

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 period ended 31 March 2020 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 period ended 31 March 2020.

The current quarter results will be compared to the results of the preceding year corresponding quarter accordingly but there will be no comparison figures for the cumulative quarters as the Company had changed its previous financial period from 31 December 2019 to 31 March 2020 which comprised of a fifteen (15) months' period against the 12 months' period for current financial year.

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 period ended 31 March 2020 and the following MFRSs applicable to the current period, except for the adoption of those MFRSs and Amendments to MFRS which are yet applicable to the financial statements as disclosed therein:

Standards effective for financial periods beginning on or after 1 January 2020

| | |
|------------------------|--|
| Amendments to MFRS 3 | Definition of a Business |
| Amendments to MFRS 4 | Extension of the Temporary Exemption from Applying MFRS 9 (effective 17 August 2020) |
| Amendments to MFRS 7 | Financial Instruments: Disclosures (Interest Rate Benchmark Reform) |
| Amendments to MFRS 9 | Financial Instruments (Interest Rate Benchmark Reform) |
| Amendments to MFRS 16 | Covid-19-Related Rent Concessions (effective 1 June 2020) |
| Amendments to MFRS 139 | Financial Instruments: Recognition and Measurement (Interest Rate Benchmark Reform) |
| Amendments to MFRS 101 | Definition of Material |
| Amendments to MFRS 108 | Definition of Material |

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.

**Ygl Convergence Berhad (200401010510 / 649013-W) (“Ygl” or “Group”)
Quarterly report for the second quarter ended 30 September 2020**

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 2021

| | |
|--|--|
| Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 | Interest Rate Benchmark Reform – Phase 2 |
| 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 |

Effective for financial periods beginning on or after 1 January 2022

| | |
|------------------------|--|
| Amendments to MFRS 1 | Annual Improvements to NFRS Standards 2018 -2020 |
| Amendments to MFRS 3 | Reference to the Conceptual Framework |
| Amendments to MFRS 9 | Annual Improvements to MFRS Standards 2018 -2020 |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current |
| Amendments to MFRS 116 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to MFRS 137 | Onerous Contracts – Cost of Fulfilling a Contract |

Effective for financial periods beginning on or after 1 January 2023

| | |
|------------------------|---|
| MFRS 17 | Insurance Contracts |
| Amendments to MFRS 17 | Amendments to MFRS 17 |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current |

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.

8. Segmental Information

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

| | 3 months ended 30 September | | Cumulative 6 months ended 30 September | |
|------------------------------------|--------------------------------|------------|---|------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| <u>Segment Revenue</u> | | | | |
| Revenue from operations: | | | | |
| Malaysia | 907,872 | 272,055 | 1,655,243 | - |
| Asia Pacific | 266,598 | 435,061 | 411,699 | - |
| Total revenue | 1,174,470 | 707,116 | 2,066,942 | - |
| Elimination of inter-segment sales | - | - | - | - |
| External sales | 1,174,470 | 707,116 | 2,066,942 | - |
| Interest revenue | 2,465 | 598 | 5,452 | - |

| | 3 months ended 30 September | | Cumulative 6 months ended 30 September | |
|--------------------------------------|--------------------------------|------------|---|------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| <u>Segment Results</u> | | | | |
| Results from operations: | | | | |
| Malaysia | (201,702) | (663,609) | (747,229) | - |
| Asia Pacific | 100,299 | (22,664) | (62,146) | - |
| | (101,403) | (686,273) | (809,375) | - |
| Finance cost | (299) | - | (773) | - |
| Share of associate's profit / (loss) | - | 82,830 | - | - |
| Tax expense | (10,523) | (21,369) | (32,059) | - |
| Non-controlling interests | (77,339) | (36,246) | (63,376) | - |
| Total results | (189,564) | (661,058) | (905,583) | - |

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 period ended 31 March 2020.

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 are no changes 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 2020 (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 RM1,174,470 which was an increase of 66.1% as compared to a revenue of RM707,116 achieved in the preceding year corresponding quarter ended 30 September 2019. There was a gross profit of RM128,175 for the quarter under review as compared to gross loss of RM288,239 for the preceding year corresponding quarter. This was due higher revenue recorded during the quarter under review.

Net loss from operations for the quarter under review was RM101,403 as compared to net loss of RM686,273 in the preceding year corresponding quarter ended 30 September 2019. This was due to higher revenue recorded during the quarter under review and certain provisions made during the preceding corresponding quarter.

Malaysia Segment

For the quarter under review, the Malaysia segment recorded a revenue of RM907,872 which was an increase of 233.7% as compared to a revenue of RM272,055 achieved in the preceding year corresponding quarter ended 30 September 2019. Net loss from operations for the quarter under review was RM201,702 as compared to net loss from operations of RM663,609 for the preceding year corresponding quarter ended 30 September 2019. This was due to higher revenue recorded during the quarter under review and certain provisions made during the preceding corresponding quarter.

Asia Pacific Segment

For the quarter under review, the Asia Pacific segment recorded a revenue of RM266,598 which was a decrease of 38.7% as compared to a revenue of RM435,061 achieved in the preceding year corresponding quarter ended 30 September 2019. Net profit from operations for the quarter under review was RM100,299 as compared to net loss from operations of RM22,664 for the preceding year corresponding quarter ended 30 September 2019. This was due to subsidy provided by the Hong Kong government to support employment locally and cushion the financial impact to businesses during the Covid-19 pandemic.

Cumulative Quarters - Group

For the six months period ended 30 September 2020, Ygl Group achieved a gross profit of RM74,834 against recorded revenue of RM2,066,942. Net loss from operations for the six months period under review was RM809,375. This was due to slow market demand while direct workforce was maintained during the period under review.

Malaysia Segment

For the six months ended 30 September 2020, the Malaysia segment recorded a revenue of RM1,655,243 and net loss from operations was RM747,229. The net loss position was due to businesses deferred investment in software solutions to conserve cash during uncertainty caused by the pandemic while direct workforce was maintained as well as certain provisions were made.

Asia Pacific Segment

For the six months ended 30 September 2020, the Asia Pacific segment recorded a revenue of RM411,699 with corresponding net loss from operations of RM62,146. This was due to only a few government projects awarded several months after the onset of Covid-19 pandemic and the subsidy given by the Hong Kong government to assist local companies and support employment.

Impact of Covid-19 Coronavirus (“Covid-19”)

The repercussion of Covid-19 pandemic shook the financial core of countries all over the world and the global market could not fathom the economic brunt of a prolonged pandemic with no recovery in sight. Malaysian industries woke up to a rude call of the significant role of technology, but spending for digitalisation is tight when preservation of liquidity is essential during these hard times. The Hong Kong government had started to award some projects six months after the beginning of the pandemic while Singapore’s market was nevertheless very prudent in facing the third wave of the pandemic.

Ygl’s direct workforce has been intact and diligently supports our projects and customers. As businesses are becoming more susceptible to technology at work place, Ygl sees opportunity in cloud based solutions and e-commerce applications for businesses where the “new normal” promotes contact free transactions and automation of processes to be less dependent on human at site.

14. Material Changes in Profit Before Tax Against Preceding Quarter

There was a net loss before tax of RM101,702 for the quarter under review as compared to a net loss before tax of RM708,446 recorded in the preceding first quarter ended 30 June 2020. This was due to higher revenue recorded during this quarter under review and certain provisions made during the preceding quarter.

15. Corporate Proposals

There are no other corporate proposals announced but not completed as at the date of announcement as at 27 November 2020 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

16. Prospects for 2020

The roadmap to digitalisation is not as easy as many business organisations realise. The digital transformation involves getting their processes on par with best practices, coordinating machines with software language, training for workforce, investment in infrastructure and even business re-engineering. Businesses should look to commence implementing their own transformation now so as to be able to adopt smart manufacturing and smart warehousing through cloud-based solutions and transcend to e-commerce. Ygl will leverage on its ERP background to offers web-based solutions and e-commerce over the cloud.

17. Taxation

| | 3 months ended 30 September | | Cumulative 6 months ended 30 September | |
|--------------------------|--------------------------------|---------------|---|------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Current tax expense | | | | |
| Malaysian income tax | 10,533 | 21,369 | 19,389 | - |
| Foreign tax | (10) | - | 12,670 | - |
| | <u>10,523</u> | <u>21,369</u> | <u>32,059</u> | <u>-</u> |
| Deferred tax expense | - | - | - | - |
| Total income tax expense | <u>10,523</u> | <u>21,369</u> | <u>32,059</u> | <u>-</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

Upon completion of the private placement exercise undertaken by the Company on 3 March 2020, the Company had raised approximately RM3.182 million which is earmarked for business expansion, R&D expenses and working capital purposes. As at to date, proceeds from the utilisation has been fully utilised as follows:

| Details | Actual Utilisation RM'000 | Expected Utilisation RM'000 |
|---|---------------------------------|-----------------------------------|
| 1) Listing and placement expenses | 82 | 90 |
| 2) Business expansion | - | 1,000 |
| 3) R&D expenses | 450 | 1,000 |
| 4) Working capital | 697 | 1,092 |
| 5) Balance of proceed not yet utilised | 1,953 | - |
| Total proceeds arising from private placement | <u>3,182</u> | <u>3,182</u> |

19. Cash and cash equivalents

| | As at 30 September 2020 RM | As at 30 September 2019 RM |
|------------------------|----------------------------------|----------------------------------|
| Cash and bank balances | 4,475,285 | 3,275,341 |
| Less: Overdraft | - | - |
| | <u>4,475,285</u> | <u>3,275,341</u> |

20. Company Borrowings and Debt Securities

The Group’s borrowings are as follows:

| | As at 30 September 2020 RM | As at 30 September 2019 RM |
|---------------------------------|---|---|
| <u>Payable within 12 months</u> | | |
| Secured - Term Loan | - | - |
| <u>Payable after 12 months</u> | | |
| Secured - Term Loan | - | - |
| Total | <u>-</u> | <u>-</u> |

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 2020 (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:

| | As at 30 September 2020 RM | As at 30 September 2019 RM |
|----------------------|---|---|
| Contract liabilities | <u>517,693</u> | <u>784,728</u> |

23. Lease Liabilities

Lease liabilities arisen from the two year lease of office as follows:

| | As at 30 September 2020 RM | As at 30 September 2019 RM |
|---------------------------------|---|---|
| <u>Payable within 12 months</u> | | |
| Unsecured | 58,270 | - |
| <u>Payable after 12 months</u> | | |
| Unsecured | 43,806 | - |
| Total | <u>102,076</u> | <u>-</u> |

24. Financial Instruments

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

| | As at 30 September 2020 RM | As at 30 September 2019 RM |
|---|---|---|
| <u>Financial assets</u> | | |
| Account receivables | 1,043,794 | 2,150,314 |
| Other receivables, prepayments and deposits paid | 122,708 | 193,075 |
| Cash and cash equivalents | 4,475,285 | 3,275,341 |
| | <u>5,641,787</u> | <u>5,618,730</u> |

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

| | As at 30 September 2020 RM | As at 30 September 2019 RM |
|---|---|---|
| <u>Financial liabilities at amortised cost</u> | | |
| Account payables | 36,846 | 27,896 |
| Other payables, accruals and deposits received | 472,672 | 349,554 |
| Bank overdraft | - | - |
| Term loan | - | - |
| Amount owing to directors | 616,363 | 592,096 |
| | <u>1,125,881</u> | <u>969,546</u> |

All other financial instruments are carried at amounts not materially different from their fair values as at 31 March 2020.

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 2020 RM | As at 30 September 2019 RM |
|------------------|---|---|
| Up to 90 days | 829,087 | 1,535,243 |
| >90 to 180 days | 189,888 | 178,389 |
| >180 to 360 days | 24,819 | 198,581 |
| >360 days | - | 238,101 |
| Total amount | 1,043,794 | 2,150,314 |

Under the “expected credit loss model” of MFRS 9, impairment allowance for financial assets will be recognised at an amount equal to the 12-month expected credit losses which are weighted by the probability that a loss will occur in the next 12 months. Adequate impairment losses have been allowed for these financial assets.

25. Significant Related Party Transactions

For the second quarter ended 30 September 2020, there was no significant related party transaction entered by the Group.

26. 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.

27. Profit Estimate/Forecast

Not applicable.

28. Dividend

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

29. 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 6 months ended 30 September | |
|--|--|-------------|---|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| Profits/(Loss) for the period attributable to Owners of the Company (RM) | (189,564) | (661,058) | (905,583) | - |
| Weighted average number of ordinary shares in issue | 255,514,540 | 232,286,540 | 255,514,540 | - |
| Basic earnings/(loss) per share (sen) | (0.07) | (0.28) | (0.35) | - |