

Key matters deliberated during the Twentieth Annual General Meeting of the Company held at Iconic 5, Level 7, The Iconic Hotel, 71, Jalan Icon City, Icon City, Bukit Mertajam, 14000 Penang on Thursday, 25 August 2022 at 11:00 a.m.

Question and Concern received from Minority Shareholders Watch Group

1. The precision engineering and plastic injection moulding segment supplies high precision moulds, tools and dies, jigs and fixtures and plastic injection moulding parts to the connector, aerospace, automotive, electrical and electronics, computer and peripherals, and telecommunication industries. The Group also produces high precision metal and plastic parts for the semiconductor industry in this segment. (page 13 of Annual Report (AR) 2022).

Q: *Which industries are the top three contributors to revenue for this segment? How was the trend over the last three years?*

A: The top three contributors to revenue are from automotive, telecommunication and aerospace. The trend over the last three years remain the same.

Q: *How much was the revenue contribution by the semiconductor industry in FY2022?*

A: The revenue contributed by the semiconductor industry is not significant. The Group may need more time to develop this segment.

Q: *What are the current capacity and utilisation rate for this segment?*

A: The current capacity and utilisation rate for this segment up to 70%-80%, excluding potential new machine investment.

Q: *What is the outlook for this segment in FY2023?*

A: This segment is expected to show positive growth rates follow regional growth in FY 2023. The Group will strive to improve efficiency and productivity with lower operating cost in order to enhance our competitive edge to ensure a sustainable income stream.

2. The precision machining and stamping segment is currently serving market leaders in the telecommunications, electrical and electronics, aerospace and automotive industries. This segment saw revenue increase 39% to RM50.30 million in FY2022, mainly due to higher demand from its existing customers. (page 14 of AR 2022)

Q: *Who are your major customers for the precision machining and stamping segment ?*

A: The major customers are from Multinational Companies which under telecommunications, automotive and aerospace industries.

Q: *What were the production capacity and utilisation rate in FY2022? What are the current capacity and utilisation rate?*

A: The utilisation in the production capacity is around 50% to 70% according to master production plan and the current planning status is around 70%. The production capacity will be increased from time to time according to customer demand.

Q: *What is the current order book for this segment?*

A: The current order book remain strong despite of supply chain disruptions affected by Russia-Ukraine war and United States of America and China trade war.

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Q: *What is the outlook for the next few years?*

A: The outlook for this segment is expected to show positive growth and the Group is looking for increase in contribution from telecommunications, automotive and aerospace and security products industries. The sales is expected to increase gradually based on high inquiries and quotations from customers.

3. The increase of RM18.08 million in borrowings was mainly attributable to renovation and extension of factory building projects as part of the Group's continuing expansion program. (page 15 of AR 2022)

Q: *How much was the total capex in FY2022? Please explain more on the expansion plans (e.g. for which factory, capex breakdown, capacity expansion, etc.)*

A: The total capex in FY2022 is RM21.409 million. The capex mainly incurred for capital work in progress of RM17.934million on new factory projects.

Q: *What is the budgeted capex for FY2023 and FY2024? Please provide the breakdown of capex for each business segment.*

A: The budget capex for FY 2023 and FY 2024 is mainly come from precision machining and stamping segment. The Group will call in the machine according customer project and schedule.

Q: *The Group's gearing ratio has increased from 0.48 time in FY2021 to 0.67 time in FY2022 (page 124 of AR 2022). Does the Group set a limit on its gearing ratio? Any plans to raise fund from the equity market?*

A: The Group will maintain the gearing ratio in healthy level and we will raise fund from equity market when the need arise.

4. The Group is exposed to the fluctuation of foreign currency exchange risk arising from sales and purchases denominated in foreign currency. The currency giving rise to this risk is primarily the US Dollar. (page 16 of AR 2022)

Q: *How much of your sales and purchases are denominated in USD?*

A: Majority of the proceed from sales and purchase is by USD or benchmarking with USD transactions. If the foreign exchange rate over certain percentage, the Group will adjust with customers accordingly.

Q: *Do you hedge your foreign currency exposure? If yes, how do you hedge and what is the hedge ratio?*

A: No, the Group adopt natural hedge by using USD account for receive and payment.

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5. The Group is dependent on a few major customers for a significant portion of its revenue. The ability to retain the major customers and attract new customers is essential for its continued growth. The Group will intensify its efforts to develop new customer base and explore different product segments to reduce its dependence on the major customers. (page 16 of AR 2022)

Q: *Please provide the breakdown of your major customers by revenue for the last three financial years.*

A: The few key customers for last three financial years (FY2020 to FY2022) are between 42.5% to 52% on total revenue.

Q: *How many new customers has the Group acquired in FY2022 and FY2021?*

A: The number of new customers in FY 2021 and FY 2022 are increased around 17%.

Q: *Please explain more on the different product segments that the Group has explored recently.*

A: The Group recently has explored into the semiconductor and life science.

6. *Under Resolution 10, shareholders' approval is being sought for the Proposed Granting of ESOS Options to Dato' Jimmy Ong Chin Keng, being the independent non-executive director (INED) of the Company.*

Why is the ESOS Options extended to the INED who does not perform any executive roles?

In line with better corporate governance, MSWG does not encourage the practice of giving ESOS to INEDs as they play the independent check and balance role (and not an executive role) in the Company and are responsible for monitoring the allocation to employees and executive directors.

Furthermore, ESOS, by definition, refers to a scheme for employees only. Independent directors are not employees.

There is also the risk that the INEDs may be fixated with the share price of the Company and this may affect their impartial decision-making, which should be made without reference to share price considerations.

The recognition of the INEDs' contribution to the Company and retaining quality INEDs could be compensated in other ways including a competitive remuneration package. The directors' fee and other benefits that they receive should be structured to adequately compensate the services rendered by them.

A: We noted MSWG's comments therein. The Proposed Granting of ESOS Options to Dato' Jimmy Ong is subject to approval being obtained from shareholders of the Company at relevant general meeting and in accordance with the By-Laws of the Existing ESOS. The By-laws of the Existing ESOS specified the rules, terms and conditions governing the scheme and was established in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad.

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A: *(Continued)*

As set out in Section 3 of the Circular, the allocation of Options to non-executive directors is to recognise the contributions and efforts made by the non-executive Directors as they play a constructive role in contributing towards the growth and performance of the Group. Their participation in the equity of the Company is expected to enhance their level of commitment and contribution as well as to enable the Company to attract and retain capable individuals to act as non-executive Directors of the Company who will assist in the overall strategic decision-making of the Group.

As such, the Company would like to have the flexibility to allocate Options to independent directors in the future and to use ESOS as one of the means to recognise the contributions and efforts made by its Independent Directors.

To ensure better corporate governance, the Company has practised and will continue to practice the following measures in relation to the Existing ESOS:

- (i) The responsibility to oversee the allocation of ESOS options does not fall only on one director, but it is the responsibility of the ESOS committee as a whole. The directors whose allocation are being proposed do not participate in the deliberation or discussion of their own allocation, if any. The allocation of the ESOS options is also verified by the Audit Committee at the end of every financial year.
- (ii) The shares that the non-executive directors obtained through the exercise of the ESOS options are also subject to a 1-year “moratorium” period from the date of offer of such options i.e. the non-executive directors cannot sell, transfer or assign the shares during such period.

With the above measures, the Board believes that the standards of corporate governance are observed to ensure that the Company’s affairs are conducted with integrity, transparency and professionalism to safeguard shareholders’ investment, enhancing shareholders’ value as well as the interests of other stakeholders.

Question and Concern received from Shareholders / Proxies

1. *In view of the improving revenue recording in the Group, will the Company declare any dividend for financial year 2023 ?*

A: Further to the Company’s Dividend Policy whereby at least 50% of the Company’s Net Profit will be paid as dividends to shareholders after taking into consideration the Company’s funding requirement and cash flow as well as the funding requirement of the Group. The payment of dividend to shareholders has been on hold taking into consideration of capital expenditure requirement of the Group for recent years and next 2-3 years. The Board of Directors will continue monitoring on the Company’s funding requirement and cash flow for decision on declaration of dividend.

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2. *Further to explanation MSWG, the Group recently has explored into the semiconductor and life science. Kindly explain further on the field of life science that the Management is exploring.*

A: The Group has explored into life science in line with the change of business model of one of the customer in USA, more particularly on medical devices for blood test. Taking into consideration the favourable development in life science products and medical instruments within the northern region in Malaysia, the Group will continue venturing into this segment gradually.

3. *Is the Group's 5 years revenue growth % available?*

A: The Group's 5 years revenue growth projection was prepared by based on the sales projection from customers. However, such information is privy to external stakeholders. Nevertheless, the Management is cautiously optimistic that the Group would benefited from the US-China trade tension for the next 3-5 years.

4. *What is the expected profit trend of the Group for the coming years?*

A: Barring unforeseen circumstances more particularly the supply chain disruption, the Management expected the profit of the Group to remain healthy and improve as compared to previous year.

5. *What would be the Group's strategies to obtain more business?*

A: The Group is having dedicated marketing team for each entities in local and overseas. The team will continue its effort in securing new business for the Group.

6. *In view of the favourable expansion of the Group, any intention from the Management to undertake Bonus Issue in the Company?*

A: The Management has no intention to undertake Bonus Issue for the time being and will continue monitoring on its retained profit and review the necessity of such corporate exercise.

7. *Who are the major customers of the Group? Which industry are these major customers involve?*

A: The major customers are from Multinational Companies which under telecommunications, automotive and aerospace industries.

8. *Further to the article published on the Edge on 23 March 2022, entitled "YBS eyes RM200 million top line with capacity expansion", the Group is also developing electrical connector for battery power management system in electric vehicles (EV), does the electrical connector provide high margin to the Group and does the Company plan to penetrate further into the growing EV market?*

A: The Management is exploring into EV connector and power supply management system, a few products has started its productions gradually. Development of new products are in the pipeline for qualification and might not contribute to the revenue for next 1-2 quarters. Moving forward, more resources will be allocated for developing products for EV and power supply management system.

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9. *Based on the current progress, when will the new manufacturing plant commence its operation?*

A: In order to support the higher production demand from customers, the Management has commence its operation in the new manufacturing plant since January 2022 and currently occupying approximately 35% of its production area.

10. *In view of the favourable contribution of revenue from Aerospace segment in the Group and the Airbus Malaysia trainings attended by both executive directors, has the Group secure any business from the said Airbus Malaysia? How would be the outlook of such business segment in YBS Group?*

A: The trainings were part of the Malaysia Aerospace Industry Blueprint where 10 SMEs will be selected to participate in the industry. There will be series of trainings to be attended for such qualification process. The Group managed to be 3rd and 4th tier supplier to Airbus Malaysia thus far.

Aerospace segment has contributed positively to the Group for the past quarters and the Management is optimistic of its prospect and sustainable growth. Despite low revenue contribution of aerospace related products, it managed to contribute positively to the Group's profit margin as they are high mix low volume products.

11. *When will the expected timeline for Penang Science Park Plant to reach its 100% utilisation?*

A: The Management does not foreseen full utilisation of the new plant in 2-3 years time. Further to the Group's business plan, it shall be utilised at least in the next 5-10 years.

12. *What would be the Group strategies for recruitment and talent retention plan especially for CNC Specialist and related professions?*

A: Recruitment of skill workers has been a challenge in the manufacturing industries. The Management has taken the approach for recruitment of junior / internship workers. Besides, the Management has also gradually implementing the automated production line to reduce the labour dependency. The Management also introduced intensive training programme to shorten the adaption period of new workers.