Hong Kong is using Ygl's Laboratory Information Management System ("LIMS") to manage test sample information of 69 sewerage plants in Hong Kong.

2. Corporate lunches organised by Ygl in the year 2018 had been vegetarian meals. There was a promotion "Monday Green" where employees were encouraged to be vegetarian every Monday.

3. Ygl's office recyclable waste has been sent to Buddhist Tzu Chi Merits Society where proceeds collected from recycled items are raised for its haemodialysis unit.

   Moving forward, the Group will continue to revise and improve its approach towards sustainability. The Group will work on a more structured and cohesive methodology to be adopted by all subsidiaries within the Group.

Corporate Social Responsibility

At Ygl, we are learning as a team towards our value of contributing to the community and empowering people through embracing education including information technology. We are committed to integrate corporate responsibility programmes into our business by encouraging our staff to participate in our CSR activities to get in touch with their own values as well as reach out to others.

We based our CSR programmes on the cornerstone of Workplace, Marketplace, and Community Development but we still need guidance in Environment preservation.

WORKPLACE

Bowling Competition

We were able to contribute to a good cause through our participation fee and our staff could "sweat it out" in sports.

Competing at the Greentech Charity Bowling Tournament 2018 at Ole-ole Superbowl, Mydin Bukit Mertajam, Penang on 10 November 2018. Ygl came in the 4th place.

"1013 Campaign – One Person, One Good Deed" Fund Raising Event

With the support of Buddhist Tzu Chi Merits Society Penang, Ygl launched the "1013 Campaign - Everyone Transpires Loving Heart". The employees of Ygl regardless of race and religion, opened their hearts to donate for a good deed on 24 October 2018.

Corporate Social Responsibility Statement (cont'd)

Going out of the office on 1013 Campaign donation drive.

Corporate Training

In our effort to make Ygl a better organisation, we relentlessly learnt from other organisations by having corporate visits, exchange of ideas and discussion.

13th Dec 2018 – Class of CTP4 visited Ygl Corporate Office and learnt ways to "Transform the Company into a Learning Organisation".

MARKETPLACE

Penang Skills Development Centre ("PSDC") INDUSTRY 4.0 Week

Ygl participated in the "PSDC INDUSTRY 4.0 Week" event on 13 & 14 November 2018. The event which was themed 'Start Small, Win Big' focused on the success stories of local industries and small and medium sized enterprises ("SMEs"). On the other hand, this event also addressed the major concerns and setbacks faced by SMEs in embarking on Industry 4.0 journey, and provided insights of the Industry 4.0 technologies and solutions available.

On-site demonstration of the connectivity between machine and ERP solution via Cloud computing.

Talk on INDUSTRY 4.0 at Joint Event with Telekom Malaysia ("TM")

On 4 December 2018, our CEO gave talk on Industry 4.0 highlighting "Machine & ERP, Connectivity via Cloud". A live demonstration was also given to prove the concept.

COMMUNITY

As Enterprise Resource Planning ("ERP") solution provider, Ygl would like to provide the students at varsity level to acquire hand-on ERP experience besides textbook knowledge so Ygl worked with a local university to start off this initiative.

Structured ERP Training Course at Universiti Utara Malaysia ("UUM")

On 23 to 26 January 2018, Ygl's consultants gave a structured ERP training course to BOC lecturers of Tunku Puteri Intan Safinaz School of Accountancy, College of Business, Universiti Utara Malaysia (TISSA-UUM) using Ygl E Corporate Suite ERP system. The 4-day course was split into Sales, Purchasing, Inventory, Manufacturing and Finance modules as the course would be extended to the students as part of the Curriculum later.

Ygl Taxcom Solution as Part of Curriculum

Ygl Taxcom Solution has been a part of the curriculum of UUM's tax faculty so that the students gain an understanding of how actual tax computation is prepared in a system.

Visit by Students from UUM to a German Factory which is using Ygl E-Corporate Suite System

A visit to a German factory which is running on Ygl ERP system was arranged on 27 March 2018 for a group of postgraduate and undergraduate final year students from TISSA-UUM. The purpose of the visit was to let the students understand how ERP worked in real business setting and obtain direct information about business process management through ERP.

Eye opening experience at a manufacturer.

New Crop of Business School Professors

Ygl was identified as one of TISSA-UUM's representatives through corporate link with various industries during an international accreditation peer review process on 24 April 2018.

Corporate Social Responsibility Statement (cont'd)

Ygl was invited by TISSA-UUM as a guest speaker for The International Conference on Accounting Studies (ICAS) 2018 on 16 and 17 October 2018. The theme for the conference was "The Fourth Industrial Revolution and the Future of Accounting".

Ygl is humbled to be working with a new crop of business school professors who are moving beyond books and lectures and taking a hands-on approach to getting the students to better understand their studies and prepare for work upon graduation.

MOU Between TISSA-UUM and YGL to Enrich Accounting Technology Skills

The signing of the Memorandum of Understanding ("MoU") on 19 December 2018 between TISSA-UUM and Ygl set a platform for the students to expand their accounting knowledge through use of ERP software; the school's effort into digital application of accounting in line with Industry 4.0, academic and curriculum content review; while Ygl gained through promotion of its software, certification of programmes and academic input.

Signing of MoU between Professor Dr. Ayoib, representing TISSA-UUM and Ygl represented by its Executive Director.

Corporate Social Responsibility Statement (cont'd)

Supporting Under Privileged Students at Universiti Tunku Abdul Rahman ("UTAR")

We knew that education would empower the younger generation to take charge of themselves and contribute to the society in the future. We were grateful to have the opportunity to support under privileged students at UTAR to continue their studies through fund raising organised by Bodhi Meditation Charity Fund.

Audit and Risk Management Committee Report

The Board is pleased to present the Audit and Risk Management Committee ("ARMC") Report for the financial year ended 31 December 2018 ("FYE2018"). The Audit Committee which has been assisting the Board in amongst others, overseeing the Group's risk management was renamed as the Audit and Risk Management Committee on August 2018.

The present composition of the ARMC is as follows:-

Chairman - Dr. Ch'ng Huck Khoon *(Independent Non-Executive Director)*

Members - i) Chua Kiat Eng *(Independent Non-Executive Director)*

ii) Dato' Lee Wai Mun, *D.I.M.P., J.P. (Non-Independent Non-Executive Director)* (appointed on 20 April 2018)

The Company has fulfilled the requirements of Rule 15.09 of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") with regard to the composition of the ARMC for FYE2018. Mr Chua Kiat Eng is a member of the Malaysian Institute of Accountants.

The Nominating Committee ("NC") has reviewed the terms of office of the ARMC and assessed their performance for FYE2018. The NC is satisfied that the ARMC and its members had discharged their functions, duties and responsibilities in accordance with the Terms of Reference of the ARMC in supporting the Board to ensure that Ygl Group upholds appropriate Corporate Governance standards.

MEETINGS

The ARMC has held five (5) ARMC meetings during the FYE2018 with full attendance. The details of attendance of the ARMC members are as follows:-

Directors	No. of Meetings Attended	Total No. of Meetings held during tenure of office	%
Dr. Ch'ng Huck Khoon	5	5	100
Chua Kiat Eng	5	5	100
Dato' Lee Wai Mun, *D.I.M.P.,J.P.*	3	3	100

The ARMC meets quarterly and as when required. The dates of the quarterly meetings are preset prior to FYE2018. For all meetings, the notice and agenda together with the papers and relevant reports are distributed to members prior to each meeting to enable members to prepare for the meeting.

The Chairman of ARMC verbally briefs the Board on the proceedings of the ARMC meeting at the Board meetings held subsequently to the ARMC meetings.

The Chief Executive Officer and Executive Director are invited to attend the ARMC meetings. The external auditors are also invited to attend ARMC meetings to present their plan, audit findings and to assist the ARMC in its review of the year-end financial statements. The representatives of the internal auditors were invited to the ARMC meetings to table the Internal Audit ("IA") reports covered under the approved IA plan for FYE2018.

Audit and Risk Management Committee Report (cont'd)

MEETINGS (cont'd)

If a member of the ARMC 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. The Company Secretaries are also the Secretaries of the ARMC. Minutes of each ARMC meeting were recorded and tabled for confirmation at the following ARMC meeting.

AUTHORITY AND DUTIES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The ARMC is governed by its Terms of Reference, which is available on the Company's website at www.yglworld.com

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The ARMC carried out the following activities during the FYE2018:-

1. **Financial Reporting**

   - Reviewed the annual audited financial statements of the Company and the Group for FYE2017 prior to submission to the Board of Directors for consideration and approval at its meeting on 2 April 2018. The annual audited financial statements for FYE2018 were reviewed by the ARMC on 8 April 2019. The Board had, based on the ARMC's recommendation, approved and adopted the audited financial statements for FYE2018 and will accordingly table the said financial statements to the shareholders at its forthcoming Annual General Meeting.

   - Reviewed the quarterly financial reports which were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and Appendix 9B of the Listing Requirement at its meeting held on 26 February 2018, 28 May 2018, 20 August 2018 and 27 November 2018 before recommending the same for the Board's approval.

   - Reviewed the ARMC report and Statement on Risk Management and Internal Control for inclusion in the Annual Report.

2. **External Audit**

   - Reviewed with the external auditors, FYE2018 audit planning memorandum, audit approach and reporting requirements at its meeting held on 27 November 2018 prior to the commencement of audit work.

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

   - Met with the external auditors without the presence of Management on 28 May 2018 and 27 November 2018 in order to provide the external auditors an avenue to candidly express any concerns they may have, including those relating to their ability to perform their work without interference.

   - Reviewed and recommended the re-appointment of the external auditors on 2 April 2018 prior to submission to the Board and shareholders for considerations.

3. Internal Audit

- Reviewed and approved the IA plan for the FYE2018 to ensure adequate scope and coverage of the Group's activities based on identified and assessed key risk areas.

- Reviewed the IA reports prepared by the internal auditors on the strengths and weaknesses of the internal controls in the Group and the Company and followed up on the improvements recommended by the internal auditors. During the ARMC meeting, discussed significant reported matters with Management together with the internal auditors to reaffirm a common understanding of the issues and Management's commitment to improve.

4. Risk Review

- Reviewed and recommended to the Board for approval, the steps to improve the Company's internal control systems derived from the findings of the internal and external auditors.

5. Related Party Transactions

- Reviewed the related party transactions of a recurring nature, if any which was reported quarterly and to ensure that the related party transactions were carried out on normal commercial terms and not prejudicial to the interests of the Group or its minority shareholders.

INTERNAL AUDIT FUNCTION

The Group has outsourced the IA functions to Messrs. Tan & Loh and during FYE2018, they have conducted two IA reviews relating to the implementation of internal controls by the Group and the Company and provide reasonable assurance that the operations of the business were carried out under adequate internal controls and compliance with company policies and operational procedures. The internal control weaknesses identified were reported to the ARMC and the Management was required to undertake adequate measures to address the operational weaknesses.

The activities carried out by the IA team include:-

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

The total cost incurred by the Group for the IA functions in respect of FYE2018 amounted to approximately RM10,406.

This Statement is made in accordance with the resolution of the Board of Directors dated 8 April 2019.

Corporate Governance Overview Statement

The Board of Directors ("Board") of Ygl Convergence Berhad (the "Company") presents this Statement to provide shareholders and investors with an overview of the corporate governance ("CG") practices of the Company under the stewardship of the Board during the financial year 2018 ("FYE2018") to be in line with the Company's Constitution, Malaysian Code on Corporate Governance 2017 ("MCCG"), where possible, and the applicable laws to be a dynamic framework within which the Company would conduct its business.

This Statement is to be read in conjunction with the CG Report 2018 of the Company during the FYE2018. The CG Report details the application of each Practice as set out in the MCCG, which is accessible online at www.yglworld.com.

The objective of this overview is to compare the CG practices in the Company and the standards as set out in MCCG. Review of internal CG practices revolves around the key focus areas prescribed in MCCG.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is always aware of its responsibilities to the Company in charting future corporate direction, creating long term value, achieving sustainable growth, discharging its social responsibilities, safeguarding the interests of its shareholders and stakeholders in addition to optimizing the Group's resources.

Besides determining the strategic objectives and policies of the Company to deliver long term value and sustainable success, the Board leads the Group and plays a vital overseeing and monitoring role over the activities and performance of the Management in promoting long term growth and achieving short term corporate objectives.

The position of Chairman has been vacant as the Board is still looking for a high caliber character to assume the oversight role. The Board deals with the Chief Executive Officer ("CEO") whose focus is on day-to-day operation of the business. Corporate decisions are made collectively by the Board.

The Board should model the way of high CG practices by focusing on strategy, governance and compliance. During the year 2018, the Independent and Non-Independent Non-Executive Directors ("NEDs") had always been informed of the progress and status of the Company. The NEDs could have their own sessions to discuss with the Company Secretaries, internal and external auditors or any relevant persons and to form their opinion to present to the Board on the whole. Their input on any matters was taken seriously by the Board who would commission any actions to address any issues raised.

There is clear division of responsibilities between the Executive Directors and NEDs of the Board. The Executive Directors are responsible for the implementation of the Board's decisions and policies, overseeing of day-to-day management and coordination of business and strategic decisions. The Independent and Non-Independent NEDs play a significant role in bringing objectivity and scrutiny to the Board's deliberations and decision making.

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

In addition to statutory and fiduciary duties, the Board leads in decision making and retains ultimate control in determining of the Group's strategies and policies over business directions and development.

The principal focus of the Board includes the following:
- steering business directions;
- reviewing and adopting strategic plans for the Group;
- overseeing the Group's business operations and financial performance;
- approval of annual and quarterly results, budgets and long term business plans;
- identifying major risks and the implementation of appropriate risk management and mitigation measures;
- reviewing the adequacy and integrity of the Group's internal control system;
- reviewing action plans implemented by the Management to achieve targets; and
- ensuring compliance with applicable laws, rules and regulations.

There were five (5) Board of Directors Meeting held during FYE2018 with full attendance.

The Board has entrusted the Nominating Committee ("NC") with the responsibility to give full consideration to succession planning for Directors in the course of its works, taking into account the challenges and opportunities facing by the Company and what skills and expertise are therefore needed on the Board in the future. The Board has also entrusted the Executive Directors with the responsibility to review candidates and compensation packages for key management positions.

Directors' Training

The training programmes, conferences and forums attended by the existing Directors during the financial year under review among others, were as follows:-

Yeap Kong Chean

Title of Seminar/Workshop/Courses	Mode of Training	No. of Hours/ Days Spent
National Tax Conference 2018	Seminar	16 hours
Corporate Transformation Program	Workshop	10 days
Seminar Percukaian Kebangsaan 2018	Seminar	10 hours

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

Directors' Training (cont'd)

Tan Hoay Leng

Title of Seminar/Workshop/Courses	Mode of Training	No. of Hours/ Days Spent
GST After 1 June 2018: Transitional Issues	Seminar	4 hours
Corporate Transformation Program	Workshop	10 days
Introduction to Malaysian Business Reporting System (MBRS)	Workshop	16 hours
National Sales & Services Tax (SST) Course 2018	Workshop	8 hours
Seminar Percukaian Kebangsaan 2018	Seminar	10 hours
Critical Issues in Preparing for Transition from FRS to MFRS – A Practical Guide for Transitioning Entities	Seminar	8 hours
2019 Budget Seminar	Seminar	8 hours

Dr. Ch'ng Huck Khoon

Title of Seminar/Workshop/Courses	Mode of Training	No. of Hours/ Days Spent
Strategising Equity Portfolio for 2H of 2018	Seminar	8 hours
Creating An Ethical Framework for the Financial Sevices Industry	Seminar	8 hours

Chua Kiat Eng

Title of Seminar/Workshop/Courses	Mode of Training	No. of Hours/ Days Spent
Sales and Services Tax	Seminar	10 hours
Occupational Safety & Health Coordination for SMI	Seminar	8 hours
Quality documentation	Seminar	2 hours
Roadmap to Capital Market	Seminar	4 hours
Digital Economy & Capital Market: FINTECH, AI, Big Data, 10T	Seminar	8 hours
2019 Budget & its impact on Capital Market	Seminar	8 hours

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

Directors' Training (cont'd)

Dato' Lee Wai Mun, *D.I.M.P., J.P.*

Title of Seminar/Workshop/Courses	Mode of Training	No. of Hours/ Days Spent
"清华大学战略性新生产投资董事长高级研修班" Tsinghua University Capital Strategy, Investment and Financing Innovation Advanced Seminar	Classroom	25 days

Board Charter

The Board has adopted a charter to provide the terms of reference for its members in relation to their roles and responsibilities, division of responsibilities among the Board as a whole, the individual Executive, Independent and Non-Independent Non-Executive Directors. The Board Charter is subject to review periodically so as to ensure alignment of the Board's strategic commitment with the relevant principles of corporate governance. The Board Charter is available on the Company's website at www.yglworld.com.

Code of Conduct

The Code of Conduct and Ethics for Directors defines the mindset and behaviour which are desirable of Directors to ensure that good standard of behaviour throughout the Company and prevention of misconduct and unethical conduct.

The details of the Code of Ethics and Conduct are available for reference on the Company's website at www.yglworld.com.

Whistleblowing Policy

Currently the Company does not have any whistleblower policy for its Directors and employees due to the relatively small size of the Board and small number of employees. Nevertheless the Board is aware that a whistleblower policy will protect the interests of the Company.

Qualified and Competent Secretaries

The Company Secretaries are suitably qualified, well experienced, competent and able to support the Board in carrying out its roles and responsibilities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

Qualified and Competent Secretaries (cont'd)

The brief profile of the existing Company Secretaries are as follows:-

Ms. Thum Sook Fun, FCIS, C.A. (M), FCCA
Ms. Thum is a Company Secretary by profession. Ms. Thum has been elected as a Fellow member of the Malaysian Association of the Institute of Chartered Secretaries and Administrators ("MAICSA") and also a Fellow member of the Association of Chartered Certified Accountants ("ACCA"). She is also a member of Malaysian Institute of Accountants ("MIA"). She has more than twenty years of professional experience in the field of corporate secretarial with working knowledge of many industries. Ms. Thum is also the named company secretary for a number of public listed companies and private limited companies.

Ms. Thum has been appointed as Company Secretary of the Company since 14 July 2005.

Ms. Low Seow Wei, ACIS
Ms. Low is a Company Secretary by profession. Ms. Low has been elected as an Associate member of MAICSA. She has more than fifteen years' experience in the Corporate Secretarial practice. Ms. Low is also the named company secretary for a number of public listed companies and private limited companies.

Ms. Low has been appointed as Company Secretary of the Company with effect from 26 February 2018.

In performing their duties, the Company Secretaries carry out, amongst others, the following tasks:-

- Statutory duties as required under the Companies Act 2016, Listing Requirements of the Bursa Securities, Capital Market and Services Act, 2007;
- Facilitating and attending Board Meetings and Board Committee Meetings, respectively;
- Facilitating and attending the General Meeting(s);
- Ensuring that Board Meetings and Board Committee Meetings respectively are properly convened and the proceedings are properly recorded;
- Ensuring timely communication of the Board level decisions to the Management for further action;
- Ensuring that all appointments to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations;
- Maintaining records for the purpose of meeting statutory obligations of applicable jurisdictions;
- Facilitating the provision of information as may be requested by the Directors from time to time in a timely manner and ensuring adherence to Board policies and procedures;
- Facilitating the conduct of the assessments to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committee's notation;
- Assisting the Company on the lodgements of documents with relevant statutory and regulatory bodies
- Assisting the Board with the preparation of announcements for release to Bursa Securities and Securities Commission Malaysia; and
- Rendering advice and support to the Board and Management.

The Board is updated and kept informed by the Company Secretaries of requirements such as updates on the latest developments in legislations and regulatory framework affecting the Group. All members of the Board, whether as a whole or in their individual capacity, have access to the advice and services of the Company Secretaries on all matters relating to the Group to assist them in the furtherance of their duties.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

Access to information and advice

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

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

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

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

At the meetings, the Board reviewed the Group's financial performance, business operations, report of the committees and relevant matters.

In the event any Director is unable to physically attend the board meetings, the Company's Constitution allows for such meeting to be conducted via video conference, telephone or any other form of electronic communication.

II. Board Composition

During the year 2018, the Board consists of five (5) Directors, comprising two (2) Executive Directors, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. Even though collectively the composition equipped the Board with a mix of industry-specific knowledge and broad business, financial, regulatory and technical experience, it was not a truly diverse Board in terms of age, ethnicity, thoughts and perspective. As the Company operates in the highly evolving information technology sector, the thoughts and perspective of a younger generation may provide the Company with a boost of new concepts and approach. The woman representation on the Board is 20% with one woman Executive Director. A brief profile of each Director is set out in this Annual Report.

Based on the review of the Board composition in 2018, the Board shall maintain its size at 5 members which is the minimum numbers to comply with the mix of independent and non-independent with the requirements of Bursa Securities. A Board of 5 members is reasonable size for effective oversight and delegation of responsibilities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

The Board has entrusted the Nominating Committee ("NC") which is chaired by an Independent Director with the responsibility to give full consideration to succession planning for Directors in the course of its works, taking into account the challenges and opportunities faced by the Company and what skills and expertise are therefore needed on the Board in the future. The Board has also entrusted the Executive Directors with the responsibility to review candidates and compensation packages for key management positions.

Due to the relatively small size of the Board, the NC collectively performs the annual assessment on the effectiveness of the Board, and performance of the AC. Results from the annual assessment on the effectiveness of the Board indicated that the Board has effectively carried out their duties and responsibilities.

III. Remuneration

Human capital is the mainstay of an organisation where remuneration package plays a crucial part in attracting, retaining and motivating individuals to drive and sustain the business. The Board has in place a Remuneration Policy which is applicable to all employees including all Directors. The philosophy and principles underpinning the Remuneration Policy are designed to maintain competitiveness for short term business objectives and drive individual growth in line with the long term goals of the Company.

The Remuneration Committee is in charge of the implementation of policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board and Senior Management pursuant to the recommendations of MCCG.

The summary of the Directors' remuneration in the Company and its subsidiaries for the FYE2018 are as follows:-

Directors	**Company**			**Group**			
	Salary RM	Bonus RM	Fee RM	Salary RM	Bonus RM	Fee RM	EPF RM
Executive							
Yeap Kong Chean	-	-	-	183,000	11,250	-	23,310
Tan Hoay Leng	-	-	20,000	79,500	4,875	-	10,176
Non-Executive							
Ch'ng Huck Khoon	-	-	20,000				
Chua Kiat Eng	-	-	20,000				
Dato' Lee Wai Mun, D.I.M.P.,J.P.	-	-	15,000	-	-	-	
Total	-	-	75,000	262,500	16,125	-	33,486

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. Remuneration (cont'd)

We have four (4) Senior Management whose remuneration falls within the following bands are as below:

Range of Remuneration	Name of Senior Management
RM50,001 – RM100,000	Ho Soo Wee
RM100,001 – RM150,000	Yong Cheng Yew
	Yeap Kah Phaik
RM150,001 – RM200,000	Leong Vai Long

The remuneration value above is computed on an aggregate basis, taking into account the relevant personnel's salary, allowances, bonus, benefits-in-kind and other emoluments.

Pursuant to Section 230 of the Companies Act, 2016, the fees of the Directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved by a general meeting.

In determining the estimated total amount of remuneration for the NEDs, the Board considered various factors including the number of scheduled meetings for the Board, Board of subsidiaries and Board committees as well as the time spent by the said NEDs involved in these meetings.

The relevant resolutions in relation to the Directors' fees and benefits payable to the Directors are to be presented to the shareholders for approval at the coming 15th Annual General Meeting.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

In 2018, the ARMC of the Company which comprises two (2) Independent and one (1) Non-Independent NEDs is chaired by Dr. Ch'ng Huck Khoon. The NC reviews the composition of ARMC annually and recommends to the Board for its approval. All members of the ARMC are financially literate or possess relevant business experience.

The ARMC annually evaluates the suitability, objectivity and independence of the external auditors based on the guidelines of the external auditor performance and independence checklist. The ARMC holds two private dialogues with the external auditors in financial year 2018 without the presence of the Management.

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.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

I. Audit and Risk Management Committee (cont'd)

The ARMC has obtained an assurance from the external auditors confirming that they were, and had been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

External Auditors

The ARMC recommends the appointment of the external auditors. The appointment of the external auditors is subject to the approval of the shareholders at the Annual General Meeting ("AGM"). The external auditors shall report to the ARMC on all matters relating to the financial audit of the Group. They are also invited to attend the ARMC Meetings as and when necessary.

II. Risk Management and Internal Control Framework

The ARMC of the Company is entrusted with the responsibility of assessing and monitoring the robustness of the risk management controls and measures taken.

The ARMC is also responsible for evaluating the adequacy and effectiveness of internal controls put in place in the Company. Evaluation is based on the twice yearly presentation of internal audit findings and internal audit function questionnaire.

The Board is ultimately responsible for the adequacy and integrity of the Group's internal control system. The Board ensures that there is a sound framework of reporting on internal controls and regulatory compliance. Details relating to the internal control system and review of effectiveness are available in the Statement of Risk Management and Internal Control as set out in pages 46 to 48 of this Annual Report.

Internal Audit Function

The internal audit function of the Group is outsourced to a professional service firm to provide the ARMC and the Board with the assurance they require pertaining to the adequacy and effectiveness of internal control.

The standards and practices adopted by internal auditors are aligned to the International Professional Practices Framework issued by the Institute of Internal Auditors. As at 31 December 2018, the total number of personnel in internal audit firm was 32. The name and qualification of the person responsible for internal audit are as follows:-

1. Loh Chye Teik, Managing Partner in Tan & Loh. Graduated with a Bachelor of Accounting (Honours) from University of Malaya in 1984. A member of both the Malaysia Institute of Accountants and the Malaysia Institute of Taxation.

2. Sugaintharan, Person-in-charge. Graduated with a Bachelor of Accounting from Anglia Ruskin University, United Kingdom in 2016.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

II. Risk Management and Internal Control Framework (cont'd)

Internal Audit Function (cont'd)

The ARMC had on 25 February 2019 conducted a review and assessment on the adequacy and independence of the Company's internal audit function in year 2018 in compliance with Rule 15.12 (1)(f) of the Listing Requirements.

PRINCIPLE C: INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Group believes in, and emphasises, the importance of communication among shareholders, stakeholders and the Company. Adequate communication generates and builds public confidence towards the Company. The Board endeavours to ensure that annual reports, quarterly results, press release and announcements are released on timely basis as a means of disseminating information of the Group's business activities and financial performance.

The Company ensures that it maintains a transparent communication channel with the shareholders and stakeholders of the Company. Disclosures are timely, relevant and accurately made via announcements in Bursa LINK and Ygl's website.

The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group.

There was no other investor relation function held in 2018 except for the AGM held on 28 May 2018. At the AGM, the Directors and external auditors were present to answer any relevant questions that were posed by the shareholders.

II. Conduct of General Meetings

All members of the Board were present at the AGM held on 28 May 2018 to reply to questions put forth by the shareholders or proxy holders but more importantly to engage with them.

AGM serves as a principal forum for the Company to communicate with the shareholders. During the meeting, shareholders and proxy holders were given ample time to raise their questions. The external auditors and corporate advisers were also present to provide clarification when necessary.

The AGM was conducted in an orderly manner and all resolutions were approved by the shareholder and proxy holders by way of voting on poll.

Statement of compliance with the recommendations of new MCCG

Save for the exception set out above, the Board is of the opinion that the Company has generally adhere to the practice set out in new MCCG during the financial year 2018. The Board is aware of the shortcomings in its practices and will make its best effort to address the inadequate measures in order to raise the standard of CG practices.

This Statement is made in accordance with a resolution of the Board of Directors dated 8 April 2019.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("the Board") is committed to the Malaysian Code of Corporate Governance 2017 ("MCCG") which requires the Board to maintain and ensure that a sound system of internal control exists and operates effectively within the Group of Companies and is pleased to provide this statement outlining the nature and scope of risk management and internal control of the Group during the financial year 2018 pursuant to Rule 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

BOARD RESPONSIBILITY

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

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

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

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

RISKS MANAGEMENT FRAMEWORK

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

INTERNAL CONTROL

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

- Dissemination of comprehensive financial reports to the Board and Audit and Risk Management Committee on a quarterly basis for review to formulate action plans to address any areas of concern
- Involvement of the Executive Directors in the weekly operational meetings attended by respective senior management to highlight significant matters arising on a timely basis
- Maintain a demanding recruitment standards and employee competency programmes to ensure competent personnel are employed for the operating units to function efficiently
- Adopting the Capability Maturity Model Integration (CMMI) quality assurance processes to appraise the development of software development and implementation
- Adopting the ISO27001 information security assurance measures to safeguard the data of software in development and business setting
- Constant monitoring of work performance by an effective reporting system
- Maintain strong internal information and data security in compliance with the Personal Data Protection Act, 2010

AUDIT AND RISK MANAGEMENT COMMITTEE & INTERNAL AUDIT

The internal audit function has been outsourced to an independent professional firm Messrs Tan & Loh to carry out the internal audit work on a regular basis throughout the year. The findings and recommendations by the internal auditors are reported directly to the ARMC. This is to provide the ARMC with assurance in respect of continuity, adequacy and integrity of the system of internal controls within the Group. During the financial year under review, the internal auditors performed two internal assignments in accordance with the internal audit plan approved by the ARMC. The internal auditors deliberated the internal audit findings and proposals for actions in consultation with the ARMC, and the Management took appropriate actions to address and monitor the areas of weaknesses. The ARMC, on behalf of the Board, reviews the internal control issues identified and recommendations in the reports prepared by the internal auditor on regular basis. None of these weaknesses identified had resulted in any material loss that would require disclosure in the Group's Annual Report.

CONCLUSION

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

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

This Statement is made in accordance with a resolution of the Board of directors dated 8 April 2019.

Directors' Responsibilities Statement on Financial Statements

In accordance with the Companies Act 2016 (Act) in Malaysia, 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 their financial performance and cash flows for the year then ended.

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

In preparing the financial statements for the financial year ended 31 December 2018, the Directors have:-

- applied the appropriate and relevant accounting policies on a consistent basis, subject to any material departures which will be disclosed and explained in the financial statements;

- made judgments and estimates that are reasonable and prudent; and

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

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

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

This Statement is made in accordance with a resolution of the Board of Directors dated 8 April 2019.

Additional Compliance Information

UTILISATION OF PROCEEDS

In July 2017, a total of 38,714,400 new ordinary shares were issued pursuant to the Private Placement exercise at an issue price of RM0.145 in accordance with the general mandate for issue of shares pursuant to Section 75 and Section 76 of the Companies Act, 2016 and Rule 6.04(3) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Private Placement") and total proceeds of RM5,613,588 had been raised from the Private Placement exercise of the Company.

As at 18 March 2019, the status of the utilisation of the proceeds arising from the Private Placement are as follows:-

	Details	RM'000
1)	Listing and Placement Expenses	173
2)	Business Expansion	112
3)	R&D Expenditure	1,089
4)	Working capital	1,277
5)	Balance of the proceeds which had yet to be utilised	2,963
	Total proceeds arising from Private Placement	5,614

AUDIT FEES

During the financial year 2018, the audit fees incurred by the Company and on a Group basis amounted to RM32,000 and RM87,000 respectively.

NON-AUDIT FEES

There were no non-audit fees paid to the external auditors by the Company and by the Group for the financial year 2018. The external auditors were only engaged for the statutory audit only.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS INTERESTS

For the financial year 2018, there were no material contracts entered into by the Company and its subsidiaries involving Directors and major shareholders' interests.

EMPLOYEES' SHARES OPTION SCHEME ("ESOS")

The ESOS of up to 30% of the issued share capital of the Company at any point in time during the duration of the ESOS is until 5 November 2022, unless extended further.

EMPLOYEES' SHARES OPTION SCHEME ("ESOS") (cont'd)

The total number of options granted to the eligible Directors and employees of the Group and outstanding options under ESOS as at 31 December 2018 are set out in the table below:-

Description	Number of Options as at 31 December 2018
Granted in the previous year	5,880,800
Granted during the financial year	-
Exercised during the financial year	-
Outstanding options exercisable during the financial year	5,880,000

The total number of options granted to the Directors and Senior Management, and outstanding options under ESOS as at 31 December 2018 are set out in the table below:-

Description	Number of Options as at 31 December 2018	
	Directors	**Senior Management**
Granted in the previous year	1,150,000	1,500,000
Granted during the financial year	-	-
Exercised during the financial year	-	-
Outstanding options exercisable during the financial year	1,150,000	1,500,000

Percentage of options granted to Directors and Senior Management under the ESOS are as follows:-

	Since commencement up to 31 December 2018
Aggregate maximum allocation applicable to directors and senior management	50%
Actual percentage granted	14.72%

The options granted to Independent Non-Executive Directors pursuant to ESOS since commencement up to 31 December 2018 are as follows:-

Name of Director	No. of Options Granted	No. of Options Exercised
1. Dr. Ch'ng Huck Khoon	50,000	-
2. Chua Kiat Eng	50,000	-
Total	100,000	-

Directors' Report

For the financial year ended 31 December 2018

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The Company is principally engaged in management, investment holding and sales of computer hardware. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

Results

	Group RM	Company RM
Net loss for the financial year	(2,180,651)	(6,131,241)
Attributable to:		
Owners of the Company	(2,289,441)	(6,131,241)
Non-controlling interests	108,790	-
	(2,180,651)	(6,131,241)

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

No dividends have been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

Issue of shares and debentures

During the financial year, the Company has not issued any shares or debentures.

Options granted over unissued shares

No options have been granted by the Company to any parties during the financial year to take up any unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any options to take up unissued shares of the Company. At the end of the financial year, there were no unissued shares of the Company under options.

Directors

The directors in office during the financial year and during the period from the end of the financial year to the date of report are:

Yeap Kong Chean
Tan Hoay Leng
Dr. Ch'ng Huck Khoon
Chua Kiat Eng
Dato' Lee Wai Mun, *D.I.M.P., J.P. (appointed on 20 April 2018)*
Lee Tiam Nam *(resigned on 8 February 2018)*

The name of the directors of the Company's subsidiaries in office at any time during the financial year and during the period from the end of the financial year up to the date of the report, excluding directors who are directors of the Company are:

Tan Wei Keat
Ho Siew Bee
To King
Dato' Abdul Aziz Bin Ismail, *D.I.M.P., J.P. (appointed on 27 March 2019)*

Directors' interests

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were directors at financial year end, as recorded in the Register of Directors' Shareholding kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	Number of ordinary shares			
The Company	**At 1.1.2018**	**Bought**	**Sold**	**At 31.12.2018**
Yeap Kong Chean				
- direct interest	40,666,668	-	-	40,666,668
Dato' Lee Wai Mun, *D.I.M.P., J.P.*				
- direct interest	9,678,600	-	-	9,678,600

	Number of ordinary shares			
The subsidiary YGL Convergence (Asia Pacific) Pte. Ltd.	**At 1.1.2018**	**Bought**	**Sold**	**At 31.12.2018**
Yeap Kong Chean				
- direct interest	1	-	-	1
- indirect interest	192,000	-	-	192,000

Directors' interests (cont'd)

The subsidiary YGL Convergence (China) Limited	At 1.1.2018	Number of ordinary shares Bought	Sold	At 31.12.2018
Yeap Kong Chean - indirect interest	2,760,000	-	-	2,760,000
Tan Hoay Leng - indirect interest	2,760,000	-	-	2,760,000

The subsidiary YGL Technologies Sdn. Bhd.	At 1.1.2018	Number of ordinary shares Bought	Sold	At 31.12.2018
Yeap Kong Chean - indirect interest	203,501	-	-	203,501

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

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares of the Company or its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, none of the director of the Company has received or become entitled to receive any benefit (other than the benefit shown under Directors' Remuneration) 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 except for any benefits which may be deemed to have arisen from the transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 24(a) to the financial statements.

Neither during, nor at the end of the financial year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' remuneration

The details of the directors' remuneration are disclosed in Note 24(b) to the financial statements.

Directors' Report

For the financial year ended 31 December 2018 (cont'd)

Other statutory information

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

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

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

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

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

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

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

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

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

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

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

No contingent liability or other liability 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Indemnities to Directors, Officers or Auditors

There was no indemnity given to or insurance effected for any director, officer or auditors of the Group and the Company during the financial year.

Directors' Report

For the financial year ended 31 December 2018 (cont'd)

Significant Events subsequent to the reporting date

The details of the significant events subsequent to the reporting date are disclosed in Note 30 to the financial statements.

Auditors' remuneration

The details of the auditors' remuneration are disclosed in Note 20 to the financial statements.

Auditors

The auditors, CHENGCO PLT (Formerly known as Cheng & Co), have expressed their willingness to continue in office.

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

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

Kuala Lumpur,
Date: 8 April 2019

Statement by Directors

(Pursuant To Section 251(2) of The Companies Act, 2016)

We, Yeap Kong Chean and Tan Hoay Leng, being two of the directors of YGL Convergence Berhad, do hereby state on behalf of the directors that in our opinion, the financial statements set out on pages 62 to 139, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

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

YEAP KONG CHEAN
Director

TAN HOAY LENG
Director

Kuala Lumpur,
Date: 8 April 2019

Statutory Declaration

(Pursuant To Section 251(2) of The Companies Act, 2016)

I, Tan Hoay Leng, being the director primarily responsible for the financial management of YGL Convergence Berhad, do solemnly and sincerely declare that the financial statements set out on pages 62 to 139, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at Puchong)
in the State of Selangor Darul Ehsan)
on this 8 April 2019)

Before me,

TAN HOAY LENG
Director

Samuel John A/L Ponniah (B437)
Commissioner for Oath

Independent Auditors' Report

to the Members of YGL Convergence Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of YGL Convergence Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 62 to 139.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill and other intangible assets

Goodwill and other intangible assets arise as a result of acquisition by the Group. The directors conducted their annual impairment test to assess the recoverability of the goodwill and consider whether there are indicators of impairment with respect to other intangible assets. In order to establish whether an impairment exists, fair value less cost to sell and the value in use is determined and compared to the carrying amount of the goodwill and other intangible assets.

As detailed in note 2.10 and 6, this determination of an impairment is highly subjective as significant judgement is required by the directors in determining the fair value less cost to sell or the value in use as appropriate. The value in use is based on the cash flow forecast model for each cash-generating unit and required the estimation of model assumption, most importantly the discount rate and growth rate. Accordingly, due to the high estimation uncertainty, the impairment assessment of these assets is considered to be a key audit matter.

Independent Auditors' Report

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

Report on the Audit of the Financial Statements (cont'd)

How our audit addressed the key audit matter

We focused our testing of the impairment of goodwill and other intangible assets on the key assumptions made by the directors.

Our audit procedures included:

- Critically evaluating the determination of the cash-generating units;
- Evaluating whether model used to calculate the fair value less cost to sell and value in use of the individual cash-generating units complies with the requirements of MFRS 136 "Impairment of Assets" and MFRS 138 "Intangible Assets";
- Validating the assumptions applied and inputs in the respective model by comparing it to historical information and approved budgets; and
- Subjecting the key assumptions to sensitivity analyses.

We have determined that, there are no key audit matters to communicate in our report in relation to our audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this annual report we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

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

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

CHENGCO PLT
(Formerly known as Cheng & Co)
LLP0017004-LCA & AF0886
Chartered Accountants

HONG THUAN BOON
02233/03/2020 J
Chartered Accountant

Kuala Lumpur,
Date: 8 April 2019

Consolidated Statement of Financial Position

as at 31 December 2018

	Notes	2018 RM	2017 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,521,992	4,827,245
Investment property	5	284,277	284,753
Intangible assets	6	5,992,077	6,185,979
Investment in associates	8	1,590,939	1,122,831
		12,389,285	12,420,808
Current assets			
Trade and other receivables	9	1,997,611	4,024,788
Current tax assets		24,316	31,892
Cash and bank balances	11	4,581,191	5,568,381
		6,603,118	9,625,061
Total assets		18,992,403	22,045,869
LIABILITIES			
Current liabilities			
Trade and other payables	12	458,799	690,017
Other liabilities	13	337,413	298,027
Contract liabilities	14	764,631	766,336
Amount due to directors	15	616,000	645,538
Loans and borrowings	16	-	21,520
Current tax liabilities		5,305	502
		2,182,148	2,421,940
Non-current liabilities			
Loans and borrowings	16	-	635,572
Deferred tax liabilities	17	310	450
		310	636,022
Total liabilities		2,182,458	3,057,962
NET ASSETS		16,809,945	18,987,907
EQUITY			
Share capital	18	27,218,132	24,970,802
Share premium (non-distributable)	18	-	2,247,330
Exchange translation reserve (non-distributable)		463,653	460,964
Accumulated losses		(10,951,131)	(8,661,690)
Equity attributable to owners of the Company		16,730,654	19,017,406
Non-controlling interests		79,291	(29,499)
TOTAL EQUITY		16,809,945	18,987,907

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2018

	Notes	2018 RM	2017 RM
Revenue	19	3,430,143	5,440,398
Cost of sales		(4,015,362)	(4,113,201)
Gross (loss)/profit		(585,219)	1,327,197
Other operating income		365,481	195,144
General and administrative expenses		(580,576)	(599,275)
Other expenses		(1,757,306)	(1,668,663)
Loss from operations		(2,557,620)	(745,597)
Finance costs		(31,735)	(37,416)
Share of results of associates		468,108	423,189
Loss before tax	20	(2,121,247)	(359,824)
Tax expense	21	(59,404)	(50,810)
Net loss for the financial year		(2,180,651)	(410,634)
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		2,689	(42,319)
Total comprehensive loss for the financial year		(2,177,962)	(452,953)
Net loss attributable to:			
Owners of the Company		(2,289,441)	(328,984)
Non-controlling interests		108,790	(81,650)
Net loss for the financial year		(2,180,651)	(410,634)
Total comprehensive loss attributable to:			
Owners of the Company		(2,286,752)	(371,303)
Non-controlling interests		108,790	(81,650)
Total comprehensive loss for the financial year		(2,177,962)	(452,953)

	Notes	2018 Sen	2017 Sen
Loss per share attributable to owners of the Company	22	(0.99)	(0.14)

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2018

	Share capital RM	Share premium RM	Exchange translation reserve RM	Accumulated losses RM	Equity attributable to the owners of the Company RM	Non-controlling interests RM	Total equity RM
	← Attributable to owners of the Company →						
At 1 January 2017	19,357,214	2,420,349	503,283	(8,332,706)	13,948,140	52,151	14,000,291
Transaction with owners:							
Issuance of shares (Note 18)	5,613,588	(173,019)	-	-	5,440,569	-	5,440,569
Total transaction with owners	5,613,588	(173,019)	-	-	5,440,569	-	5,440,569
Net loss for the financial year	-	-	-	(328,984)	(328,984)	(81,650)	(410,634)
Other comprehensive income:							
Currency exchange differences	-	-	(42,319)	-	(42,319)	-	(42,319)
Total comprehensive loss	-	-	(42,319)	(328,984)	(371,303)	(81,650)	(452,953)
At 31 December 2017 and 1 January 2018	24,970,802	2,247,330	460,964	(8,661,690)	19,017,406	(29,499)	18,987,907
Transaction with owners:							
Effect from adoption of Companies Act, 2016 (Note 18)	2,247,330	(2,247,330)	-	-	-	-	-
Total transaction with owners	2,247,330	(2,247,330)	-	-	-	-	-
Net loss for the financial year	-	-	-	(2,289,441)	(2,289,441)	108,790	(2,289,441)
Other comprehensive income:							
Currency exchange differences	-	-	2,689	-	2,689	-	2,689
Total comprehensive loss	-	-	2,689	(2,289,441)	(2,286,752)	108,790	(2,177,962)
At 31 December 2018	27,218,132	-	463,653	(10,951,131)	16,730,654	79,291	16,809,945

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2018

	Notes	2018 RM	Restated 2017 RM
Cash flows from operating activities			
Loss before tax		(2,121,247)	(359,824)
Adjustments for:			
Amortisation of intangible assets	6	1,504,632	1,633,193
Allowance for doubtful debts		399,047	325,800
Bad debts written off		-	51,438
Depreciation of investment property	5	476	477
Depreciation of property, plant and equipment	4	354,044	362,759
Interest expenses		31,735	37,416
Interest income		(35,015)	(18,008)
Dividend income		(86,148)	-
Shares of result of associates		(468,108)	(423,189)
Unrealised loss on foreign exchange		742,606	18,778
Operating profit before working capital changes		322,022	1,628,840
Changes in:			
Trade and other receivables		1,874,745	(615,989)
Trade and other payables		(480,127)	(221,231)
Other liabilities		43,108	766,336
Contract liabilities		(1,705)	(766,336)
Director account		(29,538)	(21,898)
Cash generated from operations		1,728,505	769,722
Interest received		35,015	18,008
Tax paid		(62,938)	(71,999)
Net cash from operating activities		1,700,582	715,731
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(50,878)	(356,902)
Net cash Outflow from acquisition of subsidiary		-	(90,450)
Software development costs	6	(2,048,517)	(1,316,871)
Proceeds from other investment		86,147	-
Net cash used in investing activities		(2,013,248)	(1,764,223)

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows
for the financial year ended 31 December 2018 (cont'd)

	Notes	2018 RM	Restated 2017 RM
Cash flows from financing activities			
Interest paid		(31,735)	(37,416)
Proceeds from issuance of shares	18	-	5,613,588
Proceeds from issuance of shares in subsidiary		10,695	-
Repayment of term loan instalments		(657,092)	(21,497)
Net cash (used in)/from financing activities		(678,132)	5,554,675)
Net (decrease)/ increase in cash and cash equivalents		(900,798)	4,506,183
Effects of foreign exchange rate translation on cash held		3,608	(35,458)
Cash and cash equivalents at beginning of financial year		5,568,381	1,097,656
Cash and cash equivalents at end of financial year	11	4,581,191	5,568,381
Represented by:-			
Cash and bank balances	11	4,581,191	5,568,381

The accompanying notes form an integral part of these financial statements

Statement of Financial Position
as at 31 December 2018

	Notes	2018 RM	2017 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	3,316,543	3,551,247
Investment in subsidiaries	7	2,700,212	8,981,820
Investment in associates	8	1,475,000	1,475,000
Amount due from subsidiaries	10	8,026,062	6,635,764
Deferred tax assets	17	1,714	852
		15,519,531	20,644,683
Current assets			
Trade and other receivables	9	24,170	41,007
Current tax assets		3,540	-
Cash and bank balances	11	3,510,196	4,511,334
		3,537,906	4,552,341
Total assets		19,057,437	25,197,024
LIABILITIES			
Current liabilities			
Trade and other payables	12	9,245	9,795
Other liabilities	13	36,804	36,098
Current tax liabilities		-	8,502
		46,049	54,395
Total liabilities		46,049	54,395
NET ASSETS		19,011,388	25,142,629
EQUITY			
Share capital	18	27,218,132	24,970,802
Share premium	18	-	2,247,330
Accumulated losses		(8,206,744)	(2,075,503)
TOTAL EQUITY		19,011,388	25,142,629

The accompanying notes form an integral part of these financial statements

Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2018

	Notes	2018 RM	2017 RM
Revenue	19	43,196	121,636
Cost of sales		(51,599)	(50,059)
Gross (loss)/profit		(8,403)	71,577
Other income		477,851	297,572
General and administrative expenses		(6,721,649)	(461,418)
Loss from operations		(6,252,201)	(92,269)
Gain on financial assets measured at fair value		162,464	60,824
Loss before tax	20	(6,089,737)	(31,445)
Tax expense	21	(41,504)	(56,115)
Net loss for the financial year representing total comprehensive loss for the financial year		(6,131,241)	(87,560)

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity
for the financial year ended 31 December 2018

	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
At 1 January 2017	19,357,214	2,420,349	(1,987,943)	19,789,620
Issuance of shares (Note 18)	5,613,588	(173,019)	-	5,440,569
Net loss for the financial year, representing total comprehensive loss for the financial year	-	-	(87,560)	(87,560)
At 31 December 2017 and 1 January 2018	24,970,802	2,247,330	(2,075,503)	25,142,629
Effect from adoption of Companies Act, 2016 (Note 18)	2,247,330	(2,247,330)	-	-
Net loss for the financial year, representing total comprehensive loss for the financial year	-	-	(6,131,241)	(6,131,241)
At 31 December 2018	27,218,132	-	(8,206,744)	19,011,388

The accompanying notes form an integral part of these financial statements

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Statement of Cash Flows

for the financial year ended 31 December 2018

	Notes	2018 RM	2017 RM
Cash flows from operating activities			
Loss before tax		(6,089,737)	(31,445)
Adjustments for:			
Depreciation of property, plant and equipment	4	234,704	237,843
Impairment loss on investment in subsidiaries		6,281,608	-
Dividend income		(86,148)	-
Interest income		(391,673)	(297,572)
Operating loss before working capital changes		(51,246)	(91,174)
Changes in:			
Trade and other receivables		16,837	(14,019)
Trade and other payables		(550)	345
Other liabilities		706	(425)
Cash used in operations		(34,253)	(105,273)
Dividend received		86,148	-
Interest received		33,114	15,852
Tax paid		(54,408)	(47,487)
Net cash from/(used in) operating activities		30,601	(136,908)
Cash flows from financing activities			
Interest income from related companies		358,559	281,720
Proceeds from issuance of shares	18	-	5,440,569
Advance to subsidiary companies		(1,390,298)	(1,197,759)
Net cash (used in)/from financing activities		(1,031,739)	4,524,530
Net (decrease)/increase in cash and cash equivalents		(1,001,138)	4,387,622
Cash and cash equivalents at beginning of financial year		4,511,334	123,712
Cash and cash equivalents at end of financial year	11	3,510,196	4,511,334
Represented by:			
Cash and bank balances	11	3,510,196	4,511,334

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

for the financial year ended 31 December 2018

1. General information

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

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

The principal activities of the Company are management, investment holding and sale of computer hardware. The principal activities of the subsidiary companies are disclosed in Note 7.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 31 December 2018 do not include other entities.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 8 April 2019.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

2.2 Basis of measurement

The financial statements, which are presented in Ringgit Malaysia ("RM"), have been prepared under the historical cost except as disclosed in the accounting policies below.

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning as at 1 January 2018.

2. Summary of significant accounting policies (cont'd)

2.4 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued as at the reporting date but are not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3, *Annual Improvements to MFRS Standards 2015 – 2017 Cycle*	1 January 2019
Amendments to MFRS 9, *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 11, *Annual Improvements to MFRS Standards 2015 – 2017 Cycle*	1 January 2019
Amendments to MFRS 112, *Annual Improvements to MFRS Standards 2015 – 2017 Cycle*	1 January 2019
Amendments to MFRS 119, *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 123, *Annual Improvements to MFRS Standards 2015 – 2017 Cycle*	1 January 2019
Amendments to MFRS 128, *Long-term Interests in Associates and Joint Ventures*	1 January 2019
IC Interpretation 23, *Uncertainty over Income Tax Treatment Consideration*	1 January 2019
MFRS 16, *Leases*	1 January 2019
Amendments to MFRS 3, *Definition of a Business*	1 January 2020
Amendments to MFRS 101, *Definition of Material*	1 January 2020
Amendments to MFRS 108, *Definition of Material*	1 January 2020
Amendments to IC Interpretation 132, *Intangible Assets – Web Site Costs*	1 January 2020
MFRS 17, *Insurance Contracts*	1 January 2021
Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred until further notice

The directors are of the opinion that the adoption of the standards, amendments, annual improvements and IC interpretations above would have no material impact on the financial statements in the year of adoption other than below:

MFRS 16, Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 *Determining whether an Arrangement contains a Lease,* IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

2. **Summary of significant accounting policies** (cont'd)

2.4 **Standard issued but not yet effective** (cont'd)

MFRS 16, Leases (cont'd)

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group are in the midst of assessing the potential impact of MFRS 16 on its financial statements.

2.5 **Adoption of new standards**

In the current financial year, the Group adopted the following new accounting standards that are relevant to its operations and effective for annual periods beginning on or after 1 January 2018. The adoption of these new MFRSs does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

MFRS 15, Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) Identify the contracts with a customer;

(ii) Identify the performance obligation in the contract;

(iii) Determine the transaction price;

2. Summary of significant accounting policies (cont'd)

2.5 Adoption of new standards (cont'd)

MFRS 15, Revenue from Contracts with Customers (cont'd)

(iv) Allocate the transaction price to the performance obligations in the contract;

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The followings MFRSs and IC Interpretations were withdrawn on the application of MFRS 15:

(a) MFRS 111, *Construction Contracts*

(b) MFRS 118, *Revenue*

(c) IC Interpretation 13, *Customer Loyalty Programmes*

(d) IC Interpretation 15, *Agreements for the Construction of Real Estate*

(e) IC Interpretation 18, *Transfers of Assets from Customers*

(f) IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services.*

The Group has applied MFRS 15 using the modified retrospective method with the cumulative effect of initially applying this Standard recognised at the date of initial application that is 1 January 2018 as an adjustment to the opening balance of retained earnings. The comparative information was not restated and continues to be reported under MFRS 118 and the related IC Interpretations. The Group has elected to apply this retrospectively only to contracts that are not completed contracts at the date of initial application.

MFRS 15 uses the terms "contract asset" and "contract liability" to describe what might more commonly be known as "accrued revenue" and "deferred revenue", however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in MFRS 15 to describe such balances.

The Group's significant accounting policies for its revenue streams are disclosed in Note 2.19. Apart from providing further disclosures on the Group's revenue transactions, the amount of adjustment for each financial statement line item affected by the application of MFRS 15 under the modified retrospective method for the current financial year is shown and explained below.

2. Summary of significant accounting policies (cont'd)

2.5 Adoption of new standards (cont'd)

MFRS 15, Revenue from Contracts with Customers (cont'd)

Impact on the consolidated statement of financial position as at 1 January 2018 (date of application)

	Previously reported as at 31 December 2017	Adoption of MFRS 15	Adjusted as at 1 January 2018
	RM	RM	RM
Non-current assets			
Property, plant and equipment	4,827,245	-	4,827,245
Investment property	284,753	-	284,753
Intangible assets	6,185,979	-	6,185,979
Investment in associate	1,122,831	-	1,122,831
Current assets			
Trade and other receivables	4,024,788	-	4,024,788
Current tax assets	31,892	-	31,892
Cash and bank balances	5,568,381	-	5,568,381
Current liabilities			
Trade and other payables	690,017	-	690,017
Other liabilities	1,064,363	(766,336)	298,027
Contract liabilities	-	766,336	766,336
Amount due to directors	645,538	-	645,538
Loans and borrowings	21,520	-	21,520
Current tax liabilities	502	-	502
Non-current liabilities			
Loans and borrowings	635,572	-	635,572
Capital and reserves			
Share capital	24,970,802	-	24,970,802
Share premium	2,247,330	-	2,247,330
Exchange translation reserve	460,964	-	460,964
Accumulated losses	(8,661,690)	-	(8,661,690)
Equity attributable to owners of the Company	19,017,406	-	19,017,406
Non-controlling interests	(29,499)	-	(29,499)

2. Summary of significant accounting policies (cont'd)

2.5 Adoption of new standards (cont'd)

MFRS 15, Revenue from Contracts with Customers (cont'd)

Impact on the consolidated statement of financial position as at 31 December 2018 (current reporting date)

	Under previous MFRS RM	Adoption of MFRS 15 RM	Under new MFRS 15 RM
Non-current assets			
Property, plant and equipment	4,521,992	-	4,521,992
Investment property	284,277	-	284,277
Intangible assets	5,992,077	-	5,992,077
Investment in associate	1,590,939	-	1,590,939
Current assets			
Trade and other receivables	1,997,611	-	1,997,611
Current tax assets	24,316	-	24,316
Cash and bank balances	4,581,191	-	4,581,191
Current liabilities			
Trade and other payables	458,799	-	458,799
Other liabilities	337,413		337,413
Contract liabilities	-	764,631	764,631
Amount due to directors	616,000	-	616,000
Current tax liabilities	5,305	-	5,305
Non-current liabilities			
Deferred tax liabilities	310	-	310
Capital and reserves			
Share capital	27,218,132	-	27,218,132
Exchange translation reserve	463,653	-	463,653
Accumulated losses	(10,951,131)	-	(10,951,131)
Equity attritutable to owers of the Company	16,730,654	-	16,730,654
Non-controlling interests	79,291	-	79,291

Note:

The amount previously recognised as deferred revenue has been reclassified as contract liabilities. The contract liabilities arise from technical support income for ERP System and annual software subscription received in advance from customers. The revenue is recognised in profit or loss on a time proportion basis over the contract period.

The adoption of MFRS 15 does not have material financial impact on the Group's financial performance for the financial year ended 31 December 2018.

2. Summary of significant accounting policies (cont'd)

2.5 Adoption of new standards (cont'd)

MFRS 9, Financial Instruments

MFRS 9 addresses the classification, recognition, derecognition, measurement and impairment of financial assets and financial liabilities, as well as general hedge accounting. It replaces MFRS 139. MFRS 9 requires financial assets to be classified into two measurement categories, i.e. at fair value and at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to changes in an entity's own credit risk is recorded in other comprehensive income, unless this creates an accounting mismatch. MFRS 9 contains a new impairment model based on expected losses (as oppose to 'incurred loss' model under MFRS 139), i.e. a loss event need not occur before an impairment loss is recognised, which will result in earlier recognition of losses.

Financial assets

Classification of financial assets

Debt instruments mainly comprise cash and cash equivalents and trade and other receivables that meet the following conditions and are subsequently measured at amortised cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts excluding expected credit losses, through the expected life of the debt instrument or a shorter period to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised costs of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

2. Summary of significant accounting policies (cont'd)

2.5 Adoption of new standards (cont'd)

MFRS 9, Financial Instruments (cont'd)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset, being credit-impaired at the reporting date or an actual default happening.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the forecast economic information that relates to the software and information technology business of the countries in which it sells goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 360 days past due, unless the Group has reasonable and valid supporting evidence that demonstrates otherwise.

The Group assumes that the credit on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

2. Summary of significant accounting policies (cont'd)

2.5 Adoption of new standards (cont'd)

MFRS 9, Financial Instruments (cont'd)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers that default has occurred when a financial asset is more than 360 days past due unless the Group has reasonable and valid supporting evidence to demonstrate that a more lagging criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit loss

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2. Summary of significant accounting policies (cont'd)

2.5 Adoption of new standards (cont'd)

Financial Liabilities and Equity Instrument

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other payables

Other payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method, except for short-term balances when the effect of discounting is immaterial.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when the Group's obligations are discharged, cancelled or they expire.

The adoption of MFRS 9 for both classification of financial assets and financial liabilities and impairment assessment of financial assets does not have a material financial impact on the Group's financial position and performance for the financial year ended 31 December 2018. It nonetheless has a material financial impact on the Company when investment in subsidiary companies of RM6,281,608 was impaired for the financial year ended 31 December 2018.

2.6 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidation financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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.

2. Summary of significant accounting policies (cont'd)

2.6 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises the any surplus or deficit in profit or loss;
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.
- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises the any surplus or deficit in profit or loss;
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Acquisition-related costs are recognised as expense in the period in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.6 Basis of consolidation and business combinations (cont'd)

(b) Business combinations (cont'd)

The Group elects for each individual business combinations, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another MFRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquire (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10 (a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

(c) Non-controlling interests

Non-controlling interests at reporting date, being the equity in a subsidiary not attributable directly or indirectly to the owners of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2.7 Foreign currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

2. Summary of significant accounting policies (cont'd)

2.7 Foreign currency (cont'd)

(a) Transactions and balances (cont'd)

Exchange difference arising on the settlement of monetary items or on translating monetary item at the reporting date are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.8 Property, plant and equipment

(a) 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 profit or loss in the year in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any 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 profit or loss.

(b) Depreciation

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

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

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.

2. Summary of significant accounting policies (cont'd)

2.9 Investment properties

(a) Measurement

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Freehold land in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(b) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated.

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

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

(c) Determination of fair value

The directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the fair value is determined by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

2. Summary of significant accounting policies (cont'd)

2.9 Investment properties (cont'd)

(c) Determination of fair value (cont'd)

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;

- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and

- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

2.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.10 Intangible assets (cont'd)

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

(b) Computer software development costs

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

Computer software development costs recognised as assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Computer software development costs, which are regarded to have finite useful lives are amortised on a straight line basis over their estimated useful lives or 5 years, whichever is shorter. The carrying amount of these costs is reviewed annually and will be written down when its value had deteriorated or when it ceases to have any economic useful life. The policy for the recognition and measurement of impairment loss is in accordance with Note 2.13.

2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.12 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

2. Summary of significant accounting policies (cont'd)

2.12 Associates (cont'd)

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investments is included as income in the determination of the entity's share of the associate profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains or losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

2. Summary of significant accounting policies (cont'd)

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase to its recoverable amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.14 Financial instruments

Unless specifically disclosed below, the Group generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group has elected not to restate the comparatives.

(a) Initial Recognition and Measurement

A financial asset or financial liability is recognised in the statement of financial position when. And only when, the Group becomes a party to the contractual provisions of the instrument.

<u>Current financial year</u>

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

Unless specifically disclosed below, the Group generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group has elected not to restate the comparatives.

(a) Initial Recognition and Measurement (cont'd)

Previous financial year

Financial assets were classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale ("AFS") financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets were recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that were attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) were recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(b) Financial Instrument Categories and Subsequent Measurement

Financial Assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the reporting period following the change of the business model.

For purposes of subsequent measurement financial assets are classified in four categories:

- Amortised cost
- Fair value through other comprehensive income – debt investments
- Fair value through other comprehensive income – equity investments
- Fair value through profit or loss

The Group does not have any financial assets classified other than amortised cost.

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(b) Financial Instrument Categories and Subsequent Measurement (cont'd)

Financial Assets (cont'd)

Current financial year (cont'd)

(i) Amortised Cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

Previous financial year

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets

The Group does not have any financial assets classified other than loans and receivables.

(i) Loans and Receivables

This is the only category that relevant to the Group. Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. After initial measurement, such financial assets were subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost was calculated by taking into account any discount or premium on acquisition and fees or costs that were an integral part of the EIR. The EIR amortisation was included in finance income in the statement of profit or loss. The losses arising from impairment were recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(b) Financial Instrument Categories and Subsequent Measurement (cont'd)

Financial Liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

- Fair value through profit or loss
- Amortised cost

The Group does not have any financial liabilities classified other than amortised cost.

(i) Amortised Cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method (EIR).

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gain or losses on derecognition are also recognised in the profit or loss.

Previous financial year

For purposes of subsequent measurement financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Amortised cost

The Group does not have any financial liabilities classified other than amortised cost.

(i) Amortised Cost

After initial recognition, financial liabilities that were not carried at fair value through profit or loss were subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities were derecognised, and through the amortisation process.

Amortised cost was calculated by taking into account any discount or premium on acquisition and fees or costs that were an integral part of the EIR. The EIR amortisation was included as finance costs in profit or loss.

2. **Summary of significant accounting policies** (cont'd)

2.14 Financial instruments (cont'd)

(c) Regular Way Purchase or Sale of Financial Asset

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current financial year.

Trade date accounting refer to:

(i) the derecognition of an asset to be received and the liability to pay for it on the trade date, and

(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refer to:

(i) the recognition on an asset on the day it is received the Group, and

(ii) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group.

Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group applies settlement date accounting unless otherwise stated for the specific class of asset.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(e) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis, or to realise the asset and liability simultaneously.

2.15 Impairment

Unless specifically disclosed below, the Group generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group elected not to restate the comparatives.

(a) Financial Assets

Current financial year

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group measures loss allowances at an amount equal to lifetime expected credit losses, except for cash and bank balance. Loss allowances for trade receivables is always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12 months expected losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

The Group estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experiences.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

2. Summary of significant accounting policies (cont'd)

2.15 Impairment (cont'd)

(a) Financial Assets (cont'd)

Current financial year (cont'd)

At each reporting date, the Group assesses whether financial assets carried at amortised are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery amounts due.

Previous financial year

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.16 Contract assets/Contract liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, Financial Instruments (see note 2.14).

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

2.17 Leases

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.19 (iii).

2.18 Share capital

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

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

2. Summary of significant accounting policies (cont'd)

2.19 Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the assets.

The Group transfers control of goods or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;

(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(ii) Dividend income

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

(iii) Rental income

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

(iv) Management fees

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

(v) Interest income

Interest income is recognised using the effective interest method.

2.20 Employee benefits

(a) Short term employee benefits

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

2. Summary of significant accounting policies (cont'd)

2.20 Employee benefits (cont'd)

(b) Post-employment benefits

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

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

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

(c) Termination benefits

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

2.21 Borrowing cost

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of significant accounting policies (cont'd)

2.22 Taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

(i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

(i) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. Summary of significant accounting policies (cont'd)

2.22 Taxes (cont'd)

(c) Sales and services tax

Revenues, expenses and assets are recognised net of the amount of sales and services tax except:

(i) Where the sales and services tax incurred on a purchase of assets or services is exempted by taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) Receivables and payables that are stated with the amount of sales and services tax included.

2.23 Cash and cash equivalents

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

2.24 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent liability is not recognised in the statement of financial position, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. Summary of significant accounting policies (cont'd)

2.25 Provision

Provision are recognised when there is a present obligation (legal or constructive) as a result of a past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provision are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reserved. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision is due to the passage of time is recognised as a finance cost.

2.26 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of the third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

2. Summary of significant accounting policies (cont'd)

2.26 Related parties (cont'd)

(b) An entity is related to the Group and the Company if any of the following conditions applies: (cont'd)

(vi) The entity is controlled or joint-controlled by a person identified in (a) above.

(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) a person identified in (a)(i) above has significant influence over the Company or is a member of the key management personnel of the Company (or a parent of the Company).

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company.

3. Significant accounting judgements and estimates

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Classification of investment properties and owner-occupied properties

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

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

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

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

3.1 Judgements made in applying accounting policies (cont'd)

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

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed as below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated economic useful lives. The directors estimate the useful lives of these property, plant and equipment to be within 2 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment is disclosed in Note 4.

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

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The value in use calculation is based on a discounted cash flow model. The directors estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amounts of non-financial assets are disclosed in Notes 4, 5, 6, 7 and 8 respectively.

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of loans and receivables is disclosed in Note 28 (a).

(d) Measurement of Expected Credit Loss ("ECL")

Significant judgement is required in determining ECL. Directors need to identified and categorised financial assets into relevant segment by similar characteristic and credit risk. The directors need to apply suitable measurement method to measure ECL on the relevant segments.

(e) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective countries in which the Group domiciles.

The carrying amount of current tax assets at 31 December 2018 is RM24,316 (2017: RM31,892) and RM3,540 (2017: Nil) of the Group and of the Company respectively.

The carrying amount of current tax liabilities at 31 December 2018 is RM5,305 (2017: RM502) and Nil (2017: RM8,502) of the Group and of the Company respectively. The carrying amounts of deferred tax assets and liabilities are disclosed in Note 17.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group has unrecognised unused tax losses amounting RM29,018,831 (2017: RM 26,345,538).

4. Property, plant and equipment

Group

	Freehold land and office lot RM	Motor vehicles RM	Computer equipment RM	Furniture, fittings and office equipment RM	Renovations RM	Total RM
Cost						
At 1 January 2017	1,038,825	557,780	1,037,480	794,149	4,587,429	8,015,663
Currency exchange differences	-	-	(73,200)	(4,169)	-	(77,369)
Additions	-	250,774	5,568	48,751	51,809	356,902
Written off	-	(393,390)	-	-	-	(393,390)
At 31 December 2017 and 1 January 2018	1,038,825	415,164	969,848	838,731	4,639,238	7,901,806
Currency exchange differences	-	-	22,894	(14,553)	(1,691)	6,650
Additions	-	-	44,978	5,900	-	50,878
At 31 December 2018	1,038,825	415,164	1,037,720	830,078	4,637,547	7,959,334

4. Property, plant and equipment (cont'd)

Group

	Freehold land and office lot RM	Motor vehicles RM	Computer equipment RM	Furniture, fittings and office equipment RM	Renovations RM	Total RM
Accumulated depreciation						
At 1 January 2017	70,224	557,778	1,032,897	706,201	813,675	3,180,775
Foreign currency exchange adjustments	-	-	(71,125)	(4,459)	-	(75,584)
Charge for the financial year	5,016	50,155	5,062	56,055	246,471	362,759
Written off	-	(393,389)	-	-	-	(393,389)
At 31 December 2017 and 1 January 2018	75,240	214,544	966,834	757,797	1,060,146	3,074,561
Foreign currency exchange adjustments	-	-	22,909	(13,712)	(460)	8,737
Charge for the financial year	5,016	50,154	25,056	42,570	231,248	354,044
At 31 December 2018	80,256	264,698	1,014,799	786,655	1,290,934	3,437,342
Net carrying amount						
At 31 December 2017	963,585	200,620	3,014	80,934	3,579,092	4,827,245
At 31 December 2018	958,569	150,466	22,921	43,423	3,346,613	4,521,992

Notes to the Financial Statements
for the financial year ended 31 December 2018 (cont'd)

4. Property, plant and equipment (cont'd)

Company

	Computer equipment RM	Furniture and fittings RM	Renovation RM	Total RM
Cost				
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	27,917	82,491	4,422,054	4,532,462
Accumulated depreciation				
At 1 January 2017	25,645	54,420	663,307	743,372
Charge for the financial year	2,271	14,469	221,103	237,843
At 31 December 2017 and 1 January 2018	27,916	68,889	884,410	981,215
Charge for the financial year	-	13,600	221,104	234,704
At 31 December 2018	27,916	82,489	1,105,514	1,215,919
Net carrying amount				
At 31 December 2017	1	13,602	3,537,644	3,551,247
At 31 December 2018	1	2	3,316,540	3,316,543

The freehold land and office lot of a subsidiary are charged to a licensed bank for banking facilities granted to the said subsidiary. (Note 16)

5. Investment property

	Group 2018 RM	Group 2017 RM
Cost		
At beginning and end of financial year	290,000	290,000
Accumulated depreciation		
At beginning of financial year	5,247	4,770
Charge for the financial year	476	477
At end of financial year	5,723	5,247
Net carrying amount		
At end of financial year	284,277	284,753

Investment property comprises an office lot, which is a commercial property that is leased to third parties.

The following are recognised in profit or loss in respect of investment property:

	Group 2018 RM	Group 2017 RM
Rental income	54,000	54,000
Direct operating expense		
- income generating investment property	5,190	4,449

The estimated fair value the investment property is as follows:

	Group 2018 RM	Group 2017 RM
At 31 December	782,626	1,000,000

The Group estimates the fair value of its investment property based on the following key assumptions:

- the comparison of the Group's investment property with similar property that was listed for sales within the same locality or other comparable localities; or

- enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

5. Investment property (cont'd)

The disclosure of fair value above was measured at the reporting date using the following method:

Significant unobservable inputs (Level 3)

The valuation of commercial property is based on market comparable approach. The significant unobservable input is yield adjustment based on directors' assumptions. The yield adjustments are made for any difference in the nature, location or condition of the specific property.

6. Intangible assets

Group

	Software development costs RM	Goodwill RM	Club membership RM	Total RM
Cost				
At 1 January 2017	16,907,840	2,272,892	50,000	19,230,732
Currency exchange differences	(187,150)	-	-	(187,150)
Additions	1,316,871	-	-	1,316,871
At 31 December 2017 and 1 January 2018	18,037,561	2,272,892	50,000	20,360,453
Currency exchange differences	30,331	-	-	30,331
Additions	2,048,517	-	-	2,048,517
Written off	(1,504,124)	-	-	(1,504,124)
At 31 December 2018	18,612,285	2,272,892	50,000	20,935,177
Accumulated amortisation				
At 1 January 2017	12,616,600	-	8,087	12,624,687
Currency exchange differences	(85,406)	-	-	(85,406)
Amortisation for the financial year	1,631,576	-	1,617	1,633,193
At 31 December 2017 and 1 January 2018	14,162,770	-	9,704	14,172,474
Currency exchange differences	166,468	-	-	166,468
Amortisation for the financial year	1,503,016	-	1,616	1,504,632
Written off	(902,474)	-	-	(902,474)
At 31 December 2018	14,929,780	-	11,320	14,941,100

6. Intangible assets (cont'd)

Group

	Software development costs RM	Goodwill RM	Club membership RM	Total RM
Accumulated impairment loss				
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	-	-	2,000	2,000
Net carrying amount				
At 31 December 2017	3,874,791	2,272,892	38,296	6,185,979
At 31 December 2018	3,682,505	2,272,892	36,680	5,992,077

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

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

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

The recoverable amount of a CGU is determined based on value-in-use calculations using the approved cash flow projections by directors 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:

	2018	2017
Gross margin	20% to 40%	20% to 40%
Growth rate	10%	10%
Discount rate	10.83%	12.77%

6. **Intangible assets** (cont'd)

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

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

(i) Budgeted gross margin

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

(ii) Growth rate

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

(iii) Discount rate

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

(iv) Risk free rate

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

(c) Sensitivity to changes in assumptions

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

7. **Investment in subsidiaries**

	Company	
	2018	**2017**
	RM	**RM**
Unquoted shares - at cost	8,981,820	8,981,820
Less: Allowance for impairment loss	(6,281,608)	-
	2,700,212	8,981,820

Notes to the Financial Statements

for the financial year ended 31 December 2018 (cont'd)

7. Investment in subsidiaries (cont'd)

Subsidiaries of the Company	Gross equity interest 2018	Gross equity interest 2017	Countries of incorporation	Principal activities
Ygl Convergence Malaysia Sdn. Bhd.	100%	100%	Malaysia	Marketing and distribution of computer software and hardware and the provision of professional services
**Ygl Multimedia Resources Sdn. Bhd.	100%	100%	Malaysia	Developing and selling of software systems
*Ygl Convergence (HK) Limited	100%	100%	Hong Kong	Trading of computer equipment and software and provision of related services
*Ygl Convergence (China) Limited	60%	60%	Hong Kong	Investment holding
**Ygl Convergence (Asia Pacific) Pte. Ltd.	60%	60%	Singapore	Provision of software consultancy and computer systems integrated services
**Ygl Technologies Sdn. Bhd.	55%	55%	Malaysia	Provision of computer, automation solution and electronic commerce services
**Ygl Technologies Pte. Ltd.	100%	100%	Singapore	Provision of software and related services
**Ygl E Manufacturing Sdn. Bhd.	100%	100%	Malaysia	Provision of software consultancy and implementation services
Subsidiary of Ygl Convergence (HK) Limited				
** * Ygl Suzhou Information Technology Co. Ltd	55%	-	The People's Republic of China	Research and development of portal and provision of industry software and related services
Subsidiary of Ygl Convergence (China) Limited				
** King's System (Shanghai) Co. Ltd	100%	100%	The People's Republic of China	Provision of consultancy services and trading of computer equipment and software

* *Subsidiaries audited by oversea affiliate of CHENGCO PLT (Formerly known as Cheng & Co)*
** *Subsidiaries not audited by CHENGCO PLT (Formerly known as Cheng & Co)*

7. Investment in subsidiaries (cont'd)

(a) Impairment test for investment in subsidiaries

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

The Group had written off investment in subsidiaries namely Ygl Convergence Malaysia Sdn. Bhd., Ygl Multimedia Resources Sdn. Bhd. and Ygl Convergence (HK) Limited of RM2,200,000, RM399,998 and RM3,681,610 respectively. The impairment loss on the value of these investments did not have any financial impact on the Group's results whereas the total impairment loss of RM6,281,608 was accounted for in the Company's profit or loss.

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

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

(i) Budgeted gross margin

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

(ii) Budgeted expenses

Expenses are budgeted to increase in line with the inflation rate.

(iii) Discount rate

The discount rate used is 10.83% (2017: 12.77%)

The directors believe that no reasonable possible changes in any of the key assumptions would cause the carrying amounts of the investment in subsidiaries to exceed their recoverable amounts.

The Group does not have material non-controlling interests as at end of the reporting date.

8. Investment in associates

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unquoted shares - at cost	1,475,000	1,475,000	1,475,000	1,475,000
Group's share of post-acquisition results	115,939	(352,169)	-	-
	1,590,939	1,122,831	1,475,000	1,475,000

Details of the associates are as follows:

Associate of the Company	Gross equity interest 2018	Gross equity interest 2017	Countries of incorporation	Principal activities
Ygl iBay International Sdn. Bhd.*	9.60%	9.60%	Malaysia	Providing consultancy services, supplier management and business solutions services and trading of computer software
Associate of Ygl Convergence Malaysia Sdn. Bhd.				
Ygl Consulting (Thailand) Co. Ltd**	39%	39%	Thailand	Marketing and distribution of computer software and provision of related services

* *The directors regard the 9.60% investment as associate because the Company has power to participate in the financial statements and operating policy decisions of the investee company.*

** *Not audited by CHENGCO PLT (Formerly known as Cheng & Co)*

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

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

The Group has discontinued the recognition of its share of losses in Ygl Consulting (Thailand) Co. Ltd as the share of losses has exceeded the Group's interest in the said associate. The Group's unrecognised share of losses for the current financial year and cumulative years is RM5,820 (2017: RM4,748) and RM112,350 (2017: RM106,530) respectively.

8. Investment in associates (cont'd)

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

The summarised financial information of the associates are as follows:

	Group	
	2018 RM	2017 RM
Assets and liabilities		
Non-current assets	1,610,440	2,231,559
Current assets	55,486,241	47,232,247
Total assets	57,096,681	49,463,806
Non-current liabilities	19,236,043	4,327,708
Current liabilities	16,107,336	27,541,942
Total liabilities	35,343,379	31,869,650
Results		
Revenue	11,004,482	9,456,161
Profit for the financial year	4,302,203	4,406,909

9. Trade and other receivables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Gross trade receivables	3,158,864	4,737,482	8,170	10,235
Less: Allowance for impairment	(1,652,744)	(1,326,459)	-	-
	1,506,120	3,411,023	8,170	10,235
Other receivables	386,135	231,721	6,000	20,772
Deposits	63,131	58,771	10,000	10,000
Prepayments	25,264	34,574	-	-
Deferred expenses	16,961	8,010	-	-
Service contract in progress	-	280,689	-	-
	1,997,611	4,024,788	24,170	41,007

9. Trade and other receivables (cont'd)

Movement in allowance for doubtful debts are as follows:

	Group	
	2018	**2017**
	RM	**RM**
At beginning of financial year	1,326,459	1,220,414
Addition during the financial year	399,047	139,115
Currency exchange differences	(72,762)	(33,070)
At end of financial year	1,652,744	1,326,459

Trade receivables that are individually determined to be impaired relate to debtors that are more than 360 days past due and there were no repayment arrangement. These receivables are not secured by any collateral or credit enhancement. At the reporting date, the directors believe that the allowance for doubtful debts was adequately provided.

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

An aging analysis of trade receivables as at reporting date is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Current	996,151	1,843,694	8,170	10,235
> 90 to 180 days	21,577	352,260	-	-
> 180 to 360 days	15,739	366,183	-	-
> 360 days	2,125,397	2,175,344	-	-
	3,158,864	4,737,481	8,170	10,235

9. Trade and other receivables (cont'd)

The currency profile of the trade and other receivables are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables				
- Ringgit Malaysia	2,851,866	4,257,935	8,170	10,235
- Hong Kong Dollar	63,284	61,354	-	-
- Chinese Renminbi	-	138,617	-	-
- Singapore Dollar	243,714	279,575	-	-
	3,158,864	4,737,481	8,170	10,235
Other receivables				
- Ringgit Malaysia	45,097	34,508	6,000	20,772
- Hong Kong Dollar	-	2,590	-	-
- Chinese Renminbi	341,038	194,624	-	-
	386,135	231,722	6,000	20,772
Deposits				
- Ringgit Malaysia	19,223	19,104	10,000	10,000
- Hong Kong Dollar	42,390	38,153	-	-
- Singapore Dollar	1,518	1,514	-	-
	63,131	58,771	10,000	10,000
Prepayments				
- Ringgit Malaysia	17,039	22,277	-	-
- Hong Kong Dollar	2,079	1,912	-	-
- Singapore Dollar	6,146	10,385	-	-
	25,264	34,574	-	-
Deferred expenses				
- Hong Kong Dollar	16,961	8,010	-	-
	16,961	8,010	-	-
Service contract in progress				
- Hong Kong Dollar	-	280,689	-	-

10. Amount due from subsidiaries

	Company 2018 RM	Company 2017 RM
Non-current		
Non- trade		
Advances to subsidiaries	8,026,062	6,635,764

Amount due from subsidiaries totalling RM8,026,062 (2017: RM6,635,764) bears interest at BLR - 1.90% per annum is unsecured and has 5 years fixed terms of repayment.

The currency profile of the amount due from subsidiaries are as follows:

	Company 2018 RM	Company 2017 RM
Ringgit Malaysia	6,454,400	4,808,564
Hong Kong Dollar	1,571,662	1,827,200
	8,026,062	6,635,764

11. Cash and bank balances

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

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Ringgit Malaysia	3,861,835	5,066,720	3,510,196	4,511,334
Hong Kong Dollar	176,440	190,858	-	-
Chinese Renminbi	203,502	22,679	-	-
Singapore Dollar	339,414	288,124	-	-
	4,581,191	5,568,381	3,510,196	4,511,334

Included in the cash and bank balances of the Group and Company is an amount of RM2,448,195 (2017: nil) respectively which represents investment in money market fund managed by licensed financial institution, which is tax exempt and allows prompt redemption at any time.

12. Trade and other payables

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Trade payables	25,651	240,041	2,058	2,084
Other payables	349,936	369,349	7,187	7,711
Deposits	83,212	80,627	-	-
	458,799	690,017	9,245	9,795

The currency profile of trade and other payables are as follows:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Trade payables				
- Ringgit Malaysia	2,198	(46,629)	2,058	2,084
- Hong Kong Dollar	23,453	286,670	-	-
	25,651	240,041	2,058	2,084
Other payables				
- Ringgit Malaysia	67,878	12,985	7,187	7,711
- Hong Kong Dollar	158,445	-	-	-
- Singapore Dollar	166	4,445	-	-
- Chinese Renminbi	123,447	351,919	-	-
	349,936	369,349	7,187	7,711
Deposits				
- Ringgit Malaysia	11,500	10,300	-	-
- Hong Kong Dollar	71,712	70,327	-	-
	83,212	80,627	-	-

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

13. Other liabilities

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Accruals	337,413	298,027	36,804	36,098

The currency profile of other liabilities are as follows:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Accruals				
- Ringgit Malaysia	238,400	232,663	36,804	36,098
- Hong Kong Dollar	77,765	49,878	-	-
- Chinese Renminbi	5,854	-	-	-
- Singapore Dollar	15,484	15,486	-	-
	337,413	298,027	36,804	36,098

14. Contract liabilities

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Contract liabilities	764,631	766,336	-	-

Technical support income received in advance from customers which had been previously classified under deferred revenue is now recognised as contract liabilities.

The currency profile of contract liabilities are as follows:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Contract liabilities				
- Ringgit Malaysia	552,755	554,160	-	-
- Hong Kong Dollar	197,154	198,241	-	-
- Singapore Dollar	14,722	13,935	-	-
	764,631	766,336	-	-

15. Amount due to directors

The amount due to directors are non-trade in nature, unsecured, interest free and repayable on demand.

16. Loans and borrowings

	Group	
	2018 RM	2017 RM
Classified as:		
Non-current liabilities	-	635,572
Current liabilities	-	21,520
	-	657,092
Present value of term loan is analysed as follows:		
Payable within 1 year	-	21,520
Payable after 1 year but not later than 5 years	-	86,081
Payable after 5 years	-	549,491
	-	657,092

Borrowing facilities:

Term loan up to a limit of RM 780,000 (2017: RM 780,000) extended to a subsidiary.

Interest rate, terms of repayment and security:

(a) Repayable by three hundred (300) monthly instalment of RM4,292 each.

(b) Interest is charged at 1.9% per annum below base lending rate of lending bank.

(c) Secured by property of a subsidiary (Note 4).

(d) Joint and several guaranteed by directors of the subsidiary.

17. Deferred tax (assets) / liabilities

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At beginning of financial year	450	25,763	(852)	5,120
Recognised in profit or loss (Note 21)	(140)	(25,313)	(862)	(5,972)
At end of financial year	310	450	(1,714)	(852)

17. Deferred tax (assets) / liabilities (cont'd)

Presented after appropriate offsetting as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax assets	-	-	(1,840)	(852)
Deferred tax liabilities	310	450	126	-
	310	450	(1,714)	(852)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Differences between the carrying amount of property, plant and equipment and their tax base	310	450	(1,714)	(852)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unabsorbed capital allowances	167,989	168,641	-	-
Unutilised tax losses	6,964,519	6,322,929	-	-
	7,132,508	6,491,570	-	-

18. Share capital

	Group and Company			
	2018		2017	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Ordinary shares				
Issued and fully paid:				
At 1 January	232,286,540	24,970,802	193,572,140	19,357,214
Issued during the financial year	-	-	38,714,400	5,613,588
Transfer pursuant to Section 618(2) of the Companies Act, 2016	-	2,247,330	-	-
At 31 December	232,286,540	27,218,132	232,286,540	24,970,802

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

(a) Share premium

	Group and Company	
	2018 RM	2017 RM
At beginning of financial year	2,247,330	2,420,349
Share issuance expenses	-	(173,019)
Transfer pursuant to Section 618(2) of the Companies Act,	(2,247,330)	-
At end of financial year	-	2,247,330

In accordance with the transitional provisions of the Companies Act 2016 ("Act"), the amount standing to the credit of the Company's share premium account has become part of the Company's share capital. These changes do not have any impact on the number of shares in issue or the relative entitlement of any of the shareholders.

However, the Company has a period of 24 months from the effective date of the Act (31 January 2017) to use the existing credit balance of the share premium account in a manner specified by the Act.

19. Gross revenue

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Revenue from contracts with customers	3,430,143	5,440,398	33,196	111,636
Management fees	-	-	10,000	10,000
	3,430,143	5,440,398	43,196	121,636

Nature of goods	Timing of recognition	Significant payment terms	Variable element in consideration	Obligation for returns or refund	Warranty
Maintenance services	Revenue is recognised when the service rendered and accepted by the customers.	Credit period of 30 to 90 days from invoice date	Not applicable	Not applicable	Not applicable

20. Loss before tax

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
This is stated after charging:				
Allowance for doubtful debts	399,047	325,800	-	-
Amortisation of intangible assets	1,504,632	1,633,193	-	-
Auditors remuneration				
- CHENGCO PLT	42,000	40,000	32,000	31,000
- Oversea affiliate of CHENGCO PLT	20,752	24,703	-	-
- Other auditors	24,142	25,014	-	-
Bad debts written off	-	51,438	-	-
Depreciation				
- investment property	476	477	-	-
- property, plant and equipment	354,044	362,759	234,704	237,843
Directors' remuneration				
- fees	75,000	75,000	75,000	75,000
- other emoluments	312,111	306,777	-	-
Finance costs				
- finance lease	-	5,203	-	-
- loans and borrowings	31,735	32,213	-	-
Impairment loss in investment in subsidiaries	-	-	6,281,608	-
Loss on realised foreign exchange				
- trade	33	22	-	1,220
- non-trade	-	1,219	-	-
Loss on unrealised foreign exchange	742,606	18,778	-	-
Rental of premises	219,657	217,418	-	-
And crediting:				
Dividend income	86,148	-	86,148	-
Gain on financial asset measured at fair value	-	-	152,817	60,824
Gain on foreign exchange				
- realised	-	5	-	-
Interest income				
- related companies	-	-	358,559	281,720
- other	35,015	18,008	33,114	15,852
Rental income	96,000	84,000	-	-

21. Tax expense

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Income tax				
- Current	58,795	70,573	41,460	54,601
- Underprovision in prior financial year	747	5,550	906	7,486
	59,542	76,123	42,366	62,087
Deferred tax (Note 17)				
- Current financial year	(4,465)	1,463	(1,714)	(852)
- Under / (Over) provision in prior financial year	4,327	(26,776)	852	(5,120)
	(138)	(25,313)	(862)	(5,972)
	59,404	50,810	41,504	56,115

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

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Loss before tax	(2,121,247)	(359,824)	(6,089,737)	(31,445)
Income tax calculated at tax rate of 24%	(509,099)	(86,358)	(1,461,537)	(7,547)
Tax effect of expenses not deductible in determining taxable profit	670,647	101,620	1,589,145	62,148
Tax effect of income not taxable in determining taxable profit	(102,753)	(206,998)	(86,148)	-
Deferred tax assets not (utilised)/recognised during the financial year	(4,465)	263,772	(1,714)	(852)
	54,330	72,036	39,746	53,749
Under provision of income tax in prior financial year	747	5,550	906	7,486
Under/(Over) provision of deferred tax in prior financial year	4,327	(26,776)	852	(5,120)
	59,404	50,810	41,504	56,115

21. Tax expense (cont'd)

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Unabsorbed capital allowances	699,953	702,673	-	-
Unutilised tax losses	29,018,831	26,345,538	-	-
	29,718,784	27,048,211	-	-

22. Loss per share

The loss per share is calculated based on the loss attributable to owner of the Company of RM2,289,441 (2017: RM328,984) and on 232,286,540 (2017: 232,286,540) weighted average number of ordinary shares.

23. Employee benefits expense

	Group	
	2018	**2017**
	RM	**RM**
Employee benefits expense	3,382,233	3,224,691

Included in employee benefit expenses is post-employment benefits amounting to RM249,835 (2017:RM286,244).

24. Related party disclosures

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

(a) Transactions with subsidiaries and associates

	Company 2018 RM	Company 2017 RM
Transactions with subsidiary companies:		
Interest income	358,559	281,720
Management fee received	10,000	10,000
Advances to subsidiaries	1,390,298	1,197,759

(b) Compensation of key management personnel

The directors and senior management staff of the Group and of the Company are considered as key management personnel.

Key management personnel compensation payable to directors and senior management staff of the Group during the financial year is as follows:

	Group 2018 RM	Group 2017 RM
Directors' remuneration		
Short-term employee benefits	278,625	349,493
Post employment benefits		
- defined contribution plan	33,486	32,284
Total directors' remuneration	312,111	381,777
Senior management staff		
Short-term employee benefits	712,639	411,738
Post employment benefits		
- defined contribution plan	69,426	32,347
Total senior management staff	782,065	444,085
Total compensation	1,094,176	825,862

24. Related party disclosures (cont'd)

(b) Compensation of key management personnel (cont'd)

Key management personnel compensation payable to directors of the Company during the financial year is as follows:

	Company	
	2018	**2017**
	RM	**RM**
Short-term employee benefits	75,000	75,000

25. Segment analysis

(a) Primary reporting format - geographical segment

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

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

25. Segment analysis (cont'd)

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

2018	Malaysia RM	Asia Pacific RM	Group RM
Revenue	1,996,912	1,433,231	3,430,143
Less: Inter-segment sales	-	-	-
External sales	1,996,912	1,433,231	3,430,143
Results			
Segment operating loss	(2,435,723)	(121,897)	(2,557,620)
Finance costs	(31,735)	-	(31,735)
Share of associate's profits	468,108	-	468,108
Loss before tax			(2,121,247)
Income tax expense	(56,831)	(2,573)	(59,404)
Net loss for the financial year			(2,180,651)
Other information			
Segment assets	17,483,266	1,509,137	18,992,403
Segment liabilities	1,467,901	714,557	2,182,458
Capital expenditure	50,878	-	50,878
Depreciation and amortisation	1,771,228	87,924	1,859,152

25. Segment analysis (cont'd)

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

2017	Malaysia RM	Asia Pacific RM	Group RM
Revenue	4,341,341	1,099,057	5,440,398
Less: Inter-segment sales	-	-	-
External sales	4,341,341	1,099,057	5,440,398
Results			
Segment operating gain / (loss)	118,189	(863,786)	(745,597)
Finance costs	(37,416)	-	(37,416)
Share of associate's profits	423,189	-	423,189
Loss before tax			(359,824)
Income tax expense	(50,429)	(381)	(50,810)
Net loss for the financial year			(410,634)
Other information			
Segment assets	17,361,086	4,684,783	22,045,869
Segment liabilities	2,096,001	961,961	3,057,962
Capital expenditure	265,943	90,959	356,902
Depreciation and amortisation	1,812,617	183,812	1,996,429

(b) Secondary reporting format - business segment

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

Notes to the Financial Statements

for the financial year ended 31 December 2018 (cont'd)

26. Operating lease commitment

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

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

	Group	
	2018	**2017**
	RM	**RM**
Future minimum lease payments		
- payable not later than 1 year	174,290	87,741
- payable later than 1 year and not later than 5 years	101,669	-
	275,959	87,741

27. Capital disclosure

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

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

The Group monitors capital using a gearing ratio which is net debt divided by total equity. The Group's policy to keep the gearing ratio at manageable levels. As at 31 December 2018, the Group is in a net cash surplus position.

	Group	
	2018	**2017**
	RM	**RM**
Term loan	-	657,092
Bank overdraft	-	-
	-	657,092
Less: Cash and bank balances	(4,581,191)	(5,568,381)
Net cash	(4,581,191)	(4,911,289)

Notes to the Financial Statements

for the financial year ended 31 December 2018 (cont'd)

27. Capital disclosure (cont'd)

	Group 2018 RM	Group 2017 RM
Total equity	16,809,945	18,987,907
Debt-to-equity ratio	N/A	3%

28. Financial instruments

	Notes	2018 RM
Financial assets		
Group		
Amortised cost		
Trade and other receivables	9	1,997,611
Cash and bank balances	11	4,581,191
		6,578,802
Company		
Amortised cost		
Trade and other receivables	9	24,170
Amount due from subsidiaries	10	8,026,062
Cash and bank balances	11	3,510,196
		11,560,428
Financial liabilities		
Group		
Amortised cost		
Trade and other receivables	12	458,799
Amount due to directors	15	616,000
		1,074,799
Company		
Amortised cost		
Trade and other receivables	12	9,245

28. Financial instruments (cont'd)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

- Loans and receivables
- Financial liabilities measured at amortised cost

	Notes	2017 RM
Financial assets		
Group		
Loan and receivables		
Trade and other receivables	9	4,024,788
Cash and bank balances	11	5,568,381
		9,593,169
Company		
Loan and receivables		
Trade and other receivables	9	41,007
Amount due from subsidiaries	10	6,635,764
Cash and bank balances	11	4,511,334
		11,188,105
Financial liabilities		
Group		
Measured at amortised cost		
Trade and other receivables	12	690,017
Amount due to directors	15	645,538
Loans and borrowings	16	657,092
		1,992,647
Company		
Measured at amortised cost		
Trade and other receivables	12	9,795

(b) Financial risk management objectives and policies

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

27. Financial instruments (cont'd)

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

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instrument should a counterparty default on its obligations.

The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

Exposure to credit risk

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

Credit risk concentration profile

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

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash at banks that are neither past due nor impaired are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 9.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM	Loss allowance RM	Net balance RM
Current (not past due)	413,406	-	413,406
1 - 30 days past due	752	-	752
31 - 60 days past due	297,007	-	297,007
61 - 90 days past due	284,986	-	284,986
	996,151	-	996,151
Credit impaired			
More than 90 days past due	519,289	(9,320)	509,969
Individually impaired	1,643,424	(1,643,424)	-
	2,162,713	(1,652,744)	509,969
Trade receivables	3,158,864	(1,652,744)	1,506,120

28. Financial instruments (cont'd)

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

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

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

Exposure to interest rate risk

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

	Group		**Company**	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Floating rate instruments				
Financial assets	-	-	8,026,062	6,635,764
Financial liabilities	-	(657,092)	-	-
	-	(657,092)	8,026,062	6,635,764

Sensitivity analysis for interest rate risk

Sensitivity analysis for floating rate instrument

A change of 25 basis point ("bp") in interest rate at the end of reporting period would have increased equity and decreased post-tax loss by the amount shown below.

The analysis assumes that all other variables, in particular foreign currency rates, remain unchanged.

28. Financial instruments (cont'd)

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

(ii) Interest rate risk (cont'd)

Group	Profit or loss	
	25bp Increase	25bp Decrease
2018	RM	RM
Floating rate instrument	-	-
2017	RM	RM
Floating rate instrument	(1,232)	1,232

Company	Profit or loss	
	25bp Increase	25bp Decrease
2018	RM	RM
Floating rate instrument	15,250	(15,250)
2017	RM	RM
Floating rate instrument	12,608	(12,442)

28. Financial instruments (cont'd)

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

(iii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The currencies giving rise to this risk are primarily Hong Kong Dollar ("HKD"), Chinese Renminbi ("RMB") and Singapore Dollar ("SGD").

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

Currency risk sensitivity analysis

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

	Group		Company	
	Equity	Loss after tax	Equity	Loss after tax
2018	RM	RM	RM	RM
Hong Kong Dollar	(8,640)	8,640	59,723	(59,723)
Chinese Renminbi	15,779	(15,779)	-	-
Singapore Dollar	21,302	(21,302)	-	-
2017				
Hong Kong Dollar	(819)	819	69,434	(69,434)
Chinese Renminbi	152	(152)	-	-
Singapore Dollar	20,907	(20,907)	-	-

28. Financial instruments (cont'd)

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

(iv) Liquidity risk

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

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

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

2018

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Group	RM		RM	RM	RM	RM
Trade and other payables	458,799	-	458,799	458,799	-	-
	458,799		458,799	458,799	-	-
Company						
Trade and other payables	9,245	-	9,245	9,245	-	-

2017

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	>3 years
Group	RM		RM	RM	RM	RM
Trade and other payables	690,017	-	690,017	690,017	-	-
Loans and borrowings	657,092	4.95%	1,002,980	54,708	54,708	893,564
	1,347,109		1,692,997	744,725	54,708	893,564
Company						
Trade and other payables	9,795	-	9,795	9,795	-	-

Notes to the Financial Statements

for the financial year ended 31 December 2018 (cont'd)

29. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly, and

Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant.

30. Significant event subsequent to the reporting date

On 6 March 2019, the Company has incorporated a subsidiary company, namely NS Infotech Sdn Bhd ("NS Infotech") under the Companies Act, 2016. The issued share capital of NS Infotech is 1,000 ordinary shares totalling RM1,000. The Company holds 80% shares in NS Infotech with a net cash outlay of RM800 only.

31. Authorisation for issue of financial statements

These financial statements were authorised for issue by the Board of Directors on 8 April 2019.

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	19	958,570
Unit 5.04, Plaza GM, No. 12, Lorong Haji Taib Lima, 50350 Kuala Lumpur	One shop lot held under Geran 54264 Lot 2000 Seksyen 46 (formerly known as H.S (D) 81954 P.T. No. 86, GRN 26997 & 26998 for Lot Nos. 1728 & 1729 all of Seksyen 46) in the town and District of Kuala Lumpur, State of Wilayah Persekutuan Rented Out	Freehold	238.46	29/01/2008	11	284,277

Analysis of Shareholdings
as at 29 March 2019

Issued Share Capital	:	232,286,540 Ordinary Shares
Class of Equity Securities	:	Ordinary Shares ("Shares")
Voting Rights	:	One vote per Share

Distribution Schedule of Shareholders

No. of Holders	Size of Shareholdings	No. of Issued Shares	%
2	Less than 100	108	*
496	100 - 1,000	97,400	0.04
392	1,001 - 10,000	2,693,700	1.16
527	10,001 to 100,000 shares	20,262,400	8.72
133	100,001 to less than 5% of issued shares	116,422,400	50.12
3	5% and above of issued shares	92,810,532	39.96
1,553	**Total**	**232,286,540**	**100.00**

* Negligible

30 Largest Securities Account Holders based on Record of Depositors
(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares held	%
1	YEAP KONG CHEAN	40,666,668	17.51
2	YEAP KONG TAI (Deceased)	32,786,664	14.11
3	CARTABAN NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE*	19,357,200	8.33
4	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ENG GING KIAT*	9,678,600	4.17
5	LEE WAI MUN	9,678,600	4.17
6	KUAN YUEN SOONG @ KUAN CHU TENG	7,144,600	3.08
7	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YEAP KONG TAI*	6,680,000	2.88
8	CHAN LI KHENG	6,597,000	2.84
9	YEAP CHOR BENG & SONS SDN BHD	5,500,000	2.37
10	TRICOR SERVICES (MALAYSIA) SDN. BHD.	5,195,000	2.24
11	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YEAP KONG YEOW*	4,060,000	1.75
12	SEAW KENG SENG	3,900,000	1.68
13	LOH GIM CHUAN	3,260,000	1.40
14	WONG AH YONG	2,930,000	1.26
15	YEAP KONG YEOW	2,433,000	1.05
16	TAN LAN WAH	2,362,000	1.02
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ANG HE YAM*	2,050,000	0.88
18	TAN LAN WAH	1,719,400	0.74

Analysis of Shareholdings
as at 29 March 2019 (cont'd)

30 Largest Securities Account Holders based on Record of Depositors (cont'd)
(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares held	%
19	NG CHENG GUAN	1,604,100	0.69
20	ANG LAY MOOI	1,298,000	0.56
21	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG AH YONG*	1,100,000	0.47
22	NG CHING SIONG	1,040,000	0.45
23	DATIN LEUNG KIT MAN	1,000,000	0.43
24	ENG GING KIAT	1,000,000	0.43
25	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN WEI THENG*	1,000,000	0.43
26	YEAP KAH PHAIK	1,000,000	0.43
27	YEAP KING JIN	888,000	0.38
28	YEAP KONG YEOW	868,400	0.37
29	HO YIT LIN @ HO YUET LING	815,000	0.35
30	YAP EAN SIN	804,000	0.35

Substantial Shareholders' Shareholdings based on Register of Substantial Shareholders

		No. of Shares beneficially held				
No.	**Name of Substantial Shareholders**	**Direct Interest**	**%**	**Indirect Interest**	**%**	**Note**
1	Yeap Kong Chean	40,666,668	17.51	-	-	
2	Tan Hoay Leng	-	-	40,666,668	17.51	a
3	Yeap Kong Tai (Deceased)	39,466,664	16.99	-	-	
4	Dato' Woo Swee Lian	19,357,200	8.33	-	-	

Directors' Shareholdings based on Register of Directors' Shareholdings

		No. of Shares beneficially held				
No.	**Name of Directors**	**Direct Interest**	**%**	**Indirect Interest**	**%**	**Note**
1	Yeap Kong Chean	40,666,668	17.51	-	-	
2	Tan Hoay Leng	-	-	40,666,668	17.51	a
3	Dr. Ch'ng Huck Khoon	-	-	-	-	
4	Chua Kiat Eng	-	-	-	-	
5	Dato' Lee Wai Mun	9,678,600	4.17	-	-	

Note:
a) Deemed interested through her spouse, Mr. Yeap Kong Chean

Interests in the related corporations

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

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

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YglWORLD

Form of Proxy

No. of Shares held	

I / We ____ NRIC / Passport / Company No. ______________________________

(BLOCK LETTERS)

of ____ ,

(full address)

being a member/members of **Ygl Convergence Berhad (Company No. 649013-W)** hereby appoint __________________

____ NRIC / Passport No. ____________________________________

of ____

or failing him, ____________________________________ NRIC / Passport No. __________________________________

of ____

or the Chairman of the Meeting as *my/our proxy to vote in my/our name(s) on *my/our behalf at the Fifteenth (15th) Annual General Meeting of the Company to be held at Royale Chulan Hotel, No. 1 & 2, Pengkalan Weld, 10300 George Town, Penang, on Monday, 27 May 2019 at 10.30 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	For	Against
1.	To approve the payment of Directors' fees for the financial year ended 31 December 2018		
2.	To approve the payment of benefits payable to Directors under Section 230(1)(b) of the Companies Act 2016		
3.	To re-elect Mr. Yeap Kong Chean as Director of the Company		
4.	To re-elect Dr. Ch'ng Huck Khoon as Director of the Company		
5.	To re-appoint Messrs CHENGCO PLT (formerly known as Cheng & Co) as Auditors for the ensuing year and to authorise Directors to fix their remuneration		
6.	Authority to the Directors to issue and allot shares		
	SPECIAL RESOLUTION		
7.	Proposed alteration of the Constitution of the Company		

** Strike out whichever not applicable*

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

Note: Please note that the short description given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. Shareholders are encouraged to refer to the Notice of 15th Annual General Meeting for the full purpose and intent of the Resolutions to be passed.

As witness *my/our hand(s) this _______ day of ____________, 2019.

____

Signature of Member / Common Seal of the Corporate Shareholders

Notes:-

1. *For the purpose of determining a member who shall be entitled to attend, speak and vote at this 15th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 20.3 of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 17 May 2019. Only a depositor whose name appears on the Record of Depositors as at 17 May 2019 shall be entitled to attend, speak and vote at the said meeting or appoint proxy to attend, speak and vote on his/her behalf.*
2. *A member entitled to attend and vote at the Meeting is entitled to appoint his or her proxy to attend and vote in his or her stead. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he or she specifies the proportions of his or her shareholdings to be represented by each proxy.*
3. *A proxy may but need not to be a member of the Company. There shall be no restriction as to the qualification of the proxy. Any proxy or duly authorised representative appointed to vote and attend instead of a member, shall have the same right as the member to speak at the meeting.*
4. *In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*
5. *Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.*
6. *Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.*
7. *The instrument appointing a proxy must be deposited at the registered office of the Company at No. 35, Scotland Road, 10450 Penang, not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof.*
8. *Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this notice will be put to vote by way of a poll.*
9. *Any alteration in this form must be initialed.*

Affix Stamp

To:

The Company Secretaries
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10450 Penang
Malaysia

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