

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

	Note	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
		2019 RM	2018 RM	2019 RM	2018 RM
Continuing Operations					
Revenue	13	1,708,998	445,967	2,559,440	1,676,623
Cost of Sales		<u>(945,933)</u>	<u>(798,555)</u>	<u>(1,879,087)</u>	<u>(2,049,984)</u>
Gross Profit / (Loss)		763,065	(352,588)	680,353	(373,361)
Other Operating Income		46,958	55,205	102,908	109,873
Selling and Distribution Costs		-	-	-	-
Administrative Expenses		(166,708)	(138,830)	(319,144)	(281,406)
Other Operating Expenses		<u>(287,357)</u>	<u>(442,627)</u>	<u>(546,023)</u>	<u>(804,622)</u>
(Loss) / Profit for the period from continuing operations		<u>355,958</u>	<u>(878,840)</u>	<u>(81,906)</u>	<u>(1,349,516)</u>
Finance Costs		-	(8,269)	(638)	(16,387)
Share of Results of Associate Company		63,146	101,842	124,930	232,581
(Loss) / Profit Before Tax	14	<u>419,104</u>	<u>(785,267)</u>	<u>42,386</u>	<u>(1,133,322)</u>
Income Tax Expense	17	(16,884)	(14,997)	(28,140)	(27,730)
(Loss) / Profit for the period		<u>402,220</u>	<u>(800,264)</u>	<u>14,246</u>	<u>(1,161,052)</u>
Profit attributable to :					
Owners of the Company		413,304	(781,275)	42,847	(1,120,015)
Non-controlling interests		(11,084)	(18,989)	(28,601)	(41,037)
(Loss) / Profit for the period		<u>402,220</u>	<u>(800,264)</u>	<u>14,246</u>	<u>(1,161,052)</u>
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operation		(4,076)	24,501	(1,342)	(23,080)
Total Comprehensive (Loss) / Income for the period		<u>398,144</u>	<u>(775,763)</u>	<u>12,904</u>	<u>(1,184,132)</u>
Total comprehensive (loss) / income attributable to:					
Owners of the Company		409,228	(756,774)	41,505	(1,143,095)
Non-controlling interests		(11,084)	(18,989)	(28,601)	(41,037)
		<u>398,144</u>	<u>(775,763)</u>	<u>12,904</u>	<u>(1,184,132)</u>
Earnings per share attributable to owners of the Company (in sen)					
Basic EPS ⁽ⁱⁱ⁾	28	0.18	-0.34	0.02	-0.48

Notes:

(i) The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statement for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

(ii) Based on 232,286,540 ordinary shares in issue as disclosed in Note 28.

**NOTES TO CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

	Individual Quarter 3 months ended 30 June 2019 <u>RM</u>	Cumulative 6 months ended 30 June 2019 <u>RM</u>
(a) Interest income	3,891	13,411
(b) Other income including investment income	19,069	41,498
(c) Gain / (Loss) on disposal of quoted / unquoted investment or properties	n/a	n/a
(d) Gain / (Loss) on foreign exchange	nil	(13)
(e) Gain / (Loss) on derivatives	n/a	n/a
(f) Interest expense	nil	638
(g) Depreciation	79,407	162,695
(h) Amortization	386,337	738,644
(i) Provision for and write-off of receivables	-	-
(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 2019

	Note	30 June 2019 (Unaudited) RM	31 December 2018 (Audited) RM
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		4,365,371	4,521,992
Investment Property		284,039	284,277
Goodwill and Other Intangible Assets		6,014,238	5,992,077
Investment in Associate Company		1,715,869	1,590,939
		<u>12,379,517</u>	<u>12,389,285</u>
Current Assets			
Trade and Other Receivables	23	2,436,260	1,997,611
Current Tax Assets		16,316	24,316
Cash and Cash Equivalents	19	3,678,610	4,581,191
		<u>6,131,186</u>	<u>6,603,118</u>
TOTAL ASSETS		<u>18,510,703</u>	<u>18,992,403</u>
EQUITY AND LIABILITIES			
Equity			
Share Capital		27,218,132	27,218,132
Exchange Translation, non-distributable (Accumulated Losses) / Retained Profits		462,311 (10,908,284)	463,653 (10,951,131)
Equity attributable to owners of the Company		<u>16,772,159</u>	<u>16,730,654</u>
Non-controlling Interests		50,690	79,291
TOTAL EQUITY		<u>16,822,849</u>	<u>16,809,945</u>
Non-Current Liabilities			
Term Loan	20	-	-
Deferred Tax Liabilities		-	310
		<u>-</u>	<u>310</u>
Current Liabilities			
Trade and Other Payables	23	270,760	458,799
Other Liabilities		237,057	337,413
Contract Liabilities	22	584,867	764,631
Amount due to director		592,096	616,000
Current Tax Liabilities		3,074	5,305
		<u>1,687,854</u>	<u>2,182,148</u>
TOTAL LIABILITIES		<u>1,687,854</u>	<u>2,182,458</u>
TOTAL EQUITY AND LIABILITES		<u>18,510,703</u>	<u>18,992,403</u>
Net assets per share attributable to owners of the Company (sen) ⁽ⁱⁱ⁾		7.22	7.20

Notes:

(i) The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

(ii) Based on 232,286,540 ordinary shares in issue as disclosed in Note 28.

YGL CONVERGENCE BERHAD (649013-W)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

	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 2018		24,970,802	2,247,330	460,964	-8,661,690	19,017,406	-29,499	18,987,907
Effect from adoption of Companies Act, 2016		2,247,330	(2,247,330)	-	-	0	-	-
Net loss for the year		-	-	-	(2,289,441)	-2,289,441	108,790	(2,180,651)
Other comprehensive income Exchange translation differences		-	-	2,689	-	2,689	-	2,689
At 31 December 2018		<u>27,218,132</u>	<u>0</u>	<u>463,653</u>	<u>-10,951,131</u>	<u>16,730,654</u>	<u>79,291</u>	<u>16,809,945</u>
<i>Unaudited</i>								
At 1 January 2019		27,218,132	0	463,653	-10,951,131	16,730,654	79,291	16,809,945
Net loss for the year		-	-	-	42,847	42,847	(28,601)	14,246
Other comprehensive loss Exchange translation differences		-	-	(1,342)	-	-1,342	-	(1,342)
At 30 June 2019		<u>27,218,132</u>	<u>0</u>	<u>462,311</u>	<u>-10,908,284</u>	<u>16,772,159</u>	<u>50,690</u>	<u>16,822,849</u>

Notes:

(i) *The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.*

YGL CONVERGENCE BERHAD (649013-W)
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

Note	6 MONTHS ENDED 30 JUNE (UNAUDITED) 2019 RM	YEAR ENDED 31 DECEMBER (AUDITED) 2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	42,386	(2,121,247)
Adjustments for:-		
Depreciation of property, plant and equipment	162,457	354,044
Depreciation of investment property	238	476
Amortisation of software development costs	738,644	1,503,016
Amortisation of membership	808	1,616
Share of result of associates	(124,930)	(468,108)
Impairment loss on intangible assets	-	-
Bad debts written off	-	-
Property, plant and equipment written off	-	-
Allowance for doubtful debts	-	399,047
Allowance for doubtful debts written back	-	-
Unrealised (gain) / loss on foreign exchange	9,695	742,606
Gain on acquisition of subsidiary	-	-
Gain on disposal of subsidiary	-	-
Dividend income	(41,498)	(86,148)
Interest income	(13,411)	(35,015)
Interest expense	638	31,735
Hire purchase term charges	-	-
Operating (loss) / profit before working capital changes	<u>775,027</u>	<u>322,022</u>
Receipts from customers	1,774,374	5,005,670
Changes in receivables	(2,400,790)	(3,130,925)
Payments to suppliers, contractors and employees	(1,466,811)	(2,415,079)
Changes in payables	1,331,864	1,948,522
Changes in contract liabilities	<u>(179,764)</u>	<u>(1,705)</u>
Cash used in operations	(166,100)	1,728,505
Interest received	13,411	35,015
Interest paid	(638)	(31,735)
Tax (paid) / refund	<u>(28,140)</u>	<u>(62,938)</u>
Net cash used in operating activities	<u>(181,467)</u>	<u>1,668,847</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,701)	(50,878)
Changes in software development costs	(760,117)	(2,048,517)
Net cash outflow from acquisition subsidiary	(800)	-
Proceeds from disposal of shares in subsidiary	-	-
Proceeds from other investment	<u>41,498</u>	<u>86,147</u>
Net cash used in investing activities	<u>-725,120</u>	<u>-2,013,248</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	1,000	10,695
Share issuance expenses	-	-
Payment of term loan instalments	-	(657,092)
Payment of hire purchase instalments	-	-
Hire purchase term charges paid	-	-
Net cash (used in) / from financing activities	<u>1,000</u>	<u>(646,397)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(905,587)	(990,798)
EFFECT OF CHANGES IN EXCHANGE RATES	3,006	3,608
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	4,581,191	5,568,381
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u>3,678,610</u>	<u>4,581,191</u>
Represented by:		
CASH AND BANK BALANCES	3,678,610	4,581,191
BANK OVERDRAFT	-	-
	<u>3,678,610</u>	<u>4,581,191</u>

Notes:

(i) The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

(ii) Included in cash and bank balances of the Group is investment in money market fund managed by licensed financial institution and is subject to minimal risk.

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 2018 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 2018.

2. Significant Accounting Policies

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 2018 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 2019

MFRS 16	Leases
Amendments to MFRS 3	Annual Improvements to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11	Annual Improvements to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 112	Annual Improvements to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Annual Improvements to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
IC Interpretation 23	Uncertainty over Income Tax Treatments

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 2020

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101	Definition of Material
Amendments to MFRS 108	Definition of Material
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

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
Amendments to MFRS 10 and MFRS 128 (deferred until further notice)	Sales or Contribution of Assets between an Investor and Its Associate or Joint Venture

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.

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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 June		Cumulative 6 months ended 30 June	
	2019 RM	2018 RM	2019 RM	2018 RM
<u>Segment Revenue</u>				
Revenue from operations:				
Malaysia	1,510,773	201,644	2,186,296	910,472
Asia Pacific	198,225	244,323	373,144	766,151
Total revenue	1,708,998	445,967	2,559,440	1,676,623
Elimination of inter-segment sales	-	-	-	-
External sales	1,708,998	445,967	2,559,440	1,676,623
Interest revenue	3,891	7,771	13,411	15,175

	3 months ended 30 June		Cumulative 6 months ended 30 June	
	2019 RM	2018 RM	2019 RM	2018 RM
<u>Segment Results</u>				
Results from operations:				
Malaysia	492,845	(826,660)	203,923	(1,289,458)
Asia Pacific	(136,887)	(52,180)	(285,829)	(60,058)
	355,958	(878,840)	(81,906)	(1,349,516)
Finance cost	-	(8,269)	(638)	(16,387)
Share of associate's profit / (loss)	63,146	101,842	124,930	232,581
Tax expense	(16,884)	(14,997)	(28,140)	(27,730)
Non-controlling interests	11,084	18,989	28,601	41,037
Total results	413,304	(781,275)	42,847	(1,120,015)

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 2018.

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 26 August 2019 (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 RM1,708,998 which was an increase of 283.2% as compared to a revenue of RM445,967 achieved in the preceding year corresponding quarter ended 30 June 2018. There was a gross profit of RM763,065 for the quarter under review as compared to gross loss of RM352,588 for the preceding year corresponding quarter. This was due to higher revenue recorded during the quarter under review.

Net profit from operations for the quarter under review was RM355,958 which was an increase of 140.5% as compared to net loss from operations of RM878,840 in the preceding year corresponding quarter ended 30 June 2018. The net profit from operations was due to higher revenue recorded during the quarter under review.

Malaysia Segment

For the quarter under review, the Malaysia segment recorded a revenue of RM1,510,773 which was an increase of 649.2% as compared to a revenue of RM201,644 achieved in the preceding year corresponding quarter ended 30 June 2018. Net profit from operations for the quarter under review was RM492,845 as compared to net loss from operations of RM826,660 for the preceding year corresponding quarter ended 30 June 2018. This was due to higher revenue recorded during the quarter under review.

Asia Pacific Segment

For the quarter under review, the Asia Pacific segment recorded a revenue of RM198,225 which was a decrease of 18.9% as compared to a revenue of RM244,323 achieved in the preceding year corresponding quarter ended 30 June 2018. Net loss from operations for the quarter under review was RM136,887 as compared to net loss from operations of RM52,180 for the preceding year corresponding quarter ended 30 June 2018. This was due to lower revenue recorded amidst fixed direct costs in the current quarter.

Cumulative Quarters - Group

For the six months period ended 30 June 2019, Ygl Group recorded a revenue of RM2,559,440 representing an increase of 52.7% as compared to a revenue of RM1,676,623 achieved in the six months period ended 30 June 2018. There was gross profit of RM680,353 for the six months period ended 30 June 2019 compared to gross loss of RM373,361 as achieved in the six months period ended 30 June 2018. This was due to higher revenue recorded during the period.

Net loss from operations for the six months period under review was RM81,906 as compared to net loss from operations in the preceding year corresponding quarter ended 30 June 2018 of RM1,349,516. This was due to higher revenue recorded during the period under review.

Malaysia Segment

For the six months ended 30 June 2019, the Malaysia segment recorded a revenue of RM2,186,296 representing an increase of 140.1% as compared to a revenue of RM910,472 achieved in the six months period ended 30 June 2018. Net profit from operations was RM203,923 for the six months period ended 30 June 2019 as compared to a net loss of RM1,289,458 recorded in the six months period ended 30 June 2018. This was due to higher revenue recorded during the period.

Asia Pacific Segment

For the six months ended 30 June 2019, the Asia Pacific segment recorded a revenue of RM373,144 representing a decrease of 51.3% as compared to a revenue of RM766,151 achieved in the six months period ended 30 June 2018. The net loss from operations was RM285,829 for the six months period ended 30 June 2019 as compared to a net loss of RM60,058 as recorded in the six months period ended 30 June 2018. The increase in net loss was due to lower revenue recorded during the period.

14. Material Changes in Profit Before Tax Against Preceding Quarter

There was a net profit before tax of RM42,386 for the quarter under review as compared to a net loss before tax of RM376,718 recorded in the preceding first quarter ended 31 March 2019. The turnaround in position was due to higher revenue of RM1,708,998 recorded during the quarter under review as compared to lower revenue of RM850,442 recorded in the preceding quarter.

15. Corporate Proposals

There are no other corporate proposals announced but not completed as at the date of announcement as at 26 August 2019 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

16. Prospects for 2019

Ygl has made a few important milestones in the year 2019, starting with its CEO, Mr. Yeap Kong Chean, being appointed by the Malaysian-China Business Council as Head of Industrial Revolution 4.0 Committee (IR4.0 Committee) on 12 July 2019. The IR4.0 Committee plays the role of strengthening the cooperation between local SMEs and their China counterparts in exchange of smart technology and knowledge.

On 24 July 2019, Ygl received the Letter of Intent from SME Corporation Malaysia (SME Corp), the Central Coordination Agency on SMEs development in Malaysia, on collaboration partner with Ygl, where SME Corp will support the initiative introduced by Ygl to educate entrepreneurs on the importance of Industry 4.0 technology through campaign, events or seminars.

On 26 July 2019, Ygl received the Letter of Award from Negeri Sembilan Skills Development Centre (NDDSC) for collaboration arrangement where Ygl will bring Industrial Revolution (IR4.0) solution to the small and medium sized manufacturers (SMEs) in the State of Negeri Sembilan and provide relevant IR4.0 based training to the business owners and workforce.

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Ygl is also one of the local service providers listed in Malaysian Investment Development Authority (MIDA)’s website.

These initiatives as in line with the National Policy on Industry 4.0 (Industry4WRD) to increase the readiness of local SMEs in adopting IR4.0 technology such as manufacturing enterprise software, Business Analytics, Internet of Things (IoTs) and Robotics.

17. Taxation

	3 months Ended 30 June		Cumulative 6 months ended 30 June	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax expense				
Malaysian income tax	16,884	14,997	28,140	27,730
Foreign tax	-	-	-	-
	<u>16,884</u>	<u>14,997</u>	<u>28,140</u>	<u>27,730</u>
Deferred tax expense	-	-	-	-
Total income tax expense	<u>16,884</u>	<u>14,997</u>	<u>28,140</u>	<u>27,730</u>

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	347	2,700
3) R&D expenses	1,250	1,250
4) Working capital	1,491	1,484
5) Balance of proceed not yet utilised	2,353	-
Total proceeds arising from private placement	<u>5,614</u>	<u>5,614</u>

19. Cash and cash equivalents

	3 months Ended 30 June		Cumulative 6 months ended 30 June	
	2019 RM’000	2018 RM’000	2019 RM’000	2018 RM’000
Cash and bank balances	(367)	35	3,679	5,272
Less: Overdraft	-	-	-	-
	<u>(367)</u>	<u>35</u>	<u>3,679</u>	<u>5,272</u>

20. Company Borrowings and Debt Securities

The Group’s borrowings are as follows:

	3 months Ended 30 June		Cumulative 6 months ended 30 June	
	2019 RM	2018 RM	2019 RM	2018 RM
<u>Payable within 12 months</u>				
Secured - Term Loan	-	278	-	23,723
<u>Payable after 12 months</u>				
Secured - Term Loan	-	(5,791)	-	622,438
Total	-	(5,513)	-	646,161

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 26 August 2019 (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. Contract Liabilities

Contract liabilities comprising technical support income received in advance from customers are as follows:

	3 months Ended 30 June		Cumulative 6 months ended 30 June	
	2019 RM	2018 RM	2019 RM	2018 RM
Contract liabilities	38,564	151,765	584,867	690,116

23. Financial Instruments

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

	3 months Ended 30 June		Cumulative 6 months ended 30 June	
	2019 RM	2018 RM	2019 RM	2018 RM
<u>Financial assets</u>				
Account receivables	837,433	(690,417)	2,234,589	2,331,729
Other receivables, prepayments and deposits paid	3,348	48,813	201,671	433,112
Cash and cash equivalents	(367,251)	35,386	3,678,610	5,272,005
	473,530	(606,218)	6,114,870	8,036,846

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

	3 months Ended 30 June		Cumulative 6 months ended 30 June	
	2019 RM	2018 RM	2019 RM	2018 RM
<u>Financial liabilities at amortised cost</u>				
Account payables	819	(22,534)	28,104	124,413
Other payables, accruals and deposits received	12,793	45,868	479,713	632,420
Bank overdraft	-	-	-	-
Term loan	-	(5,513)	-	646,161
Amount owing to directors	(23,553)	1,012	592,096	645,384
	<u>(9,941)</u>	<u>18,833</u>	<u>1,099,913</u>	<u>2,048,378</u>

All other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2018.

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:

	3 months		Cumulative 6 months	
	Ended 30 June		ended 30 June	
	2019	2018	2019	2018
	RM	RM	RM	RM
Up to 90 days	1,244,601	151,408	1,530,034	566,894
>90 to 180 days	(551,119)	(905,622)	193,508	729,964
>180 to 360 days	(107,054)	117,904	260,042	486,940
>360 days	251,005	(54,106)	251,005	547,931
Total amount	837,433	(690,416)	2,234,589	2,331,729

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 4.75% over expected five years of repayment. The discounted amounts arisen from inter-company advances were eliminated in the consolidation of accounts at group level.

24. Significant Related Party Transactions

For the second quarter ended 30 June 2019, there was no significant related party transaction entered by the Group.

25. 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.

26. Profit Estimate/Forecast

Not applicable.

27. Dividend

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

28. 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	
	2019	2018	2019	2018
Profits/(Loss) for the period attributable to Owners of the Company (RM)	413,304	(781,275)	42,847	(1,120,015)
Weighted average number of ordinary shares in issue	232,286,540	232,286,540	232,286,540	232,286,540
Basic earnings/(loss) per share (sen)	0.18	(0.34)	0.02	(0.48)