



SOUTHERN CABLE

SOUTHERN CABLE GROUP BERHAD

201901011439 (1320767-M)

(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE SECOND ANNUAL GENERAL MEETING (“2ND AGM”) OF SOUTHERN CABLE GROUP BERHAD (“SOUTHERN”) THAT HELD ON A FULLY VIRTUAL AND ENTIRELY VIA REMOTE PARTICIPATION AND ELECTRONIC VOTING ONLINE MEETING PLATFORM OF LUMI ONLINE PROVIDED BY BOARDROOM SHARE REGISTRAR SDN. BHD. VIA ITS WEBSITE AT [HTTPS://WEB.LUMIAGM.COM](https://web.lumiagm.com) WHICH WAS DEEMED TO BE HELD WHERE THE CHAIRMAN OF THE MEETING IS IN PETALING JAYA, SELANGOR DARUL EHSAN, MALAYSIA ON THURSDAY, 10 JUNE 2021 AT 2:00 P.M.

Q1. Is there any slowdown of orders from the customers during the Full Movement Control Order?

The demand from power sector is the largest contributor to the Group’s revenue and it has steadily grown as power supply is essential to all households and industries. Furthermore, Tenaga Nasional Berhad (“TNB”) has announced its plans to invest significantly in the country’s energy infrastructure. The Management believes that with the long business relationship with TNB, the Company and its subsidiaries will grow together with TNB.

Q2. Will the Company’s margin be affected by the rise in metal price? Will the Company pass the cost to its customers?

The Company’s contracts with its customers allow the Company to adjust the selling price of its products i.e. power and communications cables and wires, based on the current market price of copper and aluminium. As for open markets, a new daily price will be given to the customers according to the fluctuation of the commodities’ daily price.

Q3. How much is the Company’s tender book and what are the tenders for? What is the Company’s typical success rate?

As at 30 April 2021, the Company had tendered contracts worth RM32 million primarily from the energy companies in East Malaysia. The bulk of the revenue of the Company is from purchase orders instead of tenders. In addition to the contracts order book in hands, the purchase orders are approximately 60% to 70% of the Company’s revenue.

Q4. What are the major projects that the Company targets in the near term?

The Company is pursuing two (2) major projects in the second half of 2021 namely Light Rail Transit Line 3’s (LRT 3) power supply and traction package and Telekom Malaysia Berhad’s battery and rectifier projects. The Management believes that these projects have potential combined sales of more than RM50 million. The Company is also eager to participate in other major projects which may be rolled out in the near future such as Mass Rapid Transit Line 3 (MRT 3), Large-Scale Solar 4 (“LSS4”), Johor Bahru - Singapore Rapid Transit System (RTS), and others under the 12th Malaysia Plan.



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Q5. What is the Company’s current order book and how long would it last?

As at 30 April 2021, the order book stood at RM307.2 million and will be recognised from financial year ending 31 December 2021 to financial year ending 31 December 2022.

Q6. What are the gross profit margins for the new products and diversified products?

The gross profit margin of the new products are estimated to be double digits.

Q7. What is the current progress of the automotive wires? Has the Company engaged with any customers?

The automotive cables have successfully completed the internal trials. The Management has discussed with potential customers in Malaysia and Vietnam and is targeting to commercialise the product within this year.

Q8. What is the Company’s target in the sustainable gross profit margin?

The Company’s gross profit margin had grown from 8.8% in the financial year ended 31 December 2017 to 10.2% in the financial year ended 31 December 2019. Despite the COVID-19 impact, the Company’s gross profit margin has been maintained at 9.9% for the financial year ended 31 December 2020. In the first quarter of this year, the Company recorded a weaker gross profit margin due to the impact of the higher price of metal and plastic resin. In order to maintain favourable margins, the Management will adjust the pricing for new orders and will gradually pass the costs to the customers in the coming quarter.

Q9. Will the Company consider paying a higher dividend and increasing the dividend pay out to 15% in its dividend policy?

This is the first year that the Company is paying dividends to its shareholders as a public listed company and the Board proposed to declare a final dividend of 0.4 sen per ordinary share for financial year ended 31 December 2020 with a total payment of RM3.2 million. This is in line with the Company’s dividend policy to pay out 15% of its net profit to the shareholders. The Board believes in giving value to our shareholders’ investment and will also focus on growing the business and expanding the market reach.



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Q10. Why has the Company’s inventory increased to RM89 million compared to the financial year ended 31 December 2019 of RM62.1 million although the revenue dipped?

The Company maintained a high raw material stock level to ensure meeting the production schedules. The higher price of copper-based materials also contributed to the increase in inventory value. The Company’s finished goods increased as well, as it need to stock up more finished goods to ensure reliable supply to the utility customers.

Q11. When will the Company transfer from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”)?

The Company had submitted the transfer application to Securities Commission of Malaysia on 31 May 2021. The Board hopes to obtain the approvals from the relevant authorities soon and look forward to completing the said transfer in the second half of year 2021.

Q12. With the recent announcement of the Large-Scale Solar 4 (“LSS4”) project winners, does the Group aim to secure any cable supply projects from the successful bidders?

The Management will submit the quotations of all major solar Engineering, Procurement, Construction and Commissioning (EPCC) projects to those successful LSS4 bidders. The Company had also previously supplied to most of the awarded bidders. Hence, the Management is optimistic of securing the orders for Alternating Current (AC) cable and Direct Current (DC) cable for the LSS4 projects.

Q13. Does the Company have any plan to declare bonus shares in the near future?

The priority of the Company is to enhance its financial performance to improve the valuations. The Board believes that the transfer from the ACE Market to the Main Market of Bursa Securities will enhance the Company’s appeal to investors.