

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

	Note	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
		2016 RM	2015 RM	2016 RM	2015 RM
Continuing Operations					
Revenue	13	1,269,582	1,248,995	2,817,688	3,753,473
Cost of Sales		<u>(893,358)</u>	<u>(1,195,326)</u>	<u>(1,793,826)</u>	<u>(2,503,359)</u>
Gross Profit / (Loss)		376,224	53,669	1,023,862	1,250,114
Other Operating Income		23,213	26,889	54,109	58,585
Selling and Distribution Costs		-	-	-	-
Administrative Expenses		(147,326)	(156,295)	(277,455)	(261,781)
Other Operating Expenses		(231,010)	(310,022)	(532,338)	(534,918)
(Loss) / Profit for the period from continuing operations		<u>21,101</u>	<u>(385,759)</u>	<u>268,178</u>	<u>512,000</u>
Finance Costs		(8,657)	(17,763)	(17,230)	(35,984)
Gain on Financial Assets Measured at Fair Value	22	-	-	-	-
Share of Results of Associate Company		67,408	(1,147)	102,807	(41,068)
(Loss) / Profit Before Tax	14	<u>79,852</u>	<u>(404,669)</u>	<u>353,755</u>	<u>434,948</u>
Income Tax Expense	17	(18,612)	(12,704)	(27,918)	(20,615)
(Loss) / Profit for the period		<u>61,240</u>	<u>(417,373)</u>	<u>325,837</u>	<u>414,333</u>
Profit attributable to :					
Owners of the Company		60,187	(391,707)	340,085	369,492
Non-controlling interests		1,053	(25,666)	(14,248)	44,841
(Loss) / Profit for the period		<u>61,240</u>	<u>(417,373)</u>	<u>325,837</u>	<u>414,333</u>
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operation		18,704	20,690	(156,503)	306,929
Total Comprehensive (Loss) / Income for the period		<u>79,944</u>	<u>(396,683)</u>	<u>169,334</u>	<u>721,262</u>
Total comprehensive (loss) / income attributable to:					
Owners of the Company		78,891	(371,017)	183,582	676,421
Non-controlling interests		1,053	(25,666)	(14,248)	44,841
		<u>79,944</u>	<u>(396,683)</u>	<u>169,334</u>	<u>721,262</u>
Earnings per share attributable to owners of the Company (in sen)					
Basic EPS	27	0.04	-0.23	0.18	0.25

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**NOTES TO CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

	Individual Quarter 3 months ended 30 June 2016 <u>RM</u>	Cumulative 6 months ended 30 June 2016 <u>RM</u>
(a) Interest income	2,808	6,205
(b) Other income including investment income	n/a	n/a
(c) Gain / (Loss) on disposal of quoted / unquoted investment or properties	n/a	n/a
(d) Gain / (Loss) on foreign exchange	39,872	39,849
(e) Gain / (Loss) on derivatives	n/a	n/a
(f) Interest expense	8,657	17,230
(g) Depreciation	78,521	157,072
(h) Amortization	385,600	735,732
(i) Provision for and write-off of receivables	14,538	1,113,996
(j) Provision for and write-off of inventories	n/a	n/a
(k) Exceptional item	n/a	n/a

n/a denotes not applicable

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	30 June 2016 (Unaudited) RM	31 December 2015 (Audited) RM
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		4,985,581	5,139,489
Investment Property		285,469	285,707
Goodwill and Other Intangible Assets		6,684,131	6,709,645
Investment in Associate Company		619,158	516,351
		<u>12,574,339</u>	<u>12,651,192</u>
Current Assets			
Trade and Other Receivables	22	3,694,621	3,357,606
Amount Owing by Associate Company		-	-
Current Tax Assets		58,765	26,978
Cash and Cash Equivalents	19	1,420,545	1,897,210
		<u>5,173,931</u>	<u>5,281,794</u>
TOTAL ASSETS		<u>17,748,270</u>	<u>17,932,986</u>
EQUITY AND LIABILITIES			
Equity			
Share Capital		19,357,214	19,357,214
Share Premium, non-distributable		2,420,349	2,420,349
Exchange Translation, non-distributable		339,550	496,053
(Accumulated Losses) / Retained Profits		(7,697,328)	(8,037,413)
Equity attributable to owners of the Company		<u>14,419,785</u>	<u>14,236,203</u>
Non-controlling Interests		54,447	68,695
TOTAL EQUITY		<u>14,474,232</u>	<u>14,304,898</u>
Non-Current Liabilities			
Term Loan	20	667,930	682,262
Hire Purchase Liabilities	20	-	-
Deferred Tax Liabilities		25,616	24,326
		<u>693,546</u>	<u>706,588</u>
Current Liabilities			
Trade and Other Payables	22	1,417,912	1,512,289
Amount due to director		699,235	709,768
Term Loan	20	21,071	16,896
Hire Purchase Liabilities	20	-	-
Bank Overdraft	20	-	2,105
Deferred revenue		411,774	669,971
Current Tax Liabilities		30,500	10,471
		<u>2,580,492</u>	<u>2,921,500</u>
TOTAL LIABILITIES		<u>3,274,038</u>	<u>3,628,088</u>
TOTAL EQUITY AND LIABILITIES		<u>17,748,270</u>	<u>17,932,986</u>
Net assets per share attributable to owners of the Company (sen)		7.45	7.87

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

YGL CONVERGENCE BERHAD (649013-W)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

	Note	Share Capital RM	Share Premium RM	Exchange Translation Reserve RM	Retained Earnings RM	Total RM	Non-controlling Interests RM	Total Equity RM
<i>Audited</i>								
At 1 January 2015		17,597,514	2,308,629	(14,097)	(7,838,491)	12,053,555	44,952	12,098,507
Issue of share capital - private placement		1,759,700	111,720	-	-	1,871,420	-	1,871,420
Net loss for the year		-	-	-	(198,922)	(198,922)	23,743	(175,179)
Other comprehensive loss		-	-	510,150	-	510,150	-	510,150
At 31 December 2015		<u>19,357,214</u>	<u>2,420,349</u>	<u>496,053</u>	<u>(8,037,413)</u>	<u>14,236,203</u>	<u>68,695</u>	<u>14,304,898</u>
<i>Unaudited</i>								
At 1 January 2016		19,357,214	2,420,349	496,053	(8,037,413)	14,236,203	68,695	14,304,898
Net profit for the year		-	-	-	340,085	340,085	(14,248)	325,837
Other comprehensive loss Exchange translation differences		-	-	(156,503)	-	(156,503)	-	(156,503)
At 30 June 2016		<u>19,357,214</u>	<u>2,420,349</u>	<u>339,550</u>	<u>(7,697,328)</u>	<u>14,419,785</u>	<u>54,447</u>	<u>14,474,232</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

Note	6 MONTHS ENDED 30 JUNE (UNAUDITED) 2016 RM	YEAR ENDED 31 DECEMBER (AUDITED) 2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	353,755	(111,917)
Adjustments for:-		
Depreciation of property, plant and equipment	156,953	320,035
Depreciation of investment property	119	477
Amortisation of software development costs	735,732	1,567,114
Amortisation of membership	808	1,622
Share of result of associates	(102,807)	(118,723)
Impairment loss on intangible assets	-	-
Bad debts written off	-	-
Property, plant and equipment written off	-	5,499
Allowance for doubtful debts	-	-
Allowance for doubtful debts written back	-	-
Unrealised (gain) / loss on foreign exchange	(49,721)	(55,078)
Gain on acquisition of subsidiary	-	-
Gain on disposal of subsidiary	-	-
Interest income	(6,205)	(7,383)
Interest expense	17,230	63,657
Hire purchase term charges	-	71
Operating (loss) / profit before working capital changes	<u>1,105,864</u>	<u>1,665,374</u>
Changes in software development costs	(787,073)	(1,482,276)
Receipts from customers	2,405,429	6,997,319
Changes in receivables	(2,850,035)	(6,804,612)
Payments to suppliers, contractors and employees	(1,445,755)	(3,860,847)
Changes in payables	1,426,896	3,564,359
Changes in deferred revenue	(258,197)	40,996
Cash used in operations	<u>(402,871)</u>	<u>120,313</u>
Interest received	6,205	7,383
Interest paid	(17,230)	(63,657)
Tax (paid) / refund	(27,918)	(27,344)
Net cash used in operating activities	<u>(441,814)</u>	<u>36,695</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,988)	(15,864)
Net cash inflow from acquisition subsidiary	-	-
Proceeds from disposal of shares in subsidiary	-	-
Proceeds from disposal of other investment	-	-
Net cash used in investing activities	<u>(4,988)</u>	<u>(15,864)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	-	1,871,420
Share issuance expenses	-	-
Payment of term loan instalments	(10,157)	(24,326)
Payment of hire purchase instalments	-	(7,077)
Hire purchase term charges paid	-	(71)
Net cash (used in) / from financing activities	<u>(10,157)</u>	<u>1,839,946</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(456,959)	1,860,777
EFFECT OF CHANGES IN EXCHANGE RATES	(17,601)	68,951
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	1,895,105	(34,623)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u>1,420,545</u>	<u>1,895,105</u>
Represented by:		
CASH AND BANK BALANCES	1,420,545	1,897,210
BANK OVERDRAFT	-	(2,105)
	<u>1,420,545</u>	<u>1,895,105</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with MFRS 134, Interim Financial Reporting and Appendix 9B, para 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015 and the attached explanatory notes. The explanatory notes provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2015 except for the adoption of the following MFRSs and Amendments to MFRS which are applicable to the financial statements as disclosed therein:

Standards effective for financial periods beginning on or after 1 January 2016

Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012 - 2014 Cycle)
Amendments to MFRS 7	Financial Instruments: Disclosure (Annual Improvements to MFRSs 2012 – 2014 Cycle)
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 & MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 & MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 119	Employee Benefits (Annual Improvements to MFRSs 2012 – 2014 Cycle)
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements to MFRSs 2012 – 2014 Cycle)

The application of the above MFRSs and Amendments to MFRS did not result in any significant changes in accounting policies and presentation of the financial results of the Group for the current quarter.

The Group has not applied the following standards which have been issued by MASB but not yet effective for the current quarter. The initial adoption of these standards is not expected to have significant impact to the financial statements of the Group.

Effective for financial periods beginning on or after 1 January 2017

MFRS 107	Disclosure Initiative
MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Clarifications to MFRS 15	Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
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2. Auditors’ Report of Preceding Annual Financial Statements

The auditors’ report of the preceding financial year was not subject to any qualification.

3. Seasonality or Cyclicity of Interim Operations

The business of the Group was not affected by any significant seasonal or cyclical factors.

4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items in the financial statements in the current financial quarter under review.

5. Material Changes in Estimates

There were no changes in estimates that have had a material effect in the current financial quarter under review.

6. Issues, Repurchases and Repayment of Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities, share buy-back, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial quarter under review.

7. Dividend Paid

No dividends were paid in the current quarter under review.

**Ygi Convergence Berhad (649013-W) (“Ygi” or “Group”)
Quarterly report for the second quarter ended 30 June 2016**

8. Segmental Information

Segmental information was provided for the operations in Malaysia and Asia Pacific region.

	3 months ended 30 June		Cumulative 6 months ended 30 June	
	2016	2015	2016	2015
<u>Segment Revenue</u>				
Revenue from operations:				
Malaysia	1,119,241	798,400	2,371,418	2,576,676
Asia Pacific	150,341	450,595	446,270	1,176,797
Total revenue	1,269,582	1,248,995	2,817,688	3,753,473
Elimination of inter-segment sales	-	-	-	-
External sales	1,269,582	1,248,995	2,817,688	3,753,473
Interest revenue	2,808	988	6,205	1,414

	3 months ended 30 June		Cumulative 6 months ended 30 June	
	2016	2015	2016	2015
<u>Segment Results</u>				
Results from operations:				
Malaysia	155,113	(201,634)	506,232	431,069
Asia Pacific	(134,012)	(184,125)	(238,054)	80,931
	21,101	(385,759)	268,178	512,000
Finance cost	(8,657)	(17,763)	(17,230)	(35,984)
Share of associate's profit / (loss)	67,408	(1,147)	102,807	(41,068)
Tax expense	(18,612)	(12,704)	(27,918)	(20,615)
Non-controlling interests	(1,053)	25,666	14,248	(44,841)
Total results	60,187	(391,707)	340,085	369,492

9. Valuations of Property, Plant & Equipment

The valuations of property, plant and equipment have been brought forward, without amendments from the financial statements for the financial year ended 31 December 2015.

10. Events After the Statement of Financial Position Date

There were no other material events subsequent to the end of the current financial quarter under review to the date of this announcement.

11. Changes in the Composition of the Group

There were no changes in the composition of the Group in the current quarter under review.

12. Changes in Contingent Liabilities

There is no contingent liability as at 29 August 2016 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

13. Review of Performance

Current Quarter - Group

For the quarter under review, Ygl Group recorded a revenue of RM1,269,582 which was an increase of 1.6% as compared to a revenue of RM1,248,995 achieved in the preceding year corresponding quarter ended 30 June 2015. Gross profit for the quarter under review was RM376,224 as compared to gross profit of RM53,669 for the preceding year corresponding quarter which was an increase of 601%. This was due to sale of Ygl proprietary products with higher margin during the quarter under review.

Net profit from operations for the quarter under review was RM21,101 as compared to net loss from operations in the preceding year corresponding quarter ended 30 June 2015 of RM385,759 which was an increase of 105.5%. This was due to better margin recorded from more sales of Ygl proprietary products and streamlining of some costs during the quarter under review.

Malaysia Segment

For the quarter under review, the Malaysia segment recorded a revenue of RM1,119,241 which was an increase of 40.2% as compared to a revenue of RM798,400 achieved in the preceding year corresponding quarter ended 30 June 2015. Profit from operations for the quarter under review was RM155,113 as compared to loss from operations of RM201,634 for the preceding year corresponding quarter which was an increase of 176.9%. This was due to higher revenue and margin recorded during the quarter under review from sales of more Ygl proprietary products.

Asia Pacific Segment

For the quarter under review, the Asia Pacific segment recorded a revenue of RM150,341 which was a decrease of 66.6% as compared to a revenue of RM450,595 achieved in the preceding year corresponding quarter ended 30 June 2015. Loss from operations for the quarter under review was RM134,012 as compared to loss from operations of RM184,125 for the preceding year corresponding quarter which was a decrease of 27.2%. This was due to lower revenue recorded during the quarter under review as a result of delay of certain projects awarded by the Hong Kong Authority.

Cumulative Quarters - Group

For the six months period ended 30 June 2016, Ygl Group recorded a revenue of RM2,817,688 representing a decrease of 24.9% as compared to a revenue of RM3,753,473 achieved in the six months period ended 30 June 2015. There was gross profit of RM1,023,862 for the six months period ended 30 June 2016 compared to gross profit of RM1,250,114 as achieved in the six months period ended 30 June 2015 which was a decrease of 18.1%. This was due to lower revenue recorded during the period. Overall however there were more sales from Ygl proprietary products.

Malaysia Segment

For the six months ended 30 June 2016, the Malaysia segment recorded a revenue of RM2,371,418 representing a decrease of 8.0% as compared to a revenue of RM2,576,676 achieved in the six months period ended 30 June 2015. Net profit from operations was RM506,232 for the six months period ended 30 June 2016 as compared to a net profit of RM431,069 recorded in the six months period ended 30 June 2015. This was due to more sales from Ygl proprietary products with higher margin during the period.

Asia Pacific Segment

For the six months ended 30 June 2016, the Asia Pacific segment recorded a revenue of RM446,270 representing a decrease of 62.1% as compared to a revenue of RM1,176,797 achieved in the six months period ended 30 June 2015. There was net loss from operations was RM238,054 for the six months period ended 30 June 2016 as compared to a net profit of RM80,931 as recorded in the six months period ended 30 June 2015. The net loss position was due to lower revenue recorded in this period resulting from the delay of certain projects awarded by the Hong Kong authority.

14. Material Changes in Profit Before Tax Against Preceding Quarter

There was a net profit before tax of RM79,852 for the quarter under review as compared to a net profit of RM273,903 recorded in the preceding first quarter ended 31 March 2016. The decrease in net profit before tax was due to lower sales recorded from Ygl Hong Kong due to delay of certain projects awarded.

15. Corporate Proposals

There are no other corporate proposals announced but not completed as at the date of announcement as at 29 August 2016 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

16. Prospects for 2016

Businesses are facing challenging times against the backdrop of falling local currency value, rising operating costs and human capital shortages. Ygl still holds positive outlook for the growth of enterprise solutions and services as corporations today requires information technology to improve productivity and efficiency and increase revenue and constrain costs. YGL is establishing its position as a leader in enterprise solutions for the manufacturing and large distribution sectors in Malaysia. As the cost of Ygl proprietary products are not susceptible to the rise in US Dollar against Malaysian Ringgit, compared to the international enterprise software which are in US Dollar denomination. There are opportunities for Ygl to export its proprietary products to the neighbouring countries and the rest of the world.

17. Taxation

	Current Quarter 30 June 2016 RM	Cumulative Quarter 30 June 2016 RM
Current tax expense		
Malaysian income tax	(18,612)	(27,918)
Foreign tax	-	-
	<hr/>	<hr/>
	(18,612)	(27,918)
Deferred tax	-	-
Total income tax expense	<hr/>	<hr/>
	(18,612)	(27,918)

There was a tax expense despite the net loss position of the Group as certain companies within the Group are still subject to income tax.

18. Status on Utilisation of Proceeds

Private Placement

Pursuant to the private placement exercise undertaken by the Company on 22 September 2015, the Company had raised approximately RM1.936 million which is entirely earmarked for working capital purposes. As at to date, Ygl has utilised approximately RM1.517 million.

19. Cash and cash equivalents

	As at 30 June 2016 RM'000	As at 30 June 2015 RM'000
Cash and bank balances	1,421	915
Less: Overdraft	-	(616)
	1,421	299

20. Company Borrowings and Debt Securities

The Group's borrowings are as follows:

	As at 31 June 2016 RM	As at 31 June 2015 RM
<u>Payable within 12 months</u>		
Secured - Term Loan	21,071	20,056
Secured - Hire purchase liability	-	-
Secured - Bank Overdraft	-	616,439
	21,071	636,439
<u>Payable after 12 months</u>		
Secured - Term Loan	667,930	688,978
Secured - Hire purchase liability	-	-
	667,930	688,978
Total	689,001	1,325,473

The Group does not have any foreign currency borrowings.

21. Capital Commitment

The Group's objectives when managing capital are to maintain a strong capital base and to safeguard 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.

As at 29 August 2016 (the latest practicable date not earlier than 7 days from the date of issue of this financial result), the Group has no material capital commitment in respect of property, plant and equipment.

22. Financial Instruments

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

	As at 30 June 2016 RM	As at 30 June 2015 RM
<u>Financial assets</u>		
Account receivables	2,464,141	2,425,826
Other receivables, prepayments and deposits paid	1,230,480	1,330,232
Cash and cash equivalents	1,420,545	917,775
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	5,115,166	4,673,833
	=====	=====

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

	As at 30 June 2016 RM	As at 30 June 2015 RM
<u>Financial liabilities at amortised cost</u>		
Account payables	267,658	614,930
Other payables, accruals and deposits received	1,150,254	1,150,581
Bank overdraft	-	616,439
Term loan	689,001	709,034
Hire purchase liabilities	-	-
Amount owing to directors	699,235	730,514
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	2,806,148	3,821,498
	=====	=====

All other financial instruments are carried at amounts not materially different from their fair values as at 30 June 2016.

Financial Risk Management Objectives and Policies

The Group’s operating, investing and financing activities expose it to currency risk, interest rate risk, price risk, credit risk and liquidity risk. The chief executive office, supported by the management team, assesses and makes recommendations to the board for risk management purposes. The methods used to assess financial risks include statistical analysis and financial models. The Board has identified the following financial risk management objectives and policies:

- a) To minimize the group’s exposure to foreign currency exchange rates and future cash flow risks;
- b) To accept reasonable level of price risk and credit risk that commensurate with the expected returns of the underlying operations and activities; and
- c) To minimize liquidity risk by proper cash flow planning, management and control.

The Group’s risk management policies include:

- a) Credit controls which include evaluation, acceptance, monitoring and feedback to ensure reasonable credit worthy customers are accepted; and
- b) Money market instruments, short term deposits and bank overdrafts to manage liquidity risk.

The Group does not have a formal policy on future or exchange contracts or hedge activities as foreign currency transactions are dealt directly by the respective overseas subsidiary companies.

There have been no significant changes on the Group’s exposure to financial risks from the previous year. Neither have there been any changes to the Group’s risk management objectives and policies from the previous year.

The Group does not deal in any derivative financial instruments in the quarter under review as such there was no derivative financial instrument reported and no other comprehensive income reported in the financial statements in the quarter under review except those that were of loans and receivables in nature.

Trade Receivables

Aging analysis of financial assets:

	As at 30 June 2016	As at 30 June 2015
	RM	RM
Up to 90 days	1,179,251	1,227,604
>90 to 180 days	423,522	601,297
>180 to 360 days	114,048	23,840
>360 days	747,320	573,085
Total amount	<u>2,464,141</u>	<u>2,425,826</u>

The financial assets are classified as impaired asset when they are more than 360 days past due and after impairment tests reveal that their recovery is doubtful. Adequate impairment losses have been allowed for these impairment assets.

Loans and Advances

These non-derivative financial assets and liabilities are measured at amortised cost using the effective interest method where the initial amounts are measured at fair value. Gains or losses arisen from the fair value measurement with the related interest income or expense are recognised in the statement of comprehensive income. The effective discount rate used was 4.95% over expected five years of repayment. The discounted amounts arisen from inter-company advances were eliminated in the consolidation of accounts at group level.

23. Significant Related Party Transactions

For the second quarter ended 30 June 2016, there was no significant related party transaction entered by the Group.

24. Material Litigation

Neither the Company nor its subsidiary companies is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiary companies and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiary companies.

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)
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25. Profit Estimate/Forecast

Not applicable.

26. Dividend

The Board did not declare any dividend payments for the current financial quarter under review.

27. Earnings Per Share

The basic earnings per share of the Group is calculated by dividing the net profit for the period by the weighted average number of ordinary shares.

	3 months ended 30 June		Cumulative 6 months ended 30 June	
	2016	2015	2016	2015
Profits/(Loss) for the period attributable to shareholders (RM)	79,852	(404,669)	353,755	434,948
Weighted average number of ordinary shares in issue	193,572,140	175,975,140	193,572,140	175,975,140
Basic earnings/(loss) per share (sen)	0.04	(0.23)	0.18	0.25

28. Realised and Unrealised Accumulated Losses

The disclosure as required by Bursa Malaysia Securities Berhad on the realized and unrealised unappropriated profits or accumulated losses is as follows:

	As at 30 June 2016 RM	As at preceding financial year end 31 December 2015 RM
Total accumulated profits / (losses) of Ygl and its subsidiaries:		
Realised	(6,891,207)	(7,133,842)
Unrealised	49,721	55,078
	(6,841,486)	(7,078,764)
Total share of accumulated losses from associated company:		
Realised	(855,842)	(958,649)
Unrealised	-	-
	(7,697,328)	(8,037,413)
Less: Consolidation adjustments	-	-
Total group accumulated profits / (losses) as per consolidated accounts	(7,697,328)	(8,037,413)