

YGL CONVERGENCE BERHAD
Registration No. 200401010510 (649013-W)
(Incorporated in Malaysia)

Minutes of the Eighteenth ("18th") Annual General Meeting ("AGM") of Ygl Convergence Berhad ("Ygl" or "the Company") held at Bayu 1, Level 2, Ascott Gurney Penang, No. 18, Gurney Drive, 10250 George Town, Penang on Thursday, 25 August 2022 at 10.30 a.m..

- DIRECTORS** : Mr. Yeap Kong Chean (*Chief Executive Officer*)
Madam Tan Hoay Leng (*Executive Director*)
Mr. Wong Khai Meng (*Independent Non-Executive Director*)
Mr. Muhamed Ali Bin Hajah Mydin (*Independent Non-Executive Director*)
- SHAREHOLDERS, CORPORATE REPRESENTATIVES AND PROXY HOLDERS** : As per the attendance list.
- BY INVITATION** : Mr. Tham Shien Hong (*Representative of the External Auditors, Messrs. Moore Stephens Associates PLT*)
As per the attendance list.
- IN ATTENDANCE** : Ms. Felicia Low Seow Wei – Company Secretary

CHAIRMAN'S ADDRESS

Mr. Yeap Kong Chean ("Mr. Yeap") welcomed all present for attending the 18th AGM of the Company.

Mr. Yeap informed the Meeting that pursuant to Clause 58(1) of the Company's Constitution, the Board of Directors ("the Board") had elected him to chair the 18th AGM. Mr. Yeap then introduced the Directors and Company Secretary seated at the head table.

QUORUM AND PROXIES

Mr. Yeap called the Meeting to order upon confirming that a quorum was present.

The Company Secretary, Ms. Felicia Low Seow Wei ("Ms. Felicia") reported that the Company has received 7 proxy forms from shareholders representing 19,367,220 ordinary shares within the prescribed period before the time for convening the Meeting.

The Meeting was informed that the Company is using 19 August 2022 as the determinant date of the General Meeting Record of Depositors for the 18th AGM.

NOTICE OF MEETING

Mr. Yeap proposed that the Notice of the 18th AGM which was circulated to the shareholders within the prescribed period be taken as read. Consent was obtained from the shareholders.

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POLL PROCEDURE

Ms. Felicia briefed the Meeting that the 18th AGM would be conducted on a poll in accordance with Rule 8.31A of the ACE Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company has appointed the Share Registrar, Messrs. Securities Services (Holdings) Sdn. Bhd. to act as the Polling Agent and Ms. Low Ai Pheng to act as the Independent Scrutineer for conducting poll voting.

To ensure the efficiency of the proceedings of the Meeting, the Chairman proposed and all the present have agreed that the poll voting for all resolutions shall only be conducted after all items on the agenda have been considered.

ORDINARY BUSINESS

1. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022 TOGETHER WITH THE REPORTS OF DIRECTORS AND AUDITORS THEREON ("AFS 2022")

Mr. Yeap informed that the first item on the Agenda was to receive the AFS 2022. The AFS 2022 was approved by the Board on 15 July 2022 and forwarded to the shareholders of the Company on 27 July 2022.

Before inviting questions from the floor pertaining to the AFS 2022, Mr. Yeap informed the Meeting that the Company had on 11 August 2022 received a letter from Minority Shareholder Watch Group ("MSWG"), who had raised some questions about the Company's Annual Report 2022.

Mr. Yeap then presented the Company's reply to the questions raised by MSWG, details of which is as per Annexure I enclosed hereto.

Apart from the questions raised by MSWG, Mr. Ooi Beng Hooi, the Corporate Representative of MSWG has raised a follow-up question in respect of the Company's revenue derived from its maintenance services to the customers. Mr. Yeap responded that the Company used to enjoy good earnings from the maintenance services provided to its customers. However, due to the competition from foreign service providers, the revenue from maintenance services has dropped by 9% to 10%.

As there was no further question raised on the Company's reply to MSWG's questions and AFS 2022, the Chairman declared that the AFS 2022 be received.

2. RE-ELECTION OF MADAM TAN HOAY LENG WHO IS RETIRING IN ACCORDANCE WITH CLAUSE 76(3) OF THE CONSTITUTION OF THE COMPANY AND BEING ELIGIBLE, HAS OFFERED HERSELF FOR RE-ELECTION

The Meeting was informed that the next item on the Agenda was to re-elect Madam Tan Hoay Leng in accordance with Clause 76(3) of the Company's Constitution and being eligible for re-election, had offered herself for re-election.

Proposed by: Ms. Cheah Seok Kin
Seconded by: Mr. Lau Chuan Hooi

The Meeting unanimously agreed to move the motion of the re-election of the retiring Director, Madam Tan Hoay Leng for voting.

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3. RE-ELECTION OF MR. WONG KHAI MENG WHO IS RETIRING IN ACCORDANCE WITH CLAUSE 76(3) OF THE CONSTITUTION OF THE COMPANY AND BEING ELIGIBLE, HAS OFFERED HIMSELF FOR RE-ELECTION

The Meeting noted that the next item on the Agenda was to re-elect Mr. Wong Khai Meng in accordance with Clause 76(3) of the Company's Constitution and being eligible for re-election, has offered himself for re-election as Director of the Company.

Proposed by: Mr. Yeap
Seconded by: Ms. Leong Siew Chin

The Meeting unanimously agreed to move the motion of the re-election of the retiring Director, Mr. Wong Khai Meng for voting.

4. PAYMENT OF DIRECTORS' FEES OF RM90,000.00 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

Mr. Yeap informed that the third item on the Agenda was to consider and approve the payment of Directors' fees of RM90,000.00 for the financial year ended 31 March 2022.

Proposed by: Ms. Cheah Seok Kin
Seconded by: Mr. Lau Chuan Hooi

The Meeting unanimously agreed to move the motion of payment of Directors' fees of RM90,000.00 for the financial year ended 31 March 2022 for voting.

5. PAYMENT OF BENEFITS PAYABLE TO THE DIRECTORS UP TO AN AMOUNT OF RM20,000.00 FOR THE PERIOD COMMENCING FROM 26 AUGUST 2022 UNTIL THE NEXT AGM OF THE COMPANY TO BE HELD IN YEAR 2023

The Meeting was informed that the next item on the Agenda was to approve the benefit payable to the Directors up to an amount of RM20,000.00 for the period commencing from 26 August 2022 until the next AGM of the Company to be held in year 2023.

Proposed by: Ms. Cheah Seok Kin
Seconded by: Ms. Cheah Poh Geok

The Meeting unanimously agreed to move the motion of payment of benefits payable to the Directors up to an amount of RM20,000 from 26 August 2022 up to the conclusion of the next AGM of the Company to be held in year 2023 for voting.

6. RE-APPOINTMENT OF MESSRS. MOORE STEPHENS ASSOCIATES PLT AS AUDITORS OF THE COMPANY FOR THE ENSUING YEAR AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION

The Meeting noted that the fifth item on the Agenda is to re-appoint Messrs. Moore Stephens Associates PLT ("MSA") as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

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The Meeting was further informed that MSA has indicated their willingness to continue in office as the Company's Auditors.

Proposed by: Ms. Cheah Poh Geok
Seconded by: Mr. Lau Chuan Hooi

The Meeting unanimously agreed to move the motion of the re-appointment of Messrs. Moore Stephens Associates PLT as Auditors of the Company until the conclusion of the next AGM and the authority for the Directors to fix their remuneration for voting.

7. ANY OTHER BUSINESS OF WHICH DUE NOTICE SHALL HAVE BEEN GIVEN IN ACCORDANCE WITH THE COMPANIES ACT 2016 ("ACT") AND THE COMPANY'S CONSTITUTION

The Meeting noted that no notice was received by the Company to transact any other ordinary business.

SPECIAL BUSINESS

8. ORDINARY RESOLUTION - AUTHORITY TO ISSUE SHARES PURSUANT TO THE ACT

Mr. Yeap informed that the last item on the Agenda was to seek the renewal of the general mandate for the Board to issue and allot shares pursuant to the Act.

The Meeting noted that the proposed adoption of this ordinary resolution was primarily to give flexibility to the Board to issue and allot shares up to 10% of the total number of issued shares of the Company at any time in their absolute discretion without convening a general meeting. This authority shall, unless be revoked or varied by the Company in general meeting, expire at the next AGM of the Company. This proposal is also subject to the approval being obtained from the relevant authorities for listing and quotation of additional shares on Bursa Securities, if issued by the Company.

Proposed by: Mr. Yeap
Seconded by: Ms. Cheah Seok Kin

The Meeting unanimously agreed to move the motion of the authority to issue shares pursuant to the Act for voting.

POLL VOTING

Upon all the Agendas of the Meeting had been dealt with, the Meeting proceeded with the poll voting and Ms. Felicia briefed the poll voting procedure.

The Meeting was then adjourned at 11.30 a.m. for verification of the poll voting result by the Scrutineer.

DECLARATION OF POLL VOTING RESULTS

The Meeting resumed at 11.45 a.m. for the declaration of poll voting results.

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Ordinary Resolution 1 - To re-elect Madam Tan Hoay Leng who is retiring in accordance with Clause 76(3) of the Constitution of the Company and being eligible, has offered herself for re-election

There were 60,043,968 shares equivalent to 100% of the total shares present and voting hereat, voted in favour of Ordinary Resolution 1.

As such, the Chairman declared Ordinary Resolution 1 carried:

“THAT Madam Tan Hoay Leng, who retired in accordance with Clause 76(3) of the Company’s Constitution, be re-elected as Director of the Company.”

Ordinary Resolution 2 - To re-elect Mr. Wong Khai Meng who is retiring in accordance with Clause 76(3) of the Constitution of the Company and being eligible, has offered himself for re-election

There were 60,043,968 shares equivalent to 100% of the total shares present and voting hereat, voted in favour of Ordinary Resolution 2.

As such, the Chairman declared Ordinary Resolution 2 carried:

“THAT Mr. Wong Khai Meng, who retired in accordance with Clause 76(3) of the Company’s Constitution, be re-elected as Director of the Company.”

Ordinary Resolution 3 - To approve the payment of Directors’ fees of RM90,000.00 for the financial year ended 31 March 2022

There were 60,043,968 shares equivalent to 100% of the total shares present and voting hereat, voted in favour of Ordinary Resolution 3.

As such, the Chairman declared Ordinary Resolution 3 carried:

“THAT the payment of Directors’ fees of RM90,000.00 for the financial year ended 31 March 2022 be hereby approved.”

Ordinary Resolution 4 - To approve the payment of benefits payable to the Directors up to an amount of RM20,000.00 from 26 August 2022 until the next AGM of the Company to be held in year 2023

There were 60,043,968 shares equivalent to 100% of the total shares present and voting hereat, voted in favour of Ordinary Resolution 4.

As such, the Chairman declared Ordinary Resolution 4 carried:

“THAT the payment of benefits payable to the Directors up to an amount of RM20,000 from 26 August 2022 up to the conclusion of the next AGM of the Company to be held in year 2023 be hereby approved.”

Ordinary Resolution 5 - To re-appoint Messrs. Moore Stephens Associates PLT as the Company’s Auditors until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration

There were 60,043,968 shares equivalent to 100% of the total shares present and voting hereat, voted in favour of Ordinary Resolution 5.

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As such, the Chairman declared Ordinary Resolution 5 carried:

“THAT the re-appointment of Messrs. Moore Stephens Associates PLT as the Company’s Auditors until the conclusion of the next AGM and the authority for the Directors to fix their remuneration be hereby approved.”

Ordinary Resolution 6 - Authority to issue shares pursuant to Companies Act 2016

There were 60,043,968 shares equivalent to 100% of the total shares present and voting hereat, voted in favour of Ordinary Resolution 6.

As such, the Chairman declared Ordinary Resolution 6 carried:

“THAT subject always to the Companies Act 2016 (“Act”), the Company’s Constitution, Bursa Malaysia Securities Berhad (“Bursa Securities”) ACE Market Listing Requirements (“AMLR”) and any relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed ten per centum (10%) of the total number of issued share (excluding treasury shares) of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities; AND FURTHER THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting (“AGM”) of the Company or the expiration of the period within which the next AGM is required to be held, whichever is earlier, unless such authority is revoked or varied by resolution passed by the shareholders in general meeting.”

CONCLUSION OF MEETING

There being no further matters to discuss, the Meeting concluded at 11.55 a.m. with a vote of thanks to the Chair.

Confirmed as a correct record

-SIGNED-

CHAIRMAN
YEAP KONG CHEAN

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Operational & Financial Matters

1. The software implementation segment recorded a 21.7% growth in revenue to RM5.578 million in FYE2022. Net loss from operations was RM0.162 million for FYE2022 as compared to net loss from operations of RM0.033 million for FYE2021. (page 16 of Annual Report (AR) 2022)

Question 1

- (a) What are your core products under the software implementation segment? Which are the top three revenue contributors?

Company's Reply:

Core products of software segment:

- Smart Manufacturing and Smart Warehouse
- both are complimentary in enterprise solution

Top revenue contributors of software segment:

- Smart Manufacturing and Smart Warehouse

- (b) YGL has been lossmaking in most of the last 12 years. What were the key reasons for the continuing lacklustre performance? What are you doing to turn around this business?

Company's Reply:

Key reasons for continuing lackluster performance for the past 12 years:

- YGL is in the IT (software) sector
- Enterprise solution industry is a long haul business where enterprise solution is needed by all enterprises as long as they are doing business
- YGL's vision is to "make Malaysia proud".
- YGL takes the role of a creator instead of being a supporter or implementation partner. YGL is biting the bullet to develop its own software so that Malaysia will have a world class product.
- YGL has taken the difficult way to create its software from scratch so that YGL can own the IP. This mission has taken YGL 12 years to build our own products.
- Software product life cycle:
 - o Stage 1 – market and customer requirement analysis
 - o Stage 2 – product development
 - o Stage 3 – testing and QC
 - o Stage 4 – market acceptance and customer buy-out
 - o Stage 5 – continual re-development and enhancement
 - o Stage 6 – marketing and branding
 - o Stage 7 – enjoy own software with a standing in the market place

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- YGL is currently at stage 6 where marketing and branding is vital to establish market acceptable products that can compete with similar software from overseas.

In the foreseeable future, YGL will adopt multi-pronged approach in our effort to turn around the business: -

- increase marketing and branding effort which in turn will increase sales and improve profit
- all these years the revenue in Malaysia came from the private sector, YGL is seeking opportunity to sell certain solution to the government sector
- YGL's core value and mission is "green mother earth" and YGL has invested in solar industry where renewable energy complements Smart Manufacturing and Smart Warehouse solutions.

- (c) What is the current orderbook for the software implementation segment? How much of this orderbook are expected to be recognized this year?

Company's Reply:

YGL refers to the so-called orderbook as "billables". The typical execution period for software implementation is relatively short. Work starts when deposit is received. YGL monitors sales through CRM and sales forecast.

Billables as at 19 Aug 2022 : RM2.9 million
Expected to recognised this year : RM1.7 million
Sales forecast as at 19 Aug 2022 : RM2.5 million

Question 2

The solar installation segment saw revenue increase more than 9 times to RM8.275 million in FYE2022. However, it recorded a net loss from operations of RM0.296 million as compared to a net profit of RM0.119 million a year ago. This was mainly due to the increase in solar panels prices during the pandemic period where contracts were already committed with customers in FYE2022. (page 16 of AR 2022)

- (a) How much was the increase in solar panel prices in FYE2022? How was the trend of solar panel prices so far this year?

Company's Reply:

The acute increase in solar segment revenue from FYE2021 to FYE2022 due to FYE2021 was the inception of solar segment where projects were minimal and operating costs were not fully geared-up. FYE2022 saw increase in projects and full operating costs from workforce to operating expenses.

Solar segment was not able to carry out any installation work for 6 months in FYE2022 due to the movement control measures (MCO) from April 2021 until September 2021 placed by the government. During these 6 months, full staff

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force and overhead costs were maintained. By the time the Malaysian economy was opened in October 2021, material prices and logistics costs had increased.

<u>FYE2022</u>	<u>Control Measure</u>
April 2021	CMCO
May 2021	MCO
June 2021	FMCO
July 2021	FMCO
August 2021	FMCO
September 2021	FMCO
October 2021	NRP (economy re-opened)

<u>Item</u>	<u>Price increase in FYE2022</u>
Solar panel	average 12%

Solar panel prices are not expected to come down due to:

- supply chain constraints
- shortages in key raw materials for solar panels
- foreign exchange pressure due to weaker Ringgit Malaysia against US Dollar.
- With US Federal Reserve increasing interest rate, foreign exchange rate for USD against Ringgit Malaysia steadily hiked from 4.2105 in April 2022 to 4.468 in August 2022. It is still hiking now.

- (b) Besides solar panel, what are the other input costs and their impact on the total cost?

Company's Reply:

Other input costs include:

<u>Item</u>	<u>Price increase in FYE2022</u>
Inverter	average 15%
Freight	average 10%
Forex rate (MYR vs USD)	4.1452 in Apr 2021 to 4.2048 in March 2022

- (c) What is the current orderbook for the solar installation segment? How much of this orderbook is based on the new (higher) cost structure? To what extent can you pass on the increase in costs to your clients?

Company's Reply:

Solar segment	
Current outstanding projects as at 19 Aug 2022	: RM1.74 million
Expected to recognised this year	: RM1.74 million
Sales forecast as at 19Aug 2022	: RM15 million

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All of the current outstanding projects are based on the new higher cost structure.

Barring unforeseen circumstances such as pandemic and war, we are able to pass on the increase in costs to our clients for all new projects but at lower project margin. The cash flow in the market is very tight and solar competition is very keen nowadays and solar players are reducing margin amid tight market cash flow.

Question 3

For FYE2022, the Group invested RM1.312 million in the R&D of YGL's proprietary products vs RM1.010 million for FYE2021. Such investment is necessary for YGL to continuously keep abreast with the advancement in technology and to improve the quality of YGL's proprietary products. (page 16 of AR 2022)

- (a) What is the budgeted R&D investment for FYE2023? How much of this is for the development of new products? Please elaborate more on these new products.

Company's Reply:

R&D investment in FYE2023

- Budgeted R&D investment is between RM1 million to RM1.5 million depending on the staff acquisition costs.
- About 30% of the budgeted R&D amount is for new products and up to 60% is for enhancement of current enterprise solution.
- 2 years ago our smart manufacturing did not have integration to smart machine and IIoT (Industrial Internet of Things).
- New products include enterprise solution which is moving into cloud base and open system.

Question 4

YGL's proprietary Smart Manufacturing and Smart Warehouse have been proven solutions to YGL's customers. There are competitive advantages against similar solutions from overseas. YGL intends to enlarge its market share in Malaysia and establishes its enterprise solution as a more suitable solution to Asian businesses. (page 16 of AR 2022)

- (a) How much was the revenue contribution from the Smart Manufacturing and Smart Warehouse solutions in FYE2022? What is the outlook in the coming years?

Company's Reply:

Revenue contribution from Smart Manufacturing and Smart Warehouse was 40.3% for FYE2022.

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YGL is cautiously optimistic of the outlook in the coming years:

- market trend and industrial solution are forcing enterprises to adopt digitalization or they risk being eliminated
- natural resources are getting more expensive
- labour costs are getting more expensive
- multiple site/country/region operation is the way forward for businesses to operate and achieve growth rate today
- there will be demand for enterprise solution

YGL has to stay on top of market competition, focus in marketing and branding, invest in R&D, perform continual improvement to product and keep cost competitive.

- (b) What are YGL's competitive advantages against similar solutions from other countries?

Company's Reply:

YGL's competitive advantages against similar solutions from other countries include:

- i. own intellectual property (IP);
- ii. ease of customization to suit the local way of doing business;
- iii. cost advantage

- (c) Which Asian markets are you targeting to penetrate with these solutions?

Company's Reply:

YGL's roadmap is to be clear leader in enterprise solution in Malaysia first, then penetrate the neighbouring countries like Singapore and Indonesia. The subsequent pathway will be making in-road to other South East Asian and Asian countries.