

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“EGM”) of Ygl Convergence Berhad (“Ygl” or “Company”) will be held at **Louis Armstrong II, Level 8, Jazz Hotel Penang, No. 1, Jalan Seri Tanjung Pinang 1, 10470 Tanjung Tokong, Penang** on **Tuesday, 29 August 2023 at 12.00 p.m.** or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolutions: -

ORDINARY RESOLUTION

PROPOSED PRIVATE PLACEMENT OF UP TO 51,709,008 NEW ORDINARY SHARES IN YGL, REPRESENTING UP TO 20% OF THE ENLARGED NUMBER OF ISSUED SHARES OF YGL (“PROPOSED PRIVATE PLACEMENT”)

“**THAT**, subject to the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board of Directors of the Company (“Board”) to issue and allot up to 51,709,008 new ordinary shares in Ygl (“Ygl Shares” or “Shares”) (“Placement Shares”) by way of private placement in the following manner:

- (i) to allocate up to 6,132,349 Placement Shares to Chief Executive Director of the Company, namely Mr. Yeap Kong Chean; and
- (ii) to place up to 45,576,659 Placement Shares to independent third party investor(s) to be identified later,

collectively referred to as the “Places” in a single or multiple tranche(s), at an issue price for each tranche to be determined and fixed by the Board at a later date, after all the relevant approvals have been obtained **AND THAT** the issue price shall, in no event, be at a discount of more than 10.00% to the 5-day volume weighted average market price of Ygl Shares immediately preceding the price fixing date(s);

THAT the Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing Ygl Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the said Placement Shares;

THAT, pursuant to Section 85(1) of the Companies Act 2016 (“Act”) read together with Clause 12(3)(a) of the Company’s Constitution, approval be and is hereby given to waive the preemptive rights of the existing shareholders of the Company to be offered new Shares ranking equally to the existing issued Shares arising from the allotment and issuance of the Placement Shares pursuant to the Proposed Private Placement **AND THAT** the Board is exempted from the obligation to offer such Placement Shares first to the existing shareholders of the Company in respect of the allotment and issuance of the Placement Shares to the Places pursuant to the Proposed Private Placement, which will consequently result in a dilution of the shareholders’ shareholdings in the Company;

THAT the Board be and is hereby authorised to utilise the proceeds to be derived from the Proposed Private Placement for such purposes as set out in the circular to shareholders of the Company dated 31 July 2023 and the Board be and is hereby authorised with full power to vary the manner and/or purposes of the utilisation of such proceeds from the Proposed Private Placement in the manner as the Board may deem fit, necessary and/or expedient in the best interest of the Company, subject to the compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”) and the approval of the relevant authorities (where required);

AND THAT the Board of the Company be and are hereby empowered and authorised to do all acts and things as they may consider necessary or expedient in the best interest of the Company with the full powers to assent to any conditions, modifications, variations and/or amendments as may be required, or imposed by the relevant authorities, and to take all steps and to enter into all such agreements, arrangements, undertakings, indemnities, transfer, assignments and guarantees with any party or parties and to carry out any other matters as may be required to implement, finalise and give full effect to the Proposed Private Placement.”

SPECIAL RESOLUTION

PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF YGL PURSUANT TO SECTION 117 OF THE COMPANIES ACT 2016 (“PROPOSED CAPITAL REDUCTION”)

“**THAT** subject to and conditional upon the approvals from the relevant parties and/or authorities (where applicable) pursuant to Section 117 of the Act, the Board of the Company be and is hereby given the authority and approval to reduce the issued share capital of the Company via the cancellation of the paid-up share capital of RM21.00 million and that the credit arising from such share capital reduction to be utilised to set-off against the accumulated losses of the Company;

THAT the remaining balance after the setting off of the Company’s accumulated losses pursuant to the Proposed Capital Reduction shall be credited to the retained earnings of the Company, which shall be utilised in such manner as the Board deems fit and in the best interest of the Company as permitted by the relevant and applicable laws and the Listing Requirements;

AND THAT the Board be and is hereby authorised to approve, sign and execute all documents, do all things and acts as the Board may consider necessary or expedient to implement, finalise and give full effect to the Proposed Capital Reduction in the best interest of the Company with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities, the relevant and applicable laws or deemed necessary or desirable by the Board.”

By Order of the Board,

YEOW SZE MIN (SSM PC No. 201908003120, MAICSA 7065735)

LOW SEOW WEI (SSM PC No. 202008000437, MAICSA 7053500)

Company Secretaries

Penang

Date: 31 July 2023

Notes:

1. For the purpose of determining who shall be entitled to attend this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at **21 August 2023**. Only a depositor whose name appears on this Record of Depositors shall be entitled to attend this EGM or appoint a proxy to attend, speak and vote on his/her/its behalf.
2. A member entitled to attend and vote at this EGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
3. A member of the Company who is entitled to attend and vote at this EGM of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the EGM.
4. Where a member of the Company is an authorised nominee, as defined in the Securities Industry (Central Depositories) Act 1991 (“Central Depositories Act”), it may appoint not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
6. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
7. The instrument appointing a proxy must be deposited at the registered office of the Company at No. 35, Scotland Road, 10450 Penang, not less than forty-eight (48) hours before the time fixed for holding the EGM or any adjournment at which the person named in the appointment proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking of the poll. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
8. Pursuant to Rule 8.31A of Listing Requirements, all resolutions set out in this notice will be put to vote by way of a poll.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

This Circular has been reviewed by Alliance Islamic Bank Berhad, the Principal Adviser to Ygl Convergence Berhad ("**Ygl**" or "**Company**") for the Proposed Private Placement and Proposed Capital Reduction (as defined herein).



Ygl Convergence Berhad
Registration No. 200401010510 (649013-W)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

- (I) **PROPOSED PRIVATE PLACEMENT OF UP TO 51,709,008 NEW ORDINARY SHARES IN YGL, REPRESENTING UP TO 20% OF THE ENLARGED NUMBER OF ISSUED SHARES OF YGL ("PROPOSED PRIVATE PLACEMENT"); AND**
- (II) **PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF YGL PURSUANT TO SECTION 117 OF THE COMPANIES ACT 2016 ("PROPOSED CAPITAL REDUCTION"),**

COLLECTIVELY REFERRED TO AS THE "PROPOSALS".

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser and Placement Agent



ALLIANCE ISLAMIC BANK

Alliance Islamic Bank Berhad 200701018870 (776882-V)

The Extraordinary General Meeting of the Company ("**EGM**") will be held at **Louis Armstrong II, Level 8, Jazz Hotel Penang, No. 1, Jalan Seri Tanjung Pinang 1, 10470 Tanjung Tokong, Penang** on **Tuesday, 29 August 2023 at 12.00 p.m.** or at any adjournment thereof. The Notice of EGM and Form of Proxy for the EGM are enclosed together with this Circular.

A member who is entitled but unable to attend, participate and vote remotely at the EGM, is entitled to appoint a proxy or proxies to attend, participate and vote remotely on his/her behalf. The Form of Proxy must be deposited at the Registered Office of Ygl Convergence Berhad at No. 35, Scotland Road, 10450 Penang on or before the time and date indicated below: -

Last day, date and time for lodging the Form of Proxy for the : Sunday, 27 August 2023, 12.00 p.m.
EGM
Day, date and time of the EGM : Tuesday, 29 August 2023, 12.00 p.m.

This Circular is dated 31 July 2023

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act 2016 of Malaysia, as amended from time to time including any re-enactment thereof
AIS or Principal Adviser or Placement Agent	:	Alliance Islamic Bank Berhad (Registration No. 200701018870 (776882-V))
Announcement	:	Announcement in relation to the Proposals dated 22 May 2023
Board	:	Board of Directors of Ygl
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
CEO	:	Chief Executive Officer
Circular	:	This circular to shareholders of Ygl dated 31 July 2023 in relation to the Proposals
Constitution	:	Constitution of the Company
Director(s)	:	Shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act 2007
EGM	:	Extraordinary General Meeting
EPS	:	Earnings per share
ESOS	:	Employees' share option scheme
ESOS Option(s)	:	Options granted under the Company's ESOS
FPE	:	15-month financial period ended
FYE	:	Financial year ended/ending, as the case may be
Interested Person	:	A director, major shareholder or chief executive of Ygl or a holding company of Ygl
LAT	:	Loss after taxation
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
LPD	:	17 July 2023, being the latest practicable date prior to the issuance of this Circular
Market Day(s)	:	Any day on which Bursa Securities is open for trading in securities
NA	:	Net assets attributable to the owners of the Company
PAT	:	Profit after taxation
Placement share(s)	:	Up to 51,709,008 new Ygl Shares to be issued pursuant to the Proposed Private Placement

DEFINITIONS (CONT'D)

Proposals	:	Proposed Private Placement and Proposed Capital Reduction, collectively
Proposed Capital Reduction	:	Proposed reduction of the issued share capital of Ygl pursuant to Section 117 of the Act
Proposed Private Placement	:	Proposed private placement of up to 51,709,008 new Ygl Shares, representing up to 20% of the enlarged number of issued shares of Ygl, as announced by the Company on 22 May 2023
Record of Depositors	:	A record of securities holders provided by Bursa Depository under the Rules of Bursa Depository
RM and sen	:	Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia
Share Registrar or Securities Services	:	Securities Services (Holdings) Sdn Bhd (Registration No. 197701005827 (36869-T)) (Penang), being the share registrar of Ygl
VWAMP	:	Volume weighted average market price
YKC	:	Yeap Kong Chean
Ygl or Company	:	Ygl Convergence Berhad (Registration No. 200401010510 (649013-W))
Ygl Group or Group	:	Ygl and its subsidiaries, collectively
Ygl Share(s) or Share(s)	:	Ordinary shares in Ygl

All references to “Ygl” or the “Company” in this Circular are to Ygl Convergence Berhad and references to “Ygl Group” or the “Group” are to the Company and its subsidiaries. All references to “we”, “us”, “our” and “ourselves” are to the Group, the Company, and where the context otherwise requires, the subsidiaries. All references to “you” in this Circular are to the shareholders of the Company.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. Any references to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations, enactments or rules of the stock exchange or guidelines is a reference to such statutes, rules, regulations, enactments or rules of the stock exchange or guidelines currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time of day and date, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions provided in the “Definitions” Section and context of the Circular.

This Executive Summary highlights only the pertinent information of the Proposals. Shareholders are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the EGM.

Key information	Description																								
Summary of the Proposals	<p>On 22 May 2023, AIS had, on behalf of the Board, announced that Ygl wishes to undertake the Proposals.</p> <p>1. <u>Proposed Private Placement</u></p> <p>The Proposed Private Placement involves the issuance of up to 51,709,008 new Shares, representing approximately 20% of the enlarged number of issued Shares (excluding treasury shares, if any), at an issue price to be determined later. Further details of the Proposed Private Placement are set out in Section 2.1 of this Circular.</p> <p>2. <u>Proposed Capital Reduction</u></p> <p>The Proposed Capital Reduction involves the reduction of the issued share capital of Ygl via the cancellation of the Company’s issued share capital of RM21.00 million pursuant to Section 117 of the Act. The corresponding credit of RM21.00 million arising from such cancellation will be used to set-off against the accumulated losses of the Company while the remaining balance, if any, will be credited to the retained earnings of the Company which shall be used in such manner as the Board deems fit and in the best interest of the Company as permitted by the relevant and applicable laws as well as the Listing Requirements. Further details of the Proposed Capital Reduction are set out in Section 2.2 of this Circular.</p>																								
Placement arrangement pursuant to the Proposed Private Placement	<p>The Company intends to allocate the Placement Shares in the following manner:</p> <table border="1"> <thead> <tr> <th rowspan="2">Placées</th> <th colspan="4">No. of Placement Shares</th> </tr> <tr> <th>Minimum Scenario</th> <th>%</th> <th>Maximum Scenario</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>YKC*</td> <td>6,132,349</td> <td>12.00</td> <td>6,132,349</td> <td>11.86</td> </tr> <tr> <td>Third party investor(s)</td> <td>44,970,559</td> <td>88.00</td> <td>45,576,659</td> <td>88.14</td> </tr> <tr> <td>Total</td> <td>51,102,908</td> <td>100.00</td> <td>51,709,008</td> <td>100.00</td> </tr> </tbody> </table> <p>Note:</p> <p>* YKC is a Director, major shareholder and the CEO of Ygl and is an Interested Person.</p> <p>Further details of the placement arrangement are set out in Section 2.1.2 of this Circular.</p>	Placées	No. of Placement Shares				Minimum Scenario	%	Maximum Scenario	%	YKC*	6,132,349	12.00	6,132,349	11.86	Third party investor(s)	44,970,559	88.00	45,576,659	88.14	Total	51,102,908	100.00	51,709,008	100.00
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YKC*	6,132,349	12.00	6,132,349	11.86																					
Third party investor(s)	44,970,559	88.00	45,576,659	88.14																					
Total	51,102,908	100.00	51,709,008	100.00																					

EXECUTIVE SUMMARY

Key information	Description																		
Utilisation of proceeds pursuant to the Proposed Private Placement	<p>Based on an illustrative issue price of RM0.14 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM7.24 million. These proceeds are expected to be utilised as follows:</p> <table border="1" data-bbox="544 450 1353 801"> <thead> <tr> <th data-bbox="544 510 935 539"><u>Details of utilisation</u></th> <th data-bbox="970 450 1142 539"><u>Minimum Scenario RM'000</u></th> <th data-bbox="1177 450 1353 539"><u>Maximum Scenario RM'000</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="544 562 935 591">Software development</td> <td data-bbox="970 562 1142 591">3,600</td> <td data-bbox="1177 562 1353 591">3,600</td> </tr> <tr> <td data-bbox="544 607 935 636">Marketing expenses</td> <td data-bbox="970 607 1142 636">2,000</td> <td data-bbox="1177 607 1353 636">2,000</td> </tr> <tr> <td data-bbox="544 651 935 680">Working capital</td> <td data-bbox="970 651 1142 680">1,354</td> <td data-bbox="1177 651 1353 680">1,439</td> </tr> <tr> <td data-bbox="544 696 935 748">Estimated expenses in relation to the Proposals</td> <td data-bbox="970 696 1142 725">200</td> <td data-bbox="1177 696 1353 725">200</td> </tr> <tr> <td data-bbox="544 763 935 792">Total gross proceeds raised</td> <td data-bbox="970 763 1142 792"><u>7,154</u></td> <td data-bbox="1177 763 1353 792"><u>7,239</u></td> </tr> </tbody> </table> <p>Further details of the utilisation of proceeds are set out in Section 2.1.6 of this Circular.</p>	<u>Details of utilisation</u>	<u>Minimum Scenario RM'000</u>	<u>Maximum Scenario RM'000</u>	Software development	3,600	3,600	Marketing expenses	2,000	2,000	Working capital	1,354	1,439	Estimated expenses in relation to the Proposals	200	200	Total gross proceeds raised	<u>7,154</u>	<u>7,239</u>
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Total gross proceeds raised	<u>7,154</u>	<u>7,239</u>																	
Rationale and justifications for the Proposals	<p>1. <u>Proposed Private Placement</u></p> <p>The Proposed Private Placement will enable the Group to raise the requisite funds for the purposes as set out in Section 2.1.6 of this Circular.</p> <p>The Board is of the view that the Proposed Private Placement is currently the most appropriate avenue for fund raising as it would enable the Company to raise funds expeditiously without incurring interest cost as compared to bank borrowings and increase the size and strength of the Company's capital base and shareholders' funds to improve liquidity and marketability of Ygl Shares.</p> <p>2. <u>Proposed Capital Reduction</u></p> <p>The Proposed Capital Reduction is intended to address the past accumulated losses of the Group and rationalise the statement of the financial position of the Group. The reduced issued share capital pursuant to the Proposed Capital Reduction will also reflect more accurately the value of the underlying assets and financial position of the Company. Further, by eliminating the entire accumulated losses of the Group, the Group would have an improved capital base, which may facilitate the declaration of dividends in the event the Company has retained earnings in the future.</p>																		
Approvals Required	<p>The Proposals are subject to the following approvals being obtained from the following:</p> <ul style="list-style-type: none"> <li data-bbox="544 1845 1402 1906">(i) Bursa Securities, for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities; <li data-bbox="544 1935 1402 1995">(ii) the shareholders of Ygl, for the Proposals at the forthcoming EGM; and <li data-bbox="544 2024 1402 2063">(iii) any other relevant authorities, if required. 																		

EXECUTIVE SUMMARY

Key information	Description
Interested Parties	<p>None of the directors, major shareholders, chief executive of Ygl and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Capital Reduction.</p> <p>Save as disclosed below, none of the Directors, major shareholders, chief executive of Ygl and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement:</p> <ul style="list-style-type: none">(i) YKC, who is the Director, major shareholder and CEO of Ygl with a total shareholding of 15.92% as at the LPD; and(ii) Tan Hoay Leng, who is the Director and spouse to YKC, has a deemed interest of 15.92% by virtue of the Shares held by her spouse pursuant to Section 59(11) of the Act. <p>YKC and Tan Hoay Leng are collectively referred to as “Interested Directors”.</p> <p>Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings in relation to the Proposed Private Placement. They will also abstain from voting, and have undertaken to ensure that the persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolutions pertaining to the Proposed Private Placement to be tabled at the forthcoming EGM.</p>
Board’s Recommendation	<p>The Board (save for the Interested Directors in respect of the Proposed Private Placement) recommends that you VOTE IN FAVOUR of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM, the details of which are set out in the enclosed Notice of EGM.</p>

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Ygl Convergence Berhad
Registration No. 200401010510 (649013-W)
(Incorporated in Malaysia)

Registered Office:
No. 35, Scotland Road,
10450 Penang
Malaysia

31 July 2023

BOARD OF DIRECTORS

Yeap Kong Chean (*Chief Executive Officer*)
Tan Hoay Leng (*Executive Director*)
Wong Khai Meng (*Independent Non-Executive Director*)
Muhammed Ali Bin Hajah Mydin (*Independent Non-Executive Director*)
Wan Chia Keong (*Independent Non-Executive Director*)

To: The Shareholders of Ygl

Dear Sir/Madam,

- (I) **PROPOSED PRIVATE PLACEMENT; AND**
- (II) **PROPOSED CAPITAL REDUCTION,**

COLLECTIVELY REFERRED TO AS THE "PROPOSALS".

1. INTRODUCTION

On 22 May 2023, AIS had, on behalf of the Board, announced that Ygl wishes to undertake the Proposals.

On 3 July 2023, AIS had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 3 July 2023, resolved to approve the listing of and quotation for the Placement Shares pursuant to the Proposed Private Placement.

The approval of Bursa Securities is subject to the conditions as set out in Section 7 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Details of the Proposed Private Placement

2.1.1 Placement size

The Proposed Private Placement involves the issuance of up to 51,709,008 new Shares, representing approximately 20% of the enlarged number of issued Shares (excluding treasury shares, if any), at an issue price to be determined later. As at the LPD, the Company does not have any treasury shares.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total number of issued Shares on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement.

The maximum number of 51,709,008 Placement Shares to be issued pursuant to the Proposed Private Placement was arrived at after taking into consideration the following:

- (i) the issued share capital of Ygl of RM30,400,368 comprising 255,514,540 Ygl Shares as at the LPD; and
- (ii) assuming all 3,030,500 outstanding ESOS Options are fully exercised at the weighted average exercise price of RM0.1651 per ESOS Option into 3,030,500 new Ygl Shares prior to the implementation of the Proposed Private Placement.

Premised on the above, the total number of Placement Shares to be issued under the Proposed Private Placement shall be based on the following scenarios:

Minimum Scenario : Assuming that **NONE** of the ESOS Options are exercised prior to implementation of the Proposed Private Placement, the total number of Placement Shares to be issued is 51,102,908. Based on the illustrative issue price of RM0.14 per Placement Share, the total proceeds to be raised from the Proposed Private Placement is RM7,154,407.

Maximum Scenario : Assuming that **ALL** of the 3,030,500 outstanding ESOS Options are exercised prior to implementation of the Proposed Private Placement, the total number of Placement Shares to be issued is 51,709,008. Based on the illustrative issue price of RM0.14 per Placement Share, the total proceeds to be raised from the Proposed Private Placement is RM7,239,261.

2.1.2 Placement arrangement

The Company intends to allocate the Placement Shares in the following manner:

Placees	Designation	No. of Placement Shares			
		Minimum Scenario	%	Maximum Scenario	%
YKC*	Director, major shareholder and CEO	6,132,349	12.00	6,132,349	11.86
Third party investor(s)	N/A	44,970,559	88.00	45,576,659	88.14
Total		51,102,908	100.00	51,709,008	100.00

Note:

- * YKC is a Director, major shareholder and the CEO of Ygl and is an Interested Person.

(i) **YKC**

The Company intends to allocate up to 6,132,349 Placement Shares to YKC, at an issue price to be determined (“**Proposed Allocation**”). In the event any of the Placement Shares pursuant to the Proposed Allocation are not placed to YKC, they will be placed to other third party investor(s) to be identified at a later stage. The Proposed Allocation may be implemented in one or more tranches within 6 months from the date of approval from Bursa Securities.

The Proposed Allocation is not expected to give rise to any consequence of a mandatory offer obligation pursuant to the Code on Take-overs and Mergers 2016 (“**Code**”) and Rules of the Take-Overs, Mergers and Compulsory Acquisitions (“**Rules**”) issued by the Securities Commission Malaysia or result in any breach of the public shareholding spread requirement by the Company under Rule 8.02(1) of the Listing Requirements. YKC has undertaken to observe and comply at all times with the provisions of the rules of the Code and Rules.

Profile of YKC

YKC, a Malaysian aged 62, has been the Director of the Company since his appointment to the Board on 1 June 2005. He is presently the CEO of the Company.

He commenced his career in 1985 with Ernst & Young Malaysia and served 7 years in Ernst & Young Malaysia and Australia. He had consulted both local and foreign companies of various industries and sizes whilst with Ernst & Young. He was appointed as a consultant on advisory role with Ygl Convergence Malaysia Sdn Bhd in 1993, assisting the company in business re-engineering and Enterprise Resource Planning (“**ERP**”) deployment work. He was instrumental in the listing of Ygl on the MESDAQ Market of Bursa Securities (now known as the ACE Market of Bursa Securities) in July 2005.

He was also appointed as Head of the Industrial Revolution 4.0 Committee of the Malaysia-China Business Council under the purview of the Malaysia Prime Minister Department from 2018 to 2020.

(ii) **Third party investor(s)**

The Company intends to place up to 45,576,659 Placement Shares to third party investors to be identified who meet the requirements of Schedule 6 or Schedule 7 of the Capital Markets and Services Act 2007, which includes inter-alia, the issuance of the Placement Shares to each of them for a consideration of not less than RM250,000 or the issuance of the Placement Shares is made to high-net worth individuals whose net personal assets exceed RM3,000,000 or to corporations with net assets exceeding RM10,000,000.

As at the LPD, the public shareholding spread of Ygl is 53.22%. The public shareholding spread after the completion of the Proposed Private Placement, assuming 6,132,349 Shares are placed to YKC is as follows:

Public shareholding spread of Ygl	Minimum Scenario	Maximum Scenario
	59.04%	59.51%

The Proposed Allocation to YKC pursuant to the Proposed Private Placement will not result in non-compliance with Rule 8.02(1) of the Listing Requirements.

The Proposed Private Placement may be implemented in one or more tranches within 6 months from the date of approval from Bursa Securities for the listing of and quotation of the Placement Shares on the ACE Market of Bursa Securities or any extended period as may be approved by Bursa Securities, subject to the prevailing market conditions.

The implementation of the Proposed Private Placement in multiple tranches would provide flexibility to the Company to procure interested investors, to price the Placement Shares with due consideration to the market conditions and optimise the proceeds to be raised.

The issue price of Placement Shares will be determined and fixed by the Board separately for each respective tranche(s). Pursuant to Rule 6.14 of the Listing Requirements, the Company will ensure that the payments for Placement Shares are received within 5 market days from the price-fixing date(s).

2.1.3 Basis of determining and justification for the issue price of the Placement Shares

The issue price of the Placement Shares will be determined and fixed by the Board at a later date after the receipt of all requisite approvals for the Proposed Private Placement. In pricing the Placement Shares, the Board will take into consideration, amongst others, the prevailing market conditions and the 5-day VWAMP of Ygl Shares immediately preceding the price-fixing date.

The discount for the issue price of the Placement Shares, if any, shall not be more than 10% to the 5-day VWAMP of Ygl Shares immediately preceding the price-fixing date. The maximum discount of 10% provides the Board with the flexibility to fix an issue price that is deemed attractive to entice potential investors and encourage subscription of the Placement Shares by them.

For illustrative purposes in this Circular, based on an illustrative issue price of RM0.14 per Placement Share, the issue price of the Placement Shares would represent a discount of approximately RM0.0107 or 7.10% to the 5-day VWAMP of Ygl Shares up to and including the LPD of RM0.1507.

2.1.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally and carry the same rights in all respects with the existing Ygl Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Placement Shares.

2.1.5 Listing of and quotation for the Placement Shares

Bursa Securities had, vide its letter dated 3 July 2023, approved the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the ACE Market of Bursa Securities.

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2.1.6 Utilisation of proceeds

The Company is unable to determine the actual amount of proceeds to be raised from the Proposed Private Placement at this juncture as the amount to be raised will depend on the actual issue price and the actual number of Placement Shares to be issued.

For illustration purposes, assuming an issue price of RM0.14 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM7.24 million. After defraying the estimated expenses in relation to Proposals, the Board intends to utilise the proceeds to be raised for software developments first, then for marketing expenses and finally for the working capital.

These proceeds are expected to be utilised as follows:

Details of utilisation	Notes	Minimum Scenario RM'000	Maximum Scenario RM'000	Estimated timeframe for utilisation (from the date of listing of the Placement Shares)
Software development	(a)	3,600	3,600	Within 24 months
Marketing expenses	(b)	2,000	2,000	Within 24 months
Working capital	(c)	1,354	1,439	Within 24 months
Estimated expenses in relation to the Proposals	(d)	200	200	Within 1 month
Total gross proceeds raised		<u>7,154</u>	<u>7,239</u>	

Notes:

- (a) The Company intends to utilise RM3.60 million of the gross proceeds for the Group's software development to develop future products as detailed below:

Name of products and solutions	Targeted commencement, completion and commercialisation date	Description	Estimated total cost / amount of proceeds RM'000
e-Audit and e-XBRL for accountancy profession	Commence: October 2023, Complete: March 2025 Commercialise: April 2025	The e-Audit system will assist auditors to perform audit works and prepare audit reports including financial statements. The system will also incorporate accounting standards. The e-XBRL system will allow automatic conversion of data and information in audit reports into a specified format for submission to the Companies Commission of Malaysia.	1,500

Name of products and solutions	Targeted commencement, completion and commercialisation date	Description	Estimated total cost / amount of proceeds RM'000
Monitoring and assurance system for Halal products	Commence: October 2023, Complete: December 2025 Commercialise: January 2026	<p>The target market is Malaysia and target industries to be served by e-Audit and e-XBRL systems are mainly in licensed audit firms, licensed company secretaries and corporate companies.</p> <p>The software comprises a Halal Monitoring Solution (HMS) and a Halal Assurance Solution (HAS) systems.</p> <p>HMS and HAS solutions have the following key elements to ensure compliance with Halal requirements:</p> <ul style="list-style-type: none"> (i) smart manufacturing where sources of raw materials and detailed production information are monitored; and (ii) smart warehouse where storage and distribution of products can be tracked. <p>The system will be able to assist manufacturers and traders to obtain updated information on their materials, production and goods for Halal Certification and Compliance purposes.</p> <p>The target markets are Malaysia and Asia, and target industries are mainly halal manufacturers and retailers.</p>	1,500

Name of products and solutions	Targeted commencement, completion and commercialisation date	Description	Estimated total cost / amount of proceeds RM'000
Artificial Intelligence (“AI”) and Machine Learning (“ML”) for metal industry	Commence: January 2025, Complete: December 2025 Commercialise: January 2026	The Group is desirous to incorporate AI and ML into its existing smart manufacturing solutions offered to the metal industry. AI and ML will, among others, maximise the utilisation of raw materials which is very costly in the metal industry. AI and ML will suggest the most efficient model in the utilisation of raw material and minimise the occurrence of human error. The target markets are Malaysia and South East Asia and target industry to be served by AI and ML are mainly metal products manufacturers.	600
Total			3,600

- (b) The proceeds earmarked for marketing expenses are intended for payment for branding and promotion and advertisement as well as roadshows and seminars for the Company’s existing and new products to be developed for the software and solar segments. A breakdown of the use of proceeds for these purposes are set out as follows:

Details	Estimated total cost / amount of proceeds RM'000
Branding, promotion and advertisement (e.g. advertisements on billboards, promotion through digital marketing on social media and investment in dedicated in-house and external content writer, designer and marketing materials for the Group’s existing and new products to be developed)	1,000
Roadshows and seminars (e.g. participation in exhibitions and trade fairs both locally and overseas, seminars and conferences and self-organised Malaysia-wide and overseas seminars for Industry 4.0 products and renewable energy (“RE”) products for the Group’s existing and new products to be developed)	1,000
Total	2,000

- (c) The proceeds earmarked for working capital requirements of up to RM1.44 million are intended for payment of the following:

Details	Minimum Scenario RM'000	Maximum Scenario RM'000
Staff related expenses (e.g. salaries, bonuses and allowances) for existing staff in both software and RE divisions as well as salaries of new hires ⁽¹⁾ including experienced research and development (“R&D”) professionals, system consultants, engineers, marketing and sales team	1,004	1,089
Expenditure to upgrade R&D facilities, hardware, equipment and materials (e.g. renovation for Penang and Kuala Lumpur branches, new laptops for staff and development software license subscription fees) ⁽²⁾	350	350
Total	1,354	1,439

- (1) The estimated timeframe to hire new staff and the number of staff for each position for the software and solar segments are as follows:

Number of staff	Estimated timeframe to hire (from the date of listing of the Placement Shares)
Software segment	
R&D professionals and/or system consultants	2
Marketing	1
Sales	2
Solar segment	
Engineers	2
Sales	2
Total	9

- (2) The Group will allocate up to RM0.35 million from the proceeds of working capital requirements to upgrade R&D facilities, hardware, equipment and materials as follows:

Segment	Targeted commencement and completion date	Description	Estimated total cost / amount of proceeds RM'000
Renovation of R&D facility	April 2024 – Mar 2025	There will be one branch in Penang and Kuala Lumpur respectively to be renovated to provide a more conducive working environment and staff amenities such as better workstation in office	200

	Segment	Targeted commencement and completion date	Description	Estimated total cost / amount of proceeds RM'000	
	Hardware, equipment and materials	Software and Solar	April 2024 – Mar 2025	New hardware, equipment and materials to increase staff productivity and efficiency	150
	Total			350	

- (d) The estimated expenses consist of professional fees, fees payable to authorities, placement fees and other miscellaneous expenses (e.g. EGM expenses and printing expenses) to be incurred in relation to the Proposals. Any shortfall for such expenses will be adjusted accordingly against the amount allocated for the working capital.

The actual gross proceeds to be raised from the Proposed Private Placement are dependent on the issue price and the actual number of Placement Shares to be issued. Any variation to the actual gross proceeds raised from the Proposed Private Placement will be adjusted to or from the amount allocated for working capital of the Ygl Group. Any shortfall amount will be funded by our internally generated funds and/or bank borrowings, if required, where the proportions will be determined later after taking into consideration the Group's issued share capital, gearing level, interest costs and cash reserves.

Pending full utilisation of the proceeds raised from the Proposed Private Placement, the proceeds will be placed in interest-bearing deposit accounts with licensed financial institutions and/or in short-term money market instruments. Any interests derived from the deposits with financial institutions and/or any gains arising from the short-term money market instruments will also be allocated for the working capital requirements of Ygl Group as set out above in Section 2.1.6 (c) of this Circular.

2.1.7 Pre-emptive rights pursuant to Section 85(1) of the Act

Pursuant to Section 85(1) of the Act read together with Clause 12(3)(a) of the Constitution, the shareholders of Ygl have the pre-emptive rights to be offered any new Shares to be issued by the Company which rank equally to the existing issued Shares or other convertible securities.

Section 85(1) of the Act provides as follows:

"85. Pre-emptive rights to new shares

- (1) *Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."*

Clause 12(3)(a) of the Constitution provides as follows:

"Subject to the Act, the Listing Requirements and any direction to the contrary that may be given the Company in General Meeting, all new shares of other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of General Meeting in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled."

In view of the provisions of the Act and the Constitution, the Company would be required to seek the necessary shareholders' approval for the waiver of the pre-emptive rights provided by Section 85 of the Act and Clause 12(3)(a) of the Constitution to undertake any issuance of new Shares, including private placements. As such, the waiver of such pre-emptive rights by the shareholders of Ygl will be tabled for shareholders' approval at the forthcoming EGM.

The resolution for the waiver of such pre-emptive rights by the shareholders of Ygl, will exclude the shareholders' pre-emptive rights to be offered the Placement Shares pursuant to the Proposed Private Placement, and will consequently result in a dilution of the shareholders' shareholdings in the Company.

2.1.8 Other fund raising exercises in the past 12 months

The Company has not undertaken any other fund raising exercises in the 12 months prior to the date of this Circular.

2.2 Details of the Proposed Capital Reduction

The Proposed Capital Reduction involves the reduction of the issued share capital of Ygl via the cancellation of the Company's issued share capital of RM21.00 million pursuant to Section 117 of the Act. The corresponding credit of RM21.00 million arising from such cancellation will be used to set-off against the accumulated losses of the Company while the remaining balance, if any, will be credited to the retained earnings of the Company which shall be used in such manner as the Board deems fit and in the best interest of the Company as permitted by the relevant and applicable laws as well as the Listing Requirements.

As at the LPD, the total issued share capital of the Company is RM30,400,368 comprising 255,514,540 Shares.

For illustrative purposes only, the pro forma effects of the Proposed Capital Reduction on the accumulated losses of the Group based on the latest audited consolidated financial statements of Ygl Group for the FYE 31 March 2023 is set out below:

	Audited As at 31 March 2023	
	Company Level (RM'000)	Group Level (RM'000)
Accumulated losses	(16,592)	(19,629)
Add: Credit arising from the Proposed Capital Reduction	21,000	21,000
Less: Estimated expenses in relation to the Proposals	(200)	(200)
Resultant retained earnings	4,208	1,171

Subject to and subsequent to the approval of the Proposed Capital Reduction by the shareholders of the Company at the forthcoming EGM, the Proposed Capital Reduction will be effective when the Registrar of Companies has recorded the information lodged in the appropriate register in accordance with Section 119 of the Act.

For the avoidance of doubt, the Proposed Capital Reduction will not result in:

- (a) any adjustment to the price of the Ygl Shares;
- (b) any change in the total number of Ygl Shares in issue or the number of Ygl Shares held by the Company's existing shareholders;

- (c) any change in the total number or exercise price of the outstanding ESOS Options granted by Ygl as follows:
 - (i) 2,623,000 outstanding ESOS Options at the exercise price of RM0.1612 per ESOS Options; and
 - (ii) 407,500 outstanding ESOS Options at the exercise price of RM0.1904 per ESOS Options.
- (d) any payment to the Company's shareholders; and
- (e) any cash outflow or change in the NA of the Ygl Group, save for the estimated expenses to be incurred in relation to the Proposals.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS

3.1 Proposed Private Placement

After due consideration to the various methods of fund raising, the Board is of the view that the Proposed Private Placement is currently the most appropriate avenue for fund raising as it will:

- (i) enable the Company to raise funds expeditiously for its software development, marketing expenses and working capital purposes;
- (ii) provide an avenue to raise funds without incurring interest cost as compared to bank borrowings; and
- (iii) increase the size and strength of the Company's capital base and shareholders' funds and potentially improve the liquidity and marketability of Ygl Shares.

3.2 Proposed Capital Reduction

The Proposed Capital Reduction is intended to address the past accumulated losses of the Group and rationalise the statement of financial position of the Group. The reduced issued share capital pursuant to the Proposed Capital Reduction will also reflect more accurately the value of the underlying assets and the financial position of the Company. Further, by eliminating the entire accumulated losses of the Group, the Group would have an improved capital base, which may facilitate the declaration of dividends in the event the Company has retained earnings in the future.

4. OUTLOOK AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The global gross domestic product ("**GDP**") growth in 2022 moderated to 3.4% reflecting the economic slowdown in advanced economies as well as emerging market and developing economies (EMDEs). Despite the softened global growth, Malaysia's economy recorded a strong growth of 8.7% in 2022, exceeding the initial projection of 6.5% - 7%, whereby real output value reached above the pre-pandemic level. The commendable performance was driven by domestic demand and improved labour market in line with the transition to the endemic phase. These resulted from an increase in economic activities which include household spending, investment and tourism. Subsequently, encouraging expansion in all economic sectors primarily the services and manufacturing have also provided continuous impetus to the significant economic growth in 2022. Furthermore, the growth was attributed to robust external demand, especially among Malaysia's major trading partners.

In 2023, global growth is expected to further soften at 2.9% on the back of persistent pressures such as inflation, tightening global financial conditions and economic deceleration among major economies. Meanwhile, Malaysia's economic growth is projected to moderate amid the signs of weakness in the global growth momentum. The growth will be mainly supported by steady domestic demand primarily private expenditure as well as initiatives under the Budget 2023 and development expenditure under the Twelfth Malaysia Plan, 2021 – 2025 (12MP). However, a slowdown in external demand is expected to moderate exports growth, particularly in the electrical and electronic (E&E) products and major commodities.

On the supply side, all economic sectors are expected to remain in the positive growth trajectory in 2023, driven by the services and manufacturing sectors. Other sectors, namely agriculture, mining and construction are also expected to grow further in line with the improvement in economic activities. However, downside risks such as prolonged geopolitical conflict, climate-related disasters and persistently high inflation are expected to further hampering the global economic growth, hence, affecting Malaysia's performance. Overall, the nation's GDP is forecast to grow approximately 4.5% in 2023.

(Source: Updates on Economic & Fiscal Outlook and Revenue Estimates 2023, Ministry of Finance of Malaysia)

4.2 Outlook of the Malaysian information technology industry

The contribution of information and communication technology (“ICT”) to the economy remained double-digit and increased by 12.1 per cent in 2021 (2020: 10.5%), valued at RM359.3 billion. ICT contributed 23.2 per cent to the Gross Domestic Product (GDP), and comprises of Gross Value Added ICT Industry (“GVAICT”) with 14.0 per cent and e-commerce of other industries with 9.2 per cent.

GVAICT increased to RM217.1 billion with a better growth of 7.8 per cent in 2021 compared to 3.2 per cent in the previous year. The growth was supported by ICT manufacturing industry and ICT services industry with a growth of 11.1 per cent and 7.0 per cent respectively.

(Source: Information and Communication Technology Satellite Account 2021 published on 14 October 2022, Department of Statistics Malaysia)

The information and communication services recorded a gross output value of RM182.2 billion in 2021, registered a growth of 5.4 per cent as compared to 2020 (RM172.9 billion). In line with the growth in gross output, the value of intermediate input also increased by RM4.6 billion to record RM87.4 billion (2020: RM82.9 billion), thus resulting a value-added of RM94.8 billion for the year 2021 (2020: RM90.0 billion). The number of persons engaged in this subsector also reported an increase of 2.3 per cent to 241,711 persons as compared to 236,372 persons in 2020. Meanwhile, the salaries & wages paid in 2021 amounted to RM14.8 billion, as compared to RM14.4 billion in 2020. The value of fixed assets also showed an increase of RM 2.2 billion to record RM107.0 billion in 2021 (2020: RM104.8 billion).

The gross output value of information and communication services rose by 5.4 per cent to RM182.2 billion. Telecommunications services was the major contributor of gross output value with RM118.0 billion or 64.8 per cent share followed by computer programming, consultancy & related activities with RM39.3 billion (21.6%), and programming & broadcasting with RM9.3 billion (5.1%). These three activities together contributed 91.5 per cent to the value of gross output in Information and communication services.

(Source: Annual Economic Statistics, Information and Communication 2022 published on 1 March 2023, Department of Statistics Malaysia)

4.3 Outlook of the Malaysian RE industry

Malaysia has huge untapped potential RE sources that can provide local and affordable alternatives to fossil fuels. The country's installed capacities of solar photovoltaic ("PV") and other renewables have been growing thanks to the establishment of concrete RE policies and schemes, and a dedicated agency since the 2010s. However, more can be done to further accelerate the uptake of solar PV in order to exceed the target for RE installed capacity of 40% by 2035. Furthermore, RE targets should also be translated across other end-use consumption such as in the transport and industry sectors, which still rely heavily on fossil fuels.

Malaysia's latest Nationally Determined Contribution (NDC) submission towards reducing greenhouse gas emissions under the Paris Agreement aims for an unconditional reduction in emission intensity (tonnes of CO₂ emissions per unit of gross domestic product) of 45% by 2030 relative to the 2005 level. The country has also announced a target for net zero emissions by as early as 2050, as echoed in its latest National Energy Policy, and is preparing a Long-Term Low Emission Development Strategy (LT-LEDS).

(Source: IRENA (2023), Malaysia energy transition outlook, International Renewable Energy Agency, Abu Dhabi)

The drive for enhanced environmental sustainability through greenhouse gas emissions reduction and green economy initiatives is being spearheaded by multiple stakeholders across governments, businesses and investors. In this context, the National Energy Policy, 2022-2040 ("DTN") is conceptualised to enable Malaysia to take progressive steps to future-proof and position the country to capture advantages from the energy transition.

Malaysia's final energy demand has been growing at an average of 6% per annum between 2010 and 2018 and at 4% per annum over a longer time period between 2000 and 2018. The transport, power and industry sectors represent the largest components of energy demand and collectively constitute approximately 75% of total final energy demand. Energy demand from these sectors has been growing at a rate of 4% per annum. Non-energy use, which comprises primarily of feedstock for the petrochemical industry, has been the largest driver of energy demand growth, with a growth rate of 15% per annum between 2010 and 2018.

On the supply-side, four energy sources dominate the national total primary energy supply ("TPES") mix. Natural gas constitutes the largest portion of primary energy supply at 41% of TPES, followed by crude oil and petroleum products and coal which constitute 29% and 22% respectively. Renewables, comprising mainly of hydroelectric, solar and bioenergy constitute 7% of TPES. Coal has experienced the highest rate of growth at 11% per annum, driven primarily by demand from the power sector in Peninsular Malaysia. The increase in coal as a portion of the primary energy mix is mainly driven by energy security and affordability objectives.

Based on forward-looking plans, the primary energy supply is expected to evolve to enable enhanced environmental sustainability. Measures to promote and increase the share of RE in line with the Five-Fuel Diversification Policy have been developed in 2000. These measures will collectively reduce overall energy sector emissions intensity and enhance domestic energy self-sufficiency as imported non-renewable sources of energy are substituted with indigenous sources of RE in the primary energy mix. Trends in fuel switching, such as the transition from internal combustion engine vehicles to electric vehicles which will result in decreased demand for petroleum products and increased demand for electricity, are also expected to influence the primary energy mix and contribute to enhanced environmental sustainability of the energy sector.

The Low Carbon Nation Aspiration 2040 ("**Aspiration**") is developed based on the existing plans in the energy sector. The Government will undertake a more proactive role by identifying and developing selective leadership in the areas of low carbon economy, which will be aligned with the areas where the country has high potential and competitive advantage. Appropriate Government incentives will be provided to attract investments in catalysing the development of low carbon technologies. This will allow the country to become a leader in high potential growth areas such as RE, energy storage, low carbon mobility, hydrogen economy and others.

The Aspiration is expected to create significant positive economic development impact with higher gross domestic product and job creation. It will also spur the next wave of green growth foreign direct investments into the country. In addition, improvements are expected along each dimension of the energy trilemma, including reduction in emissions intensity. In supporting the Aspiration, private and public investments should be made in a timely manner to facilitate the transition. The Government also has a key role to play in establishing catalytic incentives and supportive regulatory frameworks to spur investments and transition in low carbon economy growth ecosystems for the country. In addition, evolving policy and technological trends should continue to be monitored and aimed at reviewing the targets in the future.

The DTN sets the overarching strategic policy direction for Malaysia's energy sector encompassing a time horizon of between 2022 and 2040. Successful implementation of the DTN will ensure a future-proof energy sector which is aligned with the long-term national aspirations of Wawasan Kemakmuran Bersama 2030 and the 2030 Agenda for Sustainable Development. The DTN will also enable the country to effectively navigate challenges and capture large opportunities associated with energy transition and other global megatrends, towards achieving Low Carbon Nation Aspiration 2040.

(Source: National Energy Policy 2022-2040, Economic Planning Unit, Prime Minister's Department, launched on 19 September 2022)

4.4 Prospects of the Group

Software segment

In the short term, the software market is affected by market uncertainties due to geopolitical tensions, war, United States of America ("US") banking crisis and high inflation. The sanctions imposed by the US have impacted global manufacturers and their supply chains where their revenue have been reduced significantly. Market is cash tight and manufacturers including small and medium sized enterprises adopted a "wait and see" approach and are cautious when it comes to investing in ERP systems.

The software segment foresees slow market recovery until the medium term as market requires certain period of time to adjust the interest rate hikes by the US Federal Reserve.

Digitalisation of business and manufacturing processes is crucial in the long term as resources are getting scarce and prices are increasing including the cost of human capital. Automation, AI, ML will be inevitable for businesses to manage and optimise their resources in the future.

Ygl's proprietary products such as Smart Warehouse, Smart Manufacturing and core ERP systems which include AI, Industry 4.0, robotics, cloud deployment and remote learning are in line with the current market demand for digital solutions in Malaysia. Ygl is cautiously optimistic that it is in the position as a solution provider to accelerate digitalisation in Malaysia.

Solar segment

RE is the only way forward for humanity. The disruption of fossil fuel and natural gas supply caused by the Russia-Ukraine war had sent energy prices soaring in European nations and serves as a wakeup call to the rest of the world.

The opportunities are abound in solar sector as the electricity generated in Malaysia is merely 2% by RE sources including solar power. Both the Malaysian Investment Development Authority (MIDA) and Sustainable Energy Development Authority Malaysia (SEDA) offer tax incentives and Net Energy Metering Programme, respectively to increase the building or installation of solar system in Malaysia. Ygl, as a solar system provider, offers consumers to take opportunity of the government's initiatives to install solar system on their business and residential buildings to reduce their carbon footprint.

Ygl's solar segment is in line with the government's policy to gradually cut carbon emissions in the country and play a part in the growing significance of environment, social and governance where businesses take responsibilities for their operations and undertakings in the long term to address depleting fossil fuel and natural gasses issues and climate change.

Premised on the above and after considering the overview of the Malaysian economy, ICT and RE industries, the Board remains cautiously optimistic of the prospects of the Group.

(Source: The Management of Ygl)

5. EFFECTS OF THE PROPOSALS

For illustrative purposes, the pro forma effects of the Proposals on Ygl's issued share capital, NA, NA per share, gearing, earnings, EPS and the substantial shareholders' shareholdings are set out below:

5.1 Issued share capital

The pro forma effects of the Proposals on the issued share capital of Ygl are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	255,514,540	30,400,368	255,514,540	30,400,368
To be issued upon the full exercise of ESOS Options	-	-	3,030,500	500,416 ⁽¹⁾
	<u>255,514,540</u>	<u>30,400,368</u>	<u>258,545,040</u>	<u>30,900,784</u>
Placement Shares to be issued pursuant to the Proposed Private Placement	51,102,908	7,154,407 ⁽²⁾	51,709,008	7,239,261 ⁽³⁾
	<u>306,617,448</u>	<u>37,554,775</u>	<u>310,254,048</u>	<u>38,140,045</u>
Share capital to be cancelled pursuant to the Proposed Capital Reduction	-	(21,000,000)	-	(21,000,000)
Enlarged issued share capital	<u>306,617,448</u>	<u>16,554,775</u>	<u>310,254,048</u>	<u>17,140,045</u>

Notes:

- (1) Assuming all the ESOS Options are exercised prior to the implementation of the Proposed Private Placement at the exercise price as follows:
 - (i) 2,623,000 outstanding ESOS Options at the exercise price of RM0.1612 per ESOS Options; and
 - (ii) 407,500 outstanding ESOS Options at the exercise price of RM0.1904 per ESOS Options.
- (2) Assuming 51,102,908 Placement Shares are issued at an indicative issue price of RM0.14 per Placement Share.
- (3) Assuming 51,709,008 Placement Shares are issued at an indicative issue price of RM0.14 per Placement Share.

5.2 NA, NA per share and gearing

Based on the latest audited financial information of the Group as at 31 March 2023, the pro forma effects of the Proposals on Ygl's consolidated NA, NA per share and gearing are as follows:

Minimum Scenario	(I)		(II)	
	As at 31 March 2023	After the Proposed Private Placement	After (I) and the Proposed Capital Reduction	RM'000
Share capital	RM'000	RM'000	RM'000	RM'000
Other reserves	30,400	37,555 ⁽¹⁾	16,555 ⁽²⁾	
(Accumulated losses) / Retained earnings	403	403	403	
	(19,629)	(19,629)	1,171 ^{(2) (3)}	
Equity attributable to the owners of the Company / NA	11,174	18,329	18,129	
No. of Ygl Shares ('000)	255,515	306,617	306,617	
NA per share (RM)	0.04	0.06	0.06	
Total borrowings (RM'000)	1,700	1,700	1,700	
Gearing (times)	0.15	0.09	0.09	

Notes:

- (1) Assuming 51,102,908 Placement Shares are issued at an indicative issue price of RM0.14 per Placement Share.
- (2) After cancellation of RM21,000,000 from the share capital of the Company to offset the accumulated losses pursuant to the Proposed Capital Reduction.
- (3) After deducting the estimated expenses of RM200,000 to be incurred in relation to the Proposals.

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5.2 NA, NA per share and gearing (cont'd)

Maximum Scenario

As at 31 March 2023	(I)	(II)	(III)
	After the full exercise of ESOS Options	After (I) and the Proposed Private Placement	After (I), (II) and the Proposed Capital Reduction
RM'000	RM'000	RM'000	RM'000
Share capital	30,400	38,140 ⁽²⁾	17,140 ⁽³⁾
Other reserves	403	403	403
(Accumulated losses) / Retained earnings	(19,629)	(19,629)	1,171 ⁽³⁾⁽⁴⁾
Equity attributable to the owners of the Company / NA	11,174	11,675	18,714
No. of Ygl Shares ('000)	255,515	310,254	310,254
NA per share (RM)	0.04	0.06	0.06
Total borrowings (RM'000)	1,700	1,700	1,700
Gearing (times)	0.15	0.15	0.09

Notes:

- (1) Assuming all the ESOS Options are exercised prior to the implementation of the Proposed Private Placement at the exercise price as follows:
 - (i) 2,623,000 outstanding ESOS Options at the exercise price of RM0.1612 per ESOS Options; and
 - (ii) 407,500 outstanding ESOS Options at the exercise price of RM0.1904 per ESOS Options.
- (2) Assuming 51,709,008 Placement Shares are issued at an indicative issue price of RM0.14 per Placement Share.
- (3) After cancellation of RM21,000,000 from the share capital of the Company to offset the accumulated losses in relation to the Proposed Capital Reduction.
- (4) After deducting the estimated expenses of RM200,000 to be incurred in relation to the Proposals.

5.3 Earnings and EPS

The Proposals are not expected to have any material effect on the earnings and EPS of Ygl Group for the FYE 31 March 2024.

The proceeds from the Proposed Private Placement are expected to contribute positively to the earnings of Ygl Group when the benefits of the utilisation of proceeds are realised. However, the Placement Shares to be issued pursuant to the Proposed Private Placement will result in a corresponding dilution in the Company's EPS due to the increase in the number of Ygl Shares in issue.

5.4 Substantial shareholders' shareholdings

The Proposed Capital Reduction will not have any effect on the shareholdings of the substantial shareholders of the Company.

The pro forma effects of the Proposed Private Placement on the shareholdings of the substantial shareholders of the Company as at the LPD are as follows:

Minimum Scenario	As at the LPD			After the Proposed Private Placement		
	Direct		Indirect	Direct		Indirect
	No. of Shares	%		No. of Shares	%	
Substantial shareholders						
YKC	40,666,668	15.92	-	46,799,017	15.26 ⁽¹⁾	-
Tan Hoay Leng	-	-	40,666,668	-	-	46,799,017
Yeap Kong Tai (deceased)	39,466,664	15.45	-	39,466,664	12.87	-
Dato' Woo Swee Lian	19,357,200	7.58	-	19,357,200	6.31	-

Notes:

- (1) In the event up to 6,132,349 Placement Shares are placed out to YKC.
- (2) Deemed interest pursuant to Section 59(11) of the Act, by virtue of the Shares held by her spouse, YKC.

5.4 Substantial shareholders' shareholdings (cont'd)

<u>Maximum Scenario</u>	(I)						
	As at the LPD			After the full exercise of ESOS Options			
	Direct	Indirect		Direct	Indirect		
<u>Substantial shareholders</u>	No. of Shares	%	No. of Shares	%	No. of Shares	%	
YKC	40,666,668	15.92	-	40,666,668	15.73	-	-
Tan Hoay Leng	-	-	40,666,668	15.92 ⁽¹⁾	-	40,666,668	15.73 ⁽¹⁾
Yeap Kong Tai (deceased)	39,466,664	15.45	-	39,466,664	15.26	-	-
Dato' Woo Swee Lian	19,357,200	7.58	-	19,357,200	7.49	-	-
<u>Maximum Scenario</u>	(II)						
<u>Substantial shareholders</u>	After (I) and the Proposed Private Placement						
	Direct	Indirect		Direct	Indirect		
	No. of Shares	%	No. of Shares	%	No. of Shares	%	
YKC	46,799,017	15.08 ⁽²⁾	-	-	-	-	-
Tan Hoay Leng	-	-	46,799,017	15.08 ⁽¹⁾	-	-	-
Yeap Kong Tai (deceased)	39,466,664	12.72	-	-	-	-	-
Dato' Woo Swee Lian	19,357,200	6.24	-	-	-	-	-

Notes:

(1) Deemed interest pursuant to Section 59(1) of the Act, by virtue of the Shares held by her spouse, YKC.

(2) In the event up to 6,132,349 Placement Shares are placed out to YKC.

5.5 Convertible securities

Save for the 3,030,500 outstanding ESOS Options, Ygl does not have any other convertible securities as at the LPD. The Proposals will not result in any adjustment to the ESOS Options.

6. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Ygl Shares as traded on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

	High (RM)	Low (RM)
<u>2022</u>		
July	0.135	0.120
August	0.140	0.120
September	0.135	0.120
October	0.135	0.115
November	0.135	0.120
December	0.160	0.125
<u>2023</u>		
January	0.150	0.125
February	0.235	0.140
March	0.205	0.155
April	0.185	0.160
May	0.170	0.130
June	0.155	0.130

Last transacted market price of Ygl Shares on 19 May 2023, being the day prior to the date of the announcement of the Proposals RM0.140

Last transacted market price of Ygl Shares as at the LPD RM0.150

(Source: Bloomberg)

7. APPROVALS REQUIRED AND CONDITIONALITY

The Proposals are subject to the following approvals being obtained:

- (i) Bursa Securities had, vide its letter dated 3 July 2023, approved the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the ACE Market of Bursa Securities, subject to the following conditions:

No.	Conditions imposed	Status of Compliance
1.	Ygl and AIS must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement.	To be complied
2.	Ygl and AIS to inform Bursa Securities upon the completion of the Proposed Private Placement.	To be complied

No.	Conditions imposed	Status of Compliance
3.	Ygl to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.	To be complied
4.	Ygl to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders in the EGM approving the Proposed Private Placement and Proposed Capital Reduction.	To be complied

- (ii) shareholders of Ygl for the Proposals at the forthcoming EGM; and
- (iii) any other relevant authorities, if required.

The Proposed Private Placement and Proposed Capital Reduction are not conditional upon each other. The Proposals are not conditional or inter-conditional upon any other proposals undertaken or to be undertaken by the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the directors, major shareholders, chief executive of Ygl and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Capital Reduction.

Save as disclosed below, none of the Directors, major shareholders, chief executive of Ygl and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement:

- (i) YKC, who is the Director, major shareholder and CEO of Ygl with a total shareholding of 15.92% as at the LPD is also an Interested Person as set out in Section 2.1.2 of this Circular; and
- (ii) Tan Hoay Leng, who is the Director and spouse to YKC, has a deemed interest of 15.92% by virtue of the Shares held by her spouse pursuant to Section 59(11) of the Act.

YKC and Tan Hoay Leng are collectively referred to as "**Interested Directors**".

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings in relation to the Proposed Private Placement. They will also abstain from voting, and have undertaken to ensure that the persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolutions pertaining to the Proposed Private Placement to be tabled at the forthcoming EGM.

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9. ADDITIONAL INFORMATION

9.1 Financial information

The summary of the financial information of the Group for the audited FPE 31 March 2020, FYE 31 March 2021 to FYE 31 March 2023 is as follows:

	-----Audited----->			
	FPE 31 March 2020	<-----FYE 31 March----->		
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Revenue	4,445	5,473	13,853	11,832
(LAT) / PAT	(7,440)	207	(245)	(1,355)
(LAT) / PAT attributable to owners of the Company	(7,352)	192	(78)	(1,325)
NA	12,736	13,019	13,113	11,174
Share capital	30,400	30,400	30,400	30,400
Number of YGL Shares ('000)	255,515	255,515	255,515	255,515
NA per YGL Share (RM) ⁽¹⁾	0.05	0.05	0.05	0.04
Current ratio (times)	2.87	3.81	1.82	1.45
Gearing ratio (times) ⁽²⁾	-	-	0.10	0.15
(LPS) / EPS (sen) ⁽³⁾	(2.88)	0.08	(0.03)	(0.52)

Notes:

- (1) Calculated based on the NA over number of Ygl Shares.
- (2) Calculated based on the total borrowings over NA.
- (3) Calculated based on the LAT / PAT attributable to owners of the Company over number of Ygl Shares.

Commentaries:

On 3 December 2019, Ygl Group announced the change in their financial year end from 31 December 2019 to 31 March 2020 comprising 15 months period. For the purpose of comparison in these commentaries the financials have been annualised.

(a) FYE 31 December 2018 vs FPE 31 March 2020

For the FPE March 2020, Ygl Group's revenue increased by RM0.13 million or 3.79% to an annualised RM3.56 million (FYE 31 December 2018: RM3.43 million re-stated). The marginal increase in revenue for the FPE 31 March 2020 was mainly due to deferment of investments in software systems by the Group's customers following market uncertainty created by the trade war between the US and China.

For the FPE 31 March 2020, Ygl Group's LAT increased by RM3.77 million or approximately 172.94% to an annualised RM5.95 million (FYE 31 December 2018: RM2.18 million re-stated). The increase in LAT was mainly due to write-off of investments in its overseas subsidiaries, namely Ygl Convergence (Asia Pacific) Pte Ltd and Ygl Convergence (China) Ltd resulting in goodwill written-off amounting to an annualised RM1.82 million (FYE 31 December 2018: nil), impairment of its investment in the associate company of an annualised RM1.18 million (FYE 31 December 2018: nil) and impairment of account receivables of an annualised RM0.51 million (FYE 31 December 2018: nil) in the FPE 31 March 2020.

(b) FPE 31 March 2020 vs FYE 31 March 2021

For the FYE 31 March 2021, Ygl Group's revenue increased by RM1.91 million or 53.65% to RM5.47 million (FPE 31 March 2020: an annualised RM3.56 million). The increase in revenue for the FYE 31 March 2021 was mainly due to the contribution from the solar segment which had secured a total of 32 new projects in the FYE 31 March 2021.

The Group recorded a PAT of RM0.21 million for the FYE 31 March 2021 as compared to a LAT of an annualised RM5.95 million for the FPE 31 March 2020. This was mainly due to higher revenue recorded, reversal of impairment of investment in associate company amounting to RM1.48 million (FPE 31 March 2020: impairment of RM1.48 million or an annualised RM1.18 million), wage subsidies of RM0.07 million (FPE 31 March 2020: nil) provided by the Malaysia Government under Program Subsidi Upah due to the outbreak of COVID-19 pandemic which resulted in a lower cost of general and administrative expenses for the Group, therefore contributing to a higher PAT in FYE 31 March 2021.

(c) FYE 31 March 2021 vs FYE 31 March 2022

For the FYE 31 March 2022, Ygl Group's revenue increased by RM8.38 million or 153.20% to RM13.85 million (FYE 31 March 2021: RM5.47 million). The increase in revenue for the FYE 31 March 2022 was mainly due to the increase in revenue contribution from the solar segment by RM7.39 million to RM8.28 in FYE 31 March 2022 as compared to the revenue of RM0.89 million recorded in FYE 31 March 2021 as the Group had completed a total of 124 projects in the FYE 31 March 2022 as compared to FYE 31 March 2021, where the Group had completed only 1 project.

Notwithstanding the higher revenue achieved, the Group recorded a LAT of RM0.25 million for the FYE 31 March 2022 as compared to a PAT of RM0.21 million for the FYE 31 March 2021. This was mainly due to an increase in the price of raw materials mainly solar panels during the COVID-19 pandemic period, the cost of which was not recoverable from committed contracts with customers.

(d) FYE 31 March 2022 vs FYE 31 March 2023

For the FYE 31 March 2023, Ygl Group's revenue decreased by RM2.02 million or 14.58% to RM11.83 million (FYE 31 March 2022: RM13.85 million). The decrease in revenue for the FYE 31 March 2023 was mainly due to lower revenue recorded resulting from relatively fewer contracts secured in both software and solar segments.

For the FYE 31 March 2023, Ygl Group's LAT increased by RM1.11 million or approximately 444% to RM1.36 million (FYE 31 March 2022: RM0.25 million). The increase in LAT was mainly due to lower contracts secured, delays in project delivery which affected the progress billing and higher cost of materials for solar contracts due to supply chain constraints.

9.2 Impact of the Proposed Private Placement and value creation to the Group and its shareholders

The Proposed Private Placement will enable the Group to raise funds without incurring interest costs as compared to bank borrowings for the purposes as set out in Section 3.1 of this Circular. Despite the dilutive effect on the existing shareholders' shareholdings in Ygl, the Proposed Private Placement is expected to result in positive contribution to the future earnings of Ygl Group, which will then directly enhance its shareholders' value.

The Proposed Private Placement may raise gross proceeds of up to RM7.24 million (based on the indicative price of RM0.14 per Placement Share) as set out in Section 2.1.6 of this Circular, which is intended to be utilised for software development, marketing expenses and working capital purposes. The Board (save for the Interested Directors) is of the view that the Proposed Private Placement would enhance the value of the Company and the shareholders of the Group with the successful implementation of the aforementioned purposes via proceeds raised from the Proposed Private Placement.

9.3 Adequacy of the Proposed Private Placement in addressing the financial concerns of Ygl Group

As at 31 March 2023, the deposit, cash and bank balances of the Group amounted to approximately RM3.89 million. The management of the Group is of the view that the cash available for the Group should be conserved for the operating expenses of the Group to facilitate its current operations and to meet its on-going cash flow obligations.

Premised on the steps taken by the Group to improve its financial position as set out in Section 9.4 below and the utilisation of proceeds to be raised from the Proposed Private Placement as set out in Section 2.1.6 of this Circular, the Board (save for the Interested Directors) is of the view that the Proposed Private Placement is adequate to address the Group's current financial concerns and contribute positively to the long term financial position of Ygl Group when the benefits of the utilisation of proceeds are realised.

9.4 Steps taken by Ygl Group to improve its financial position

Ygl Group has been facing challenges in its existing business due to current volatile economic environment. Taking cognisance of the market and industry conditions, the Group intends to undertake or have been undertaking various efforts to improve its financial performance and strengthen its financial position, including:

Software segment

- (i) the Group will continue to build strong marketing strategy, leverage on digital marketing, increase its marketing activities, organise seminars and roadshows to establish the Company's branding to position Ygl as a niche intellectual property (IP) holder of Smart Manufacturing and Smart Warehouse solution built for the Asian market; and
- (ii) the Group will continue its R&D to enhance Ygl proprietary solutions to include disruptive technology such as AI, ML, robotic process automation (RPA) and Industrial 4.0 elements such as Internet of Things (IoT), cloud, analytics, machine integration and automation.

Solar Segment

- (i) the Group will build a strong marketing strategy, leverage on digital marketing, increase its marketing activities, organise seminars and roadshows to establish the Company's branding to position Ai Solar Sdn Bhd, a subsidiary of Ygl as a niche and quality engineering, procurement, construction and commissioning (EPCC) solar service provider covering factories, shop houses and residential; and
- (ii) the Group will focus on the recruitment of talents for sales and engineering teams to leverage on their expertise to drive the growth of the solar segment in order to achieve the necessary competitive edge in the market.

The Company intends to implement the abovementioned steps within 24 months as set out in Section 2.1.6 of this Circular. The increased R&D efforts combined with the development of new products and implementation of marketing strategies are expected to contribute positively to the financial performance of Ygl Group.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Directors in respect of the Proposed Private Placement), having considered the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company.

However, in view that the Placement Shares are to be subscribed by YKC, the Interested Directors have abstained from giving an opinion and deliberating on and making a recommendation in respect of the Proposed Private Placement and Proposed Allocation of the Placement Shares.

Accordingly, the Board (save for the Interested Directors in respect of the Proposed Private Placement) recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

11. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, our Board confirms that as at the date of this Circular, there are no other outstanding corporate exercises that have been announced but pending completion by our Company.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to receipt of all relevant approvals, the Proposals are expected to be completed by the second half of the calendar year 2023.

Tentative dates	Events
29 August 2023	EGM for the Proposals
End September 2023	<ul style="list-style-type: none">• Listing of and quotation for the Placement Shares• Completion of the Proposed Private Placement
Mid October 2023	Lodgement of documents with the Registrar of Companies for the Proposed Capital Reduction
Early November 2023	<ul style="list-style-type: none">• Effective date of the Proposed Capital Reduction• Completion of the Proposed Capital Reduction

13. EGM

The EGM, the Notice of which is enclosed with this Circular, will be held at Louis Armstrong II, Level 8, Jazz Hotel Penang, No. 1, Jalan Seri Tanjung Pinang 1, 10470 Tanjung Tokong, Penang on Tuesday, 29 August 2023, at 12.00 p.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without any modifications to the resolutions to give effect to the Proposals. If you are unable to attend, speak and vote in person at the forthcoming EGM, please complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein, which Proxy Form shall be deposited at the registered office of the Company at No. 35, Scotland Road, 10450 Penang, not less than forty-eight (48) hours before the time and date stipulated for the holding of the EGM or any adjournment thereof. The Proxy Form should be completed strictly in accordance with the instructions contained therein. The lodging of the Proxy Form will not prevent you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

14. FURTHER INFORMATION

Shareholders are advised to refer to the appendix set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
YGL CONVERGENCE BERHAD

WONG KHAI MENG
Independent Non-Executive Director

APPENDIX I – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in this Circular, or other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

AIS, being the Principal Adviser for the Proposals and Placement Agent for the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

AIS has confirmed that there is no conflict of interest that exists or is likely to exist in its capacity to act as the Principal Adviser to the Company for the Proposals.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, the Group is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against the Group or any facts which are likely to give rise to any proceedings, which may materially and adversely affect the business or financial position of the Group:

- (i) Sessions Court Suit No. WA-A52NCVC-640-08/2022 between Ardent Energy Sdn Bhd (“**AESB**”) and Ai Solar Sdn Bhd (“**Ai Solar**”) (“**1st Suit**”).

In respect of the 1st Suit, Ai Solar, a 60%-owned subsidiary of Ygl, has been named as the Defendant, AESB has commenced a civil action against Ai Solar for subcontractor works purportedly completed by AESB amounting to RM171,768.37.

Ai Solar has filed an amendment application to amend its defence and counter claim on 17 March 2023. Affidavits have been filed by both AESB and Ai Solar. Both AESB and Ai Solar are directed to file their written submissions on or before 3 May 2023. Ai Solar's application to amend its defence to include a counter claim against its former director, Lee Ming Chieh (“**LMC**”) and AESB for, inter alia, breach of fiduciary duties, secret profit and acting in conflict of interest has been fixed for hearing and decision on 16 May 2023. In the event that the application is allowed, Ai Solar intends to file an application to transfer the proceedings to High Court and have the matter be heard together with the 2nd Suit below.

Ai Solar's amendment application was allowed with costs in the cause on 16 May 2023 and parties are directed to file their respective amended pleadings.

Ai Solar has filed a counter claim against AESB for, inter alia, the breach of contract and unsatisfactory works.

In relation to the estimation of the maximum exposure liability, if AESB successfully proves its case, AESB would be entitled to its claim of RM171,768.37 with interest of 10% per annum on the judgement sum from the judgement date. The costs are at the discretion of the Court.

The 1st Suit is still at the pre-trial stage. A case management has been fixed on 20 July 2023 to update the Court on the status of the transfer application (i.e. the 3rd Suit).

APPENDIX I – FURTHER INFORMATION (CONT'D)

- (ii) High Court Suit No. WA-22NCC-600-11/2022 between Ai Solar against LMC and AESB (“2nd Suit”)

In the 2nd Suit, Ai Solar, a 60%-owned subsidiary of Ygl, is claiming as the Plaintiff against LMC and AESB.

Ai Solar has commenced a civil action against LMC and AESB for, inter alia, breach of fiduciary duties, acting in conflict of interest and secret profits.

LMC as the 1st Defendant has filed an ex-parte third party application to name Ygl and YKC, as the third parties in 2nd suit. The uncontested ex-parte application was allowed by the Court on 5 April 2023. During the case management on 10 May 2023, the Judge has directed the parties, particularly for the third parties to comply with the third party notice and to file their relevant pleadings.

The 2nd Suit is still at the pre-trial stage. A case management has been fixed on 3 August 2023 to update the Court on the status of the transfer application (i.e. the 3rd Suit).

- (iii) High Court Suit No. WA-24NCC-362-07/2023 between Ai Solar against AESB and LMC (“3rd Suit”)

In the 3rd Suit, Ai Solar, a 60% owned subsidiary of Ygl, is claiming as the Plaintiff against LMC and AESB.

Ai Solar has filled a suit by way of originating summons to transfer the proceeding in the 1st Suit from Sessions Court to High Court for it to be consolidated or heard together with the 2nd Suit.

The first case management has been fixed on 18 July 2023.

4. MATERIAL COMMITMENT

As at the LPD, there are no material commitments incurred or known to be incurred, which have not been provided for, which upon becoming enforceable may have a material impact on the financial position of the Group.

5. MATERIAL CONTINGENT LIABILITIES

As at the LPD, there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the financial results or financial position of the Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of Ygl at No. 35, Scotland Road, 10450 Penang during normal business hours from Mondays to Fridays (except on public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) Constitution;
- (ii) The audited consolidated financial statements for the FPE 31 March 2020, FYE 31 March 2021, FYE 31 March 2022 and FYE 31 March 2023;
- (iii) Letter of consent and declaration on conflict of interest referred to in Sections 2 above; and
- (iv) The relevant cause papers in respect of the material litigation referred to in Section 3 above.



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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“EGM”) of Ygl Convergence Berhad (“Ygl” or “Company”) will be held at **Louis Armstrong II, Level 8, Jazz Hotel Penang, No. 1, Jalan Seri Tanjung Pinang 1, 10470 Tanjung Tokong, Penang** on **Tuesday, 29 August 2023** at **12.00 p.m.** or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolutions: -

ORDINARY RESOLUTION

PROPOSED PRIVATE PLACEMENT OF UP TO 51,709,008 NEW ORDINARY SHARES IN YGL, REPRESENTING UP TO 20% OF THE ENLARGED NUMBER OF ISSUED SHARES OF YGL (“PROPOSED PRIVATE PLACEMENT”)

“**THAT**, subject to the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to issue and allot up to 51,709,008 new ordinary shares in Ygl (“**Ygl Shares**” or “**Shares**”) (“**Placement Shares**”) by way of private placement in the following manner:

- (i) to allocate up to 6,132,349 Placement Shares to Chief Executive Director of the Company, namely Mr. Yeap Kong Chean; and
- (ii) to place up to 45,576,659 Placement Shares to independent third party investor(s) to be identified later,

collectively referred to as the “**Placees**” in a single or multiple tranche(s), at an issue price for each tranche to be determined and fixed by the Board at a later date, after all the relevant approvals have been obtained **AND THAT** the issue price shall, in no event, be at a discount of more than 10.00% to the 5-day volume weighted average market price of Ygl Shares immediately preceding the price fixing date(s);

THAT the Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing Ygl Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the said Placement Shares;

THAT, pursuant to Section 85(1) of the Companies Act 2016 (“**Act**”) read together with Clause 12(3)(a) of the Company’s Constitution, approval be and is hereby given to waive the pre-emptive rights of the existing shareholders of the Company to be offered new Shares ranking equally to the existing issued Shares arising from the allotment and issuance of the Placement Shares pursuant to the Proposed Private Placement **AND THAT** the Board is exempted from the obligation to offer such Placement Shares first to the existing shareholders of the Company in respect of the allotment and issuance of the Placement Shares to the Placees pursuant to the Proposed Private Placement, which will consequently result in a dilution of the shareholders’ shareholdings in the Company;

THAT the Board be and is hereby authorised to utilise the proceeds to be derived from the Proposed Private Placement for such purposes as set out in the circular to shareholders of the Company dated 31 July 2023 and the Board be and is hereby authorised with full power to vary the manner and/or purposes of the utilisation of such proceeds from the Proposed Private Placement in the manner as the Board may deem fit, necessary and/or expedient in the best interest of the Company, subject to the compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) and the approval of the relevant authorities (where required);

AND THAT the Board of the Company be and are hereby empowered and authorised to do all acts and things as they may consider necessary or expedient in the best interest of the Company with the full

powers to assent to any conditions, modifications, variations and/or amendments as may be required, or imposed by the relevant authorities, and to take all steps and to enter into all such agreements, arrangements, undertakings, indemnities, transfer, assignments and guarantees with any party or parties and to carry out any other matters as may be required to implement, finalise and give full effect to the Proposed Private Placement.”

SPECIAL RESOLUTION

PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF YGL PURSUANT TO SECTION 117 OF THE COMPANIES ACT 2016 (“PROPOSED CAPITAL REDUCTION”)

“**THAT** subject to and conditional upon the approvals from the relevant parties and/or authorities (where applicable) pursuant to Section 117 of the Act, the Board of the Company be and is hereby given the authority and approval to reduce the issued share capital of the Company via the cancellation of the paid-up share capital of RM21.00 million and that the credit arising from such share capital reduction to be utilised to set-off against the accumulated losses of the Company;

THAT the remaining balance after the setting off of the Company’s accumulated losses pursuant to the Proposed Capital Reduction shall be credited to the retained earnings of the Company, which shall be utilised in such manner as the Board deems fit and in the best interest of the Company as permitted by the relevant and applicable laws and the Listing Requirements;

AND THAT the Board be and is hereby authorised to approve, sign and execute all documents, do all things and acts as the Board may consider necessary or expedient to implement, finalise and give full effect to the Proposed Capital Reduction in the best interest of the Company with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities, the relevant and applicable laws or deemed necessary or desirable by the Board.”

By Order of the Board

YEOW SZE MIN (SSM PC No. 201908003120, MAICSA 7065735)

LOW SEOW WEI (SSM PC No. 202008000437, MAICSA 7053500)

Company Secretaries

Penang

Date: 31 July 2023

Notes:

1. *For the purpose of determining who shall be entitled to attend this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at **21 August 2023**. Only a depositor whose name appears on this Record of Depositors shall be entitled to attend this EGM or appoint a proxy to attend, speak and vote on his/her/its behalf.*
2. *A member entitled to attend and vote at this EGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*
3. *A member of the Company who is entitled to attend and vote at this EGM of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the EGM.*
4. *Where a member of the Company is an authorised nominee, as defined in the Securities Industry (Central Depositories) Act 1991 (“**Central Depositories Act**”), it may appoint not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.*

5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“**omnibus account**”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
6. *Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
7. *The instrument appointing a proxy must be deposited at the registered office of the Company at No. 35, Scotland Road, 10450 Penang, not less than forty-eight (48) hours before the time fixed for holding the EGM or any adjournment at which the person named in the appointment proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking of the poll. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
8. *Pursuant to Rule 8.31A of Listing Requirements, all resolutions set out in this notice will be put to vote by way of a poll.*

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YGL CONVERGENCE BERHAD

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

FORM OF PROXY

CDS Account No.

No. of shares held

I/We _____ Tel: _____
of _____
[Full name in block, NRIC/Passport/Company No.]

being member(s) of Ygl Convergence Berhad (“Ygl” or “Company”), hereby appoint:

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or* (*delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairperson of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the **Extraordinary General Meeting (“EGM”)** of the Company to be held at **Louis Armstrong II, Level 8, Jazz Hotel Penang, No. 1, Jalan Seri Tanjung Pinang 1, 10470 Tanjung Tokong, Penang on Tuesday, 29 August 2023 at 12.00 p.m.** or any adjournment thereof, and to vote as indicated below:

	Resolutions	For	Against
Ordinary Resolution	Proposed Private Placement		
Special Resolution	Proposed Capital Reduction		

(Please indicate with an "X" in the appropriate box how you wish your proxy to vote. If no instruction is given, the proxy will vote or abstain at his/her discretion).

Note : Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of EGM for the full purpose and intent of the Resolutions to be passed.

Signed this _____ day of _____, 2023.

Signature of Shareholder(s)/Common Seal

* Manner of execution:

- If you are an individual member, please sign where indicated.
- If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
- If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
 - at least two (2) authorised officers, of whom one shall be a director; or
 - any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

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8. *Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this notice will be put to vote by way of a poll.*
9. *Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.*
10. *Any alteration in this form must be initialed.*

Personal data privacy: -

By submitting the duly executed proxy form, the member and his/her proxy consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the EGM of the Company and any adjournment thereof.

Fold this flap for sealing

Then fold here

Affix
stamp

The Company Secretaries

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

No. 35, Scotland Road
10450 Penang
Malaysia

1st fold here
