SOUTHERN CABLE GROUP BERHAD

201901011439 (1320767-M)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRD ANNUAL GENERAL MEETING ("3RD AGM") OF SOUTHERN CABLE GROUP BERHAD ("SOUTHERN CABLE" OR "THE COMPANY") HELD ON A FULLY VIRTUAL BASIS AND ENTIRELY BY WAY OF REMOTE PARTICIPATION AND ELECTRONIC VOTING VIA AN ONLINE MEETING PLATFORM AT HTTPS://MEETING.BOARDROOMLIMITED.MY (DOMAIN REGISTRATION NO. WITH MYNIC - D6A357657) ON MONDAY, 27 JUNE 2022 AT 11:00 A.M.

Q1. ***Why does the Gross Profit ("GP") margin decline over time? Does the Company have the ability to transfer the cost to the customers? Does the Management foresee an improvement in GP margin and what is the GP margin forecast in the following few quarters or years?***

The lower GP margin was due to high non-metal material prices such as plastic and wooden cable drum which were not factored in the previous contracts.

Since the first quarter of the year 2022 ("Q1 2022"), the Company has revised the contracts for new orders and has included a mix of additional costs to ensure the sales remain profitable. In fact, the revenue of Q1 2022 has reflected the mix of new prices, and the Management hopes to see margin recovery in the subsequent quarters.

Q2. ***Can the Company provide a profit forecast for the financial year ending 31 December 2022 ("FYE 2022")?***

The Company is unable to provide a net profit forecast. However, the Management expects the revenue for FYE 2022 to be better, supported by the orders in hand and the ongoing economic recovery such as the power, construction and infrastructure sectors. The continuous demand for cables and wires will also support the profitability of the Company.

Q3. ***Following the removal of various restrictions by the Government, will it create a positive impact on the Company's operation cost and efficiency?***

The supply chain recovered after the Movement Control Order was lifted. Since August 2021, the Company has been operating at 100% workforce. The Company is facing nationwide issues such as high logistics and labour costs. However, the Management will try their best to assess the issues and manage the costs prudently while ensuring the timely delivery of goods to customers.

Q4. ***Why has the Company had negative operating cash flow for the financial year ended 31 December 2021 ("FYE 2021")? Will it be improved in FYE 2022?***

The negative operating cash flow was due to the increase in the stockpile of raw materials such as copper and aluminum in order to mitigate any supply chain disruption and to ensure that the customers' demands are met.

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Q5. ***Are there any new contracts or customers being secured in FYE 2021? If yes, can the Management quantify the impact on the Company's revenue and profit? If not, what is the Company's plan to expand the business?***

In FYE 2021, the Company was awarded two (2) supply contracts with a total amount of RM48.90 million from Telekom Malaysia Berhad and Tenaga Nasional Berhad respectively. The Company was also awarded a RM13.00 million supply contract from a local telecommunications company recently. All these awarded supply contracts have been reflected in the orders in hand and will be recognised in the next two (2) years.

Q6. ***Does the Management foresee any competition that may create a significant impact on the revenue and profit of the Company? What is the business strategy of the Company if there is any competition?***

The competition may be constant but the customers have been increasing their orders with the Company. The Company has consistently emphasized product quality with reasonable pricing so that it able to establish long-term relationships with its customers.

Q7. ***What is the current status of the expansion of the product range to Electric Vehicle ("EV") related cables?***

The Company has not disclosed any plans to enter the EV market. The Company has produced solar photovoltaic cables.

Q8. ***What is the customer's demand towards the Company's products in FYE 2022? Facing any slow down due to inflation? Will the Company be able to manage to achieve positive growth in FYE 2022?***

Despite the high material prices, the Company still receives orders from customers because the products are essential. In Q1 2022, the Company secured a RM13.00 million contract from a local telecommunications company. The local and regional economic recovery is expected to drive the cable and wire demand as well as the profitability of the Company.

Q9. ***Is the Company being affected by the ongoing Russia-Ukraine war? If yes, how will it impact the business outlook?***

The Company is not affected by the war directly. The majority of the sales are local and the suppliers are within Southeast Asia. However, all the players in the market have been affected by the high commodity prices.

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Q10. What is the Management's plan to increase the shareholder value due to the lower trading volume in the past few months? Does the Management consider share buy-back?

The Management has no controlling power over the trading volume of the Company's shares as they are subject to market sentiment and other external factors.

The Company does not seek the shareholders' approval for share buy-back. The focus of the Management is to grow the Company in long run and the Management believes that the performance of the Company will be reflected in the share price of the Company.

Q11. What is the Management's action to regain the shareholders' confidence?

The Management will try their best to regain the shareholders' confidence by continuously growing the business and enhancing the Company's profitability. Furthermore, the Company will also pay a dividend to the Shareholders at a minimum of 15% of annual net profit according to the adopted dividend policy.

Q12. ***Why the factory's construction has been delayed? How much capital expenditure has been allocated for this year? What is the value of the current tender book? What is the target order book replenishment for next year?***

The factory's construction has been delayed due to the COVID-19 pandemic. The contractors are having difficulties to do the submission to local authorities to start the ground works. The construction will be resumed in the second quarter of the year 2022 once the Company obtained approval from the local authorities.

For capital expenditure in FYE 2022, the Company has allocated a total of RM11.40 million from the initial public offering proceeds to construct the new factory and for purchasing and upgrading the machineries.

In respect of the current tender book, the Company is unable to disclose the exact value due to the non-disclosure agreement entered into between the Company and the customers. Currently, the Company is taking part in three (3) tenders to supply low voltage and medium voltage power cables and wires to the power utility companies in Peninsular and East Malaysia.

For the order book replenishment, the Company targets to secure another RM300 million of new supply contracts in FYE 2022.

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Q13. Can the Company provide the breakdown of the costs structure on cables/wires manufacturing?

Almost 90% of the total costs are spent on buying metal and plastic-based materials. The metal based materials represent about 70% of the total costs, while plastic takes up approximately 20%.

Q14. *Any plans to get involved in the EV cable manufacturing?*

There is no such plan at the moment. However, the Management is looking into the automotive sector (non-EV) and has successfully completed the trial runs of the automotive wire.

The Management has started approaching some local customers and the Management is in the midst of getting evaluation/feedback on this from potential customers.

Q15. Is the Company more on a cost-plus business? Can the Company pass the increase in the resin or wood planks/wood chips costs to its customers?

As at Q1 2022, the Company has passed the high input costs to its customers. The value of the Company to its customers is a total proposition of being a one-stop provider from cable and wire developer and producer to timely product delivery.

Q16. *The Company's revenue was mainly contributed by the power cables, which are used in power utility, transportation, renewable energy and petrochemical plants. What are some of the peers' names for reference?*

The industry peers are Sarawak Cable Berhad and Olympic Cable Company Sdn. Bhd.

The Company has competitive advantages as a one-stop in-house producer and good product quality as well as timely product delivery.

Q17. Would the Company give any door gift to the Shareholders who participated in the Meeting?

It is not the Company's policy to provide door gifts to the Shareholders.

The focus of the Management is to improve the operational and financial performances so that it can benefit the Shareholders from the payment of dividends and potential capital appreciation.