



SOUTHERN CABLE GROUP BERHAD

201901011439 (1320767-M)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE FIFTH ANNUAL GENERAL MEETING (“5TH AGM”) OF SOUTHERN CABLE GROUP BERHAD (“SOUTHERN CABLE” OR “THE COMPANY”) HELD ON A FULLY VIRTUAL BASIS AND ENTIRELY VIA REMOTE PARTICIPATION AND ELECTRONIC VOTING BY WAY OF AN ONLINE MEETING PLATFORM AT [HTTPS://MEETING.BOARDROOMLIMITED.MY](https://meeting.boardroomlimited.my) (DOMAIN REGISTRATION NO. WITH MYNIC - D6A357657) ON THURSDAY, 20 JUNE 2024 AT 11:00 A.M.

Q1. *What are the growth opportunities for cables and wires in the United States market? What are the expected sales from the United States market in the financial year ending 31 December 2024?*

US-China trade tensions, coupled with increased US infrastructure development, have shifted the global cable and wire supply chain, creating opportunities for manufacturers in other parts of Asia. The Company is well-positioned to capitalise on growing demand and aims to achieve RM50 million in overseas revenue in 2024, with the US market being the major contributor.

Q2. Sustainability Performance Report

Is the external assurance of the reported data conducted by the Company’s external auditors? What is the cost of obtaining this external assurance?

The Company engaged independent internal auditors and sustainability consultants for our sustainability reporting, costing approximately RM160,000.

Q3. *Why did the salaries, allowances, and bonuses increase by RM5.8 million, rising from RM27.2 million to RM33.0 million, while defined contribution plan expenses increased by only RM172,000? Which employee benefit items caused this increase but are not subject to Employees Provident Fund (EPF) contributions?*

The increase in the salaries, allowances, and bonuses reported in FY2023 was mainly attributed to two (2) key factors:

1. Increase in foreign workers by 29% to 242 employees from 188 employees in the previous year, to support growing operations and meet rising demand.
2. The nationwide minimum wage increase to RM1,500/month in January 2023, applicable to all workers, directly impacted the payroll expenses.



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Q4. *Why has the progress been slow in purchasing and installing an Enterprise Resource Planning Information Technology (“ERP IT”) system using the proceeds generated from the Initial Public Offering? What is the current status of the implementation?*

The ERP IT system was successfully implemented and is currently in use. Of the initial RM4.0 million allocated for the system, RM1.4 million was utilised, leaving RM2.6 million unspent. On 28 May 2024, the Company announced on Bursa Malaysia the reallocation of RM2.0 million of the remaining funds towards the construction of factories.

Q5. *Does the Company possess adequate capacity to capitalise on the rising demand, particularly from data centers and solar projects, given the potential increase to 46,980km by the year 2025? What are the Company’s upcoming plans for expansion?*

The Company is expanding capacity to meet the growing demand for cables and wires across various industries and aims to reach an annual capacity of 46,980 km by 2025 from 41,980 in 2024.

Furthermore, the Company recently acquired a 7.9-acre industrial site with an existing building near our current plant. Plans are underway to construct a new factory on this site in 2025, which will further enhance production capabilities and enable the Company to target opportunities in the United States market.

The Company will continue to assess market demand and explore potential investments in new machinery and upgrades to ensure sufficient capacity.

Q6. *How much of RM254 million of outstanding trade receivables as at 31 December 2023, especially the RM99 million of past due balances, has been subsequently collected by now/latest applicable?*

The Company maintains a healthy collection position and fully collected the RM99 million in past due balances in the first half of 2024. The current receivable days have been reduced to 83 days, from 88 days in 2023.



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Q7. *How much were sales to data centre projects in the first quarter of the financial year ending 31 December 2024? Does the Company foresee more orders for data centre projects?*

In the first quarter of 2024, the Company generated approximately RM50 million in power cables and wires from data centre projects. The Management anticipates continued growth in this sector, driven by the establishment and expansion of data centres, which will further increase demand for power cables and wires.

Q8. *Does the Company foresee demand slowing down due to the higher copper prices? Is the Company able to pass on these costs?*

Despite potential fluctuations in customer purchasing timelines due to market conditions, the Company anticipates sustained demand from growth sectors such as data centres, infrastructure, and construction. Our selling prices are regularly adjusted to reflect the latest market prices of copper and aluminium, allowing us to maintain competitive pricing.

Q9. *With a better cash position, has the Company considered any merger and acquisition (“M&A”) exercises to expand the business?*

The Company’s current focus is on ongoing expansion plans at our existing factory and recently acquired land. While there are no immediate M&A plans, the Company remains open to exploring opportunities that align with our core business objectives.

Q10. *Can the Company continue to record RM1 billion in the current financial year 2024? What is the Company's bottom-line guidance?*

The Company is committed to sustaining growth in 2024, supported by an order book of approximately RM900 million, which reflects strong demand aligned with Malaysia’s increasing development.



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Q11. Has the Company managed to penetrate into the automotive sector following the successful completion of trial runs for the automotive wire? Have any fruitful feedback/evaluations from potential customers in the automotive sector could be converted into long-term business relationships?

The Company has temporarily deferred the automotive wire project to strategically prioritise the power transmission and distribution sector in Malaysia, which is experiencing a surge in demand for power cables and wires from growth areas such as data centres and industrial building projects.

Q12. Has the Company obtained all the required/necessary UL certifications, especially for low, medium and high voltage power cables and wires, to capture a market share in the United States market?

The Company is currently supplying one (1) type of UL-certified low-voltage power cable to the United States market. New products are in various stages of development, which will be submitted for UL certification upon completion.

Q13. Why is the contribution from the high-voltage segment low? Isn't it supposed to be the most profitable segment compared to the medium-voltage and low-voltage segments?

The current contribution from high-voltage cables is relatively low due to limited market demand. However, the Company anticipates significant growth in this segment in future, as the power requirements of data centres, solar projects, and new infrastructure developments continue to increase.

The Company's diversified product portfolio, which includes low-voltage, medium-voltage, and high-voltage cables, positions it to capitalise on both current and future market demand.



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Q14. *Master Tec Group Berhad (MTEC) which is predominantly a low-voltage cable manufacturer, with lower capacity in place, has seen its market capital surpass the Company’s, what are the strategies to address the said situation?*

Southern Cable’s competitive advantages include robust in-house manufacturing capabilities across the entire production process and a diverse product portfolio. Additionally, the Company have the distinction of being one of the few local players certified by Tenaga Nasional Berhad (TNB) to manufacture 132kV high-voltage underground cables.

These strengths position the Company favourably to capitalise on the growth opportunities presented by the country’s expanding infrastructure developments.

Q15. *Can the Company provide door gifts as one of the returns to shareholders?*

The Company’s policy does not include gifts. In appreciation of our shareholders’ support, the Company proposed a final dividend of 0.75 sen per share for FY2023. This proposal exceeds the Company’s policy of declaring at least 15% of annual net profit as dividends to shareholders and is put forward for voting at the meeting.