

YLI HOLDINGS BERHAD

25th Annual General Meeting (“AGM”) conducted on a fully virtual basis through online remote voting and live streaming from the broadcast venue at Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Monday, 28 September 2020 at 11.30 a.m.

Answers to the questions posed in relation to the MSWG Letter dated 21 September 2020**A. STRATEGY AND FINANCIAL MATTERS****Question 1**

The Group and the Company will continuously monitor the impact of COVID-19 and take appropriate and timely measures to minimise the impact of the outbreak on the Group's and the Company's operation (page 101 of the Annual Report 2020).

Thus far, has the Group managed to address the pandemic's impact on the Group and the Company's operation? To what extent has the pandemic impacted the Group's prospects?

Answer:

Since the outbreak of Covid-19 in Malaysia in March 2020, YLI Group is only affected by the closure of business during Movement Control Order (“MCO”) started from 18 March 2020 until early May 2020, where all the subsidiaries have gradually resumed their business by early May 2020. Since then, all the subsidiaries are doing its production and business as usual to fulfil all the outstanding orders and to continue with on-going projects which had been secured in the past years. Meanwhile, the collection from trade debtors have been rather stable with minor delay. New orders continued to come in despite the pandemic. Operational costs especially pricings on raw materials are fluctuating but we would foresee downward trend in the near future in view of weaker demand from the business within or outside Malaysia attributed to the pandemic where the business environment may take years to stabilise.

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Question 2

The Group recorded a loss after tax of RM10.115 million in FY2020 as compared to a loss after tax of RM21.742 million for FY2019 (Page 5 of the Annual Report 2020). This represents a reduction in loss of RM11.627 million or 53.47%.

Considering the reduction in loss recorded in FY2020, will the Group be able to achieve a positive bottom-line result next year? If not, when is YLI expected to be profitable?

Answer:

We are of the view that YLI Group is on the right path to recover from the downturn. With the uncertainty arising from the Pandemic, it apparently is a challenging task for the YLI to achieve profitable position by FY2021 but we are cautiously optimistic that we can perform better for FY2021 and hope for a profitable position for FY2022.

Question 3

The Group would continue to scout for investment opportunities to further diversify the earnings base of the Group and enhance the returns to its shareholders (Page 5 of the Annual Report 2020.)

What is the latest update on the Group's effort to scout for investment opportunities? Is there any potential new investment under consideration?

Answer:

YLI Group is always cautiously looking for investment opportunities to further diversify and enhance the earning base of the Group. We will keep the shareholders closely informed should there be a suitable investment opportunity which can provide the synergy and earning base to the Group.

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B. CORPORATE GOVERNANCE MATTERS**Question 1**

The Company in its Corporate Governance Report for FY2020 (Page 15) has stated that it has applied Practice 4.6 of the Malaysian Code on Corporate Governance (MCCG).

Practice 4.6 of the MCCG states that in identifying candidates for appointment of directors, the board should not solely rely on recommendations from existing board members, management or major shareholders. The board should utilise independent sources to identify suitably qualified candidates.

Based on the Company’s explanation given on the application of Practice 4.6, the Company has not applied the Practice, as it does not utilise independent sources to identify suitably qualified candidates.

Please take note.

Answer:

Even though the Company did not utilise independent sources, the Board had considered potential candidates from various sources.

The Board of Directors took note of your kind comment.

Question 2

The Company in its Corporate Governance Report for FY2020 (Page 24) states that it has applied Practice 8.2 of MCCG.

The Company has explained that a set of policy which stipulates the cooling period of which a former key audit partner may be elected as a member of the Audit Committee is updated in the Terms of Reference of the Audit Committee.

However, we were unable to find the cooling period policy in the Terms of Reference of the Audit Committee.

Please take note.

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Answer:

The Board of Directors took note of your comment and act accordingly.