

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**

	Note	Individual Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
		2018 RM	2017 RM	2018 RM	2017 RM
Continuing Operations					
Revenue	13	853,376	973,262	2,529,999	4,162,335
Cost of Sales		<u>(837,512)</u>	<u>(1,292,932)</u>	<u>(2,887,496)</u>	<u>(3,389,498)</u>
Gross Profit / (Loss)		15,864	(319,670)	(357,497)	772,837
Other Operating Income		56,365	87,737	166,238	141,965
Selling and Distribution Costs		-	-	-	-
Administrative Expenses		(125,584)	(150,587)	(406,990)	(450,934)
Other Operating Expenses		(387,150)	(599,201)	(1,191,772)	(1,309,153)
(Loss) / Profit for the period from continuing operations		<u>(440,505)</u>	<u>(981,721)</u>	<u>(1,790,021)</u>	<u>(845,285)</u>
Finance Costs		(8,289)	(10,052)	(24,676)	(29,328)
Share of Results of Associate Company		121,544	135,486	354,125	325,763
(Loss) / Profit Before Tax	14	<u>(327,250)</u>	<u>(856,287)</u>	<u>(1,460,572)</u>	<u>(548,850)</u>
Income Tax Expense	17	(12,251)	(17,057)	(39,981)	(43,052)
(Loss) / Profit for the period		<u>(339,501)</u>	<u>(873,344)</u>	<u>(1,500,553)</u>	<u>(591,902)</u>
Profit attributable to :					
Owners of the Company		(453,446)	(816,346)	(1,573,461)	(516,489)
Non-controlling interests		113,945	(56,998)	72,908	(75,413)
(Loss) / Profit for the period		<u>(339,501)</u>	<u>(873,344)</u>	<u>(1,500,553)</u>	<u>(591,902)</u>
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operation		28,919	(10,394)	5,839	(64,599)
Total Comprehensive (Loss) / Income for the period		<u>(310,582)</u>	<u>(883,738)</u>	<u>(1,494,714)</u>	<u>(656,501)</u>
Total comprehensive (loss) / income attributable to:					
Owners of the Company		(424,527)	(826,740)	(1,567,622)	(581,088)
Non-controlling interests		113,945	(56,998)	72,908	(75,413)
		<u>(310,582)</u>	<u>(883,738)</u>	<u>(1,494,714)</u>	<u>(656,501)</u>
Earnings per share attributable to owners of the Company (in sen)					
Basic EPS	27	-0.20	-0.35	-0.68	-0.22

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**NOTES TO CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**

	Individual Quarter 3 months ended 30 September 2018	Cumulative 9 months ended 30 September 2018
	<u>RM</u>	<u>RM</u>
(a) Interest income	12,250	27,425
(b) Other income including investment income	23,605	70,303
(c) Gain / (Loss) on disposal of quoted / unquoted investment or properties	n/a	n/a
(d) Gain / (Loss) on foreign exchange	-	(7)
(e) Gain / (Loss) on derivatives	n/a	n/a
(f) Interest expense	8,289	24,676
(g) Depreciation	88,726	258,938
(h) Amortization	428,277	1,183,035
(i) Provision for and write-off of receivables	81,450	244,350
(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 SEPTEMBER 2018

	Note	30 September 2018 (Unaudited) RM	31 December 2017 (Audited) RM
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		4,595,375	4,827,245
Investment Property		284,396	284,754
Goodwill and Other Intangible Assets		6,106,168	6,185,979
Investment in Associate Company		1,476,956	1,122,831
		<u>12,462,895</u>	<u>12,420,809</u>
Current Assets			
Trade and Other Receivables	22	2,485,487	4,024,787
Current Tax Assets		15,586	31,892
Cash and Cash Equivalents	19	5,148,083	5,568,381
		<u>7,649,156</u>	<u>9,625,060</u>
TOTAL ASSETS		<u>20,112,051</u>	<u>22,045,869</u>
EQUITY AND LIABILITIES			
Equity			
Share Capital		24,970,802	24,970,802
Share Premium, non-distributable		2,247,330	2,247,330
Exchange Translation, non-distributable		466,803	460,964
(Accumulated Losses) / Retained Profits		(10,235,151)	(8,661,690)
Equity attributable to owners of the Company		<u>17,449,784</u>	<u>19,017,406</u>
Non-controlling Interests		43,409	(29,499)
TOTAL EQUITY		<u>17,493,193</u>	<u>18,987,907</u>
Non-Current Liabilities			
Term Loan	20	616,660	635,572
Deferred Tax Liabilities		450	450
		<u>617,110</u>	<u>636,022</u>
Current Liabilities			
Trade and Other Payables	22	749,809	988,045
Amount due to director		646,024	645,538
Term Loan	20	24,008	21,520
Deferred revenue		581,907	766,335
Current Tax Liabilities		-	502
		<u>2,001,748</u>	<u>2,421,940</u>
TOTAL LIABILITIES		<u>2,618,858</u>	<u>3,057,962</u>
TOTAL EQUITY AND LIABILITES		<u>20,112,051</u>	<u>22,045,869</u>
Net assets per share attributable to owners of the Company (sen)		7.51	8.19

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 THIRD QUARTER ENDED 30 SEPTEMBER 2018**

	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 2017		19,357,214	2,420,349	503,283	-8,332,706	13,948,140	52,151	14,000,291
Issue of share capital - private placement		5,613,588	(173,019)	-	-	5,440,569	-	5,440,569
Net loss for the year		-	-	-	(328,984)	-328,984	(81,650)	(410,634)
Other comprehensive income Exchange translation differences		-	-	(42,319)	-	-42,319	-	(42,319)
At 31 December 2017		<u>24,970,802</u>	<u>2,247,330</u>	<u>460,964</u>	<u>-8,661,690</u>	<u>19,017,406</u>	<u>-29,499</u>	<u>18,987,907</u>
<i>Unaudited</i>								
At 1 January 2018		24,970,802	2,247,330	460,964	-8,661,690	19,017,406	-29,499	18,987,907
Net loss for the year		-	-	-	(1,573,461)	-1,573,461	72,908	(1,500,553)
Other comprehensive loss Exchange translation differences		-	-	5,839	-	5,839	-	5,839
At 30 September 2018		<u>24,970,802</u>	<u>2,247,330</u>	<u>466,803</u>	<u>-10,235,151</u>	<u>17,449,784</u>	<u>43,409</u>	<u>17,493,193</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 2017 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

Note	9 MONTHS ENDED 30 SEPTEMBER (UNAUDITED)	YEAR ENDED 31 DECEMBER (AUDITED)
	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(1,460,572)	(359,824)
Adjustments for:-		
Depreciation of property, plant and equipment	258,580	362,760
Depreciation of investment property	358	477
Amortisation of software development costs	1,183,035	1,631,576
Amortisation of membership	1,212	1,616
Share of result of associates	(354,125)	(423,189)
Impairment loss on intangible assets	-	-
Bad debts written off	-	51,438
Property, plant and equipment written off	-	-
Allowance for doubtful debts	244,350	325,800
Allowance for doubtful debts written back	-	-
Unrealised (gain) / loss on foreign exchange	87	18,778
Gain on acquisition of subsidiary	-	-
Gain on disposal of subsidiary	-	-
Dividend income	(70,303)	-
Interest income	(27,425)	(18,008)
Interest expense	24,676	37,416
Hire purchase term charges	-	-
Operating (loss) / profit before working capital changes	(200,127)	1,628,840
Receipts from customers	3,603,648	4,132,857
Changes in receivables	(2,216,649)	(4,748,846)
Payments to suppliers, contractors and employees	(1,920,127)	(2,251,772)
Changes in payables	1,590,610	2,003,936
Changes in deferred revenue	(184,428)	7,072
Cash used in operations	672,927	772,087
Interest received	27,425	18,008
Interest paid	(24,676)	(37,416)
Tax (paid) / refund	(39,981)	(71,999)
Net cash used in operating activities	635,695	680,680
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(28,846)	(356,902)
Changes in software development costs	(1,094,491)	(1,316,871)
Net cash inflow from acquisition subsidiary	-	(90,450)
Proceeds from disposal of shares in subsidiary	-	-
Proceeds from other investment	70,303	-
Net cash used in investing activities	-1,053,034	-1,764,223
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	10,666	5,611,224
Share issuance expenses	-	-
Payment of term loan instalments	(16,424)	(21,498)
Payment of hire purchase instalments	-	-
Hire purchase term charges paid	-	-
Net cash (used in) / from financing activities	(5,758)	5,589,726
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(423,097)	4,506,183
EFFECT OF CHANGES IN EXCHANGE RATES	2,799	(35,458)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	5,568,381	1,097,656
CASH AND CASH EQUIVALENTS CARRIED FORWARD	5,148,083	5,568,381
Represented by:		
CASH AND BANK BALANCES	5,148,083	5,568,381
BANK OVERDRAFT	-	-
	5,148,083	5,568,381

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 2017 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 2017.

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 2017 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 2018

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)
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
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

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 2019

MFRS 16	Leases
Amendments to MFRS 3	Previously Held Interest in a Joint Operation (Business Combinations)
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11	Previously Held Interest in a Joint Operation (Joint Arrangements)
Amendments to MFRS 112	Income Tax Consequences of Payments on Financial Instruments Classified as Equity
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs Eligible for Capitalisation

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Amendments to MFRS 128 IC Interpretation 23	Long-term Interests in Associates and Joint Ventures Uncertainty over Income Tax Treatments
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Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 2	Share-Based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11	Previously Held Interest in a Joint Operation (Joint Arrangements)
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets – Web Site Costs

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 quarter under review.

**Ygi Convergence Berhad (649013-W) (“Ygi” or “Group”)
Quarterly report for the third quarter ended 30 September 2018**

7. Dividend Paid

No dividends were paid in the current quarter under review.

8. Segmental Information

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

	3 months Ended 30 September		Cumulative 9 months ended 30 September	
	2018	2017	2018	2017
<u>Segment Revenue</u>				
Revenue from operations:				
Malaysia	501,519	706,990	1,411,991	3,215,585
Asia Pacific	351,857	266,272	1,118,008	946,750
Total revenue	853,376	973,262	2,529,999	4,162,335
Elimination of inter-segment sales	-	-	-	-
External sales	853,376	973,262	2,529,999	4,162,335
Interest revenue	12,250	10,350	27,425	11,620

	3 months ended 30 September		Cumulative 9 months ended 30 September	
	2018	2017	2018	2017
<u>Segment Results</u>				
Results from operations:				
Malaysia	(475,758)	(537,680)	(1,765,216)	4,781
Asia Pacific	35,253	(444,041)	(24,805)	(850,066)
	(440,505)	(981,721)	(1,790,021)	(845,285)
Finance cost	(8,289)	(10,052)	(24,676)	(29,328)
Share of associate's profit / (loss)	121,544	135,486	354,125	325,763
Tax expense	(12,251)	(17,057)	(39,981)	(43,052)
Non-controlling interests	(113,945)	56,998	(72,908)	75,413
Total results	(453,446)	(816,346)	(1,573,461)	(516,489)

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 2017.

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 was no change in the composition of the Group for the quarter under review.

12. Changes in Contingent Liabilities

There is no contingent liability as at 27 November 2018 (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 RM853,376 which was a decrease of 12.3% as compared to a revenue of RM973,262 achieved in the preceding year corresponding quarter ended 30 September 2017. There was a gross profit for the quarter under review of RM15,864 as compared to gross loss of RM319,670 for the preceding year corresponding quarter. This was due to higher direct costs charged out for certain Hong Kong projects in the preceding year corresponding quarter.

Net loss from operations for the quarter under review was RM440,505 as compared to net loss from operations in the preceding year corresponding quarter ended 30 September 2017 of RM981,721. This was due to higher direct costs charged out for certain Hong Kong projects in the preceding year corresponding quarter.

Malaysia Segment

For the quarter under review, the Malaysia segment recorded a revenue of RM501,519 which was a decrease of 29.1% as compared to a revenue of RM706,990 achieved in the preceding year corresponding quarter ended 30 September 2017. Loss from operations for the quarter under review was RM475,758 as compared to loss from operations of RM537,680 for the preceding year corresponding quarter. This was due to the impairment of certain project in the preceding year corresponding quarter.

Asia Pacific Segment

For the quarter under review, the Asia Pacific segment recorded a revenue of RM351,857 which was an increase of 32.1% as compared to a revenue of RM266,272 achieved in the preceding year corresponding quarter ended 30 September 2017. Profit from operations for the quarter under review was RM35,253 as compared to loss from operations of RM444,041 for the preceding year corresponding quarter. This was due to higher revenue recorded in the quarter under review and higher direct costs charged out for certain Hong Kong projects in the preceding year corresponding quarter.

Cumulative Quarters - Group

For the nine months period ended 30 September 2018, Ygl Group recorded a revenue of RM2,529,999 representing a decrease of 39.2% as compared to a revenue of RM4,162,335 achieved in the nine months period ended 30 September 2017. There was gross loss of RM357,497 for the nine months period ended 30 September 2018 compared to gross profit of RM772,837 as achieved in the nine months period ended 30 September 2017 which was a decrease of 146.3%. This was due to lower revenue recorded during the first and second quarters of the year resulting from the poor market sentiment before the Malaysian general election.

Net loss from operations for the nine months period under review was RM1,790,021 as compared to net loss from operations in the preceding year corresponding quarter ended 30 September 2017 of RM845,285. This was due to lower revenue recorded during the first and second quarters of the year resulting from the poor market sentiment before the Malaysian general election.

Malaysia Segment

For the nine months ended 30 September 2018, the Malaysia segment recorded a revenue of RM1,411,991 representing a decrease of 56.1% as compared to a revenue of RM3,215,585 achieved in the nine months period ended 30 September 2017. Net loss from operations was RM1,765,216 for the nine months period ended 30 September 2018 as compared to a net profit of RM4,781 recorded in the nine months period ended 30 September 2017. This was due to lower revenue recorded during the first and second quarters of the year resulting from the poor market sentiment before the Malaysian general election.

Asia Pacific Segment

For the nine months ended 30 September 2018, the Asia Pacific segment recorded a revenue of RM1,118,008 representing an increase of 18.1% as compared to a revenue of RM946,750 achieved in the nine months period ended 30 September 2017. The net loss from operations was RM24,805 for the nine months period ended 30 September 2018 as compared to a net loss of RM850,066 as recorded in the nine months period ended 30 September 2017. The decrease in net loss was due to higher turnover achieved in the current period and higher direct costs charged out for certain Hong Kong projects during the nine months period ended 30 September 2017.

14. Material Changes in Profit Before Tax Against Preceding Quarter

There was a net loss before tax of RM327,250 for the quarter under review as compared to a net loss before tax of RM785,267 recorded in the preceding second quarter ended 30 June 2018. This was due to higher revenue recorded in both Malaysian and Asia Pacific segments during the quarter under review.

15. Corporate Proposals

There are no other corporate proposals announced but not completed as at the date of announcement as at 27 November 2018 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

16. Prospects for 2018/2019

The new government after the General Election is in line with the structural changes within the global ICT industry trend such as the advancement of ICT devices, increasing amount of real time interactive multimedia content supported by mobile technology and rising popularity of cloud computing, Big Data Analytics, software-as-a-service (Saas) and Internet of Things (IoT).

The recent Budget 2019 with its various provisions for tax incentives under Industry4WRD policy to encourage SMEs to apply Industry 4.0 (IR4.0) technology and create a comprehensive IR4.0 ecosystem for application by SMEs so as to transform the local manufacturing sector.

With the world trend and Malaysian Government initiatives, the Group is optimistic that Ygl e-Manufacturing and Ygl e-Corporate Suites and Ygl built industry portals will strengthen Ygl market reach within Malaysia and improve on Ygl operation overseas. Ygl product offerings which are denominated in Ringgit Malaysia are very attractive and competitive to its targeted customers who are the SMEs both locally and overseas.

17. Taxation

	Current Quarter 30 September 2018 RM	Cumulative Quarter 30 September 2018 RM
Current tax expense		
Malaysian income tax	12,251	39,981
Foreign tax	-	-
	<hr/> 12,251	<hr/> 39,981
Deferred tax	-	-
Total income tax expense	<hr/> 12,251	<hr/> 39,981

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 7 July 2017, the Company had raised approximately RM5.614 million which is earmarked for business expansion, R&D expenses and working capital purposes. As at to date, status of utilisation of the proceeds are as follows:

Details	Actual Utilisation RM'000	Expected Utilisation RM'000
1) Listing and placement expenses	173	180
2) Business expansion	112	2,700
3) R&D expenses	335	1,250
4) Working capital	975	1,484
5) Balance of proceed not yet utilised	4,019	-
Total proceeds arising from private placement	<hr/> 5,614	<hr/> 5,614

19. Cash and cash equivalents

	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000
Cash and bank balances	5,148	5,499
Less: Overdraft	-	-
	<hr/> 5,148	<hr/> 5,499

20. Company Borrowings and Debt Securities

The Group’s borrowings are as follows:

	As at 30 September 2018 RM	As at 30 September 2017 RM
<u>Payable within 12 months</u>		
Secured - Term Loan	24,008	16,204
Secured - Bank Overdraft	-	-
	24,008	16,204
 <u>Payable after 12 months</u>		
Secured - Term Loan	616,660	646,182
	640,668	662,386

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 27 November 2018 (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 September 2018 RM	As at 30 September 2017 RM
<u>Financial assets</u>		
Account receivables	2,004,559	3,045,657
Other receivables, prepayments and deposits paid	480,928	688,465
Cash and cash equivalents	5,148,083	5,499,477
	7,633,570	9,233,599
	7,633,570	9,233,599

**Ygl Convergence Berhad (649013-W) (“Ygl” or “Group”)
Quarterly report for the third quarter ended 30 September 2018**

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

	As at 30 September 2018 RM	As at 30 September 2017 RM
<u>Financial liabilities at amortised cost</u>		
Account payables	133,238	262,276
Other payables, accruals and deposits received	616,571	842,864
Bank overdraft	-	-
Term loan	640,668	662,386
Amount owing to directors	646,024	675,806
	-----	-----
	2,036,501	2,443,332
	=====	=====

All other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2017.

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 September 2018 RM	As at 30 September 2017 RM
Up to 90 days	755,075	786,376
>90 to 180 days	34,937	1,000,381
>180 to 360 days	766,937	482,201
>360 days	447,610	776,699
Total amount	2,004,559	3,045,657

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 third quarter ended 30 September 2018, 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.

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 September		Cumulative 9 months ended 30 September	
	2018	2017	2018	2017
Profits/(Loss) for the period attributable to shareholders (RM)	(453,446)	(816,346)	(1,573,461)	(516,489)
Weighted average number of ordinary shares in issue	232,286,540	212,452,039	232,286,540	212,452,039
Basic earnings/(loss) per share (sen)	(0.20)	(0.35)	(0.68)	0.22