

WELLCALL HOLDINGS BERHAD
(Company No. 707346-W)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWELFTH ANNUAL GENERAL MEETING HELD AT THE PINES HOTEL, MEETING ROOM R1, LEVEL 6, TOWER A, JAYA 99, NO. 99, JALAN TUN SRI LANANG, 75100 MELAKA ON MONDAY, 26 FEBRUARY 2018 AT 10.00 A.M.

SUMMARY OF KEY MATTERS DISCUSSED AT THE MEETING

A summary of the questions and/or comments raised by the shareholders of the Company and the responses provided by the Chairman, the Group Managing Director, the Executive Director, the General Manager and/or the Financial Controller, where relevant, were as follows :-

Question and Answer Session

- (i) The financial statements of the Company for the financial year ended 30 September 2017 ("FS") has presented the segment information based on the Group's business and geographical segments in Note 25 to the FS. Could the Board provide the segment information based on the products range? What is the Company's competitive landscape?

Response :

The Group's products range to various application markets ranging from air and water, oil and gas, welding, automotive, construction, shipbuilding, abrasion, food and beverages and chemical applications. The sale of products range to the application markets on the air and water as well as oil and gas were representing approximately 50% of the Group's revenue. Our track record of more than 20 years in the rubber hose industry is still consider novice as compared to other market players. The Group has a concrete presence in the rubber hose industry globally because of our product quality, competitive pricing, open discussions, strong relationships with customers and reputable customer service, which have aided us to expand our customer base. Also led by our experienced research and development team is able to customize our products to suit customers' requirements and also to deliver improved and innovative products.

- (ii) American Tier oil is ramping up quickly. It is anticipated that the produced tier oil volumes in the United States of America would surpass Saudi Arabia by two to three years' time. Would the Company benefit from the growth of this industry?

Response :

The Executive Director briefly explained the mechanism of fracking industry whereby the Group is able to supply these specific hoses. Indeed, the growing of the fracking industry would benefit the Group due to the demand for those specific hoses. Thus, not many countries can develop the fracking industry except for United States of America, which the initial operating cost is high. As such, the Group would benefit from the growth of the fracking industry.

- (iii) The Group's primary raw material would be rubber. To a large extent, the prices of rubber are vulnerable to fluctuations and synthetic rubber is also dependent on the prices of petroleum. Any material increase in the prices of synthetic rubber which may adversely

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affect the cost production. Malaysia produces natural rubber. Would the Group purchase the natural rubber to produce their products if their price is low?

Response :

Our purchase of rubber either natural or synthetic is based on the formulation of the products to produce. The Group's practice is to optimize the usage of both natural or synthetic rubber to maximize the synergy of the different properties contained in natural and synthetic rubber. The Group would at the level best to purchase the right quantities of rubber at the reasonable price.

- (iv) The net profit margin for the last three years was in the declining trends, for instances, for the year 2015 was 26% and the year 2017 recorded at 23%. What is the reason for the declining in the net profit? What is the outlook for the Company for the year 2018?

Response :

Reference to the 2016 annual report of the Company, the Group was being eligible for the tax incentives whereby there was a substantial reinvestment allowance which has contributed approximately RM1.0 million tax saving for the financial year ended 30 September 2015 resulting in higher net profit with 26% net profit margin. For both the financial year ended 30 September 2016 and 2017, the reinvestment allowance has been reduced mainly due to lower investment for Property, Plant and Equipment, which mostly have incurred in financial year 2015.

- (v) Reference to the Edge Financial Daily, it was understood that Mr. Huang Sha, the Group Managing Director of the Company has interviewed by the Edge and Mr. Huang Sha has mentioned that the revenue for the year of 2017 would expect to grow by 10% to 20%. Indeed the Group has achieved the target revenue in the year of 2017. What is the revenue target for the year 2018?

Response :

The Chairman clarified that the Board of Directors of the Company would not be able to announce the target revenue for 2018 in compliance with the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad for Main Market. Therefore, the Board of Directors of the Company was unable to provide their comment on the target revenue of the Group for the forthcoming year 2018.

- (vi) The Company has constructed the Plant 3 in the two years ago. It was understood that the Plant 3 is currently underutilized. What is the current status of the Plant 3? What is the Company's plan for the Plant 3?

Response :

It was clarified that in the Plant 3, the production lines currently are fully utilized while the Spiral production line is operating based on the market demand as this is the new product. The Group would need time to introduce this new product to our customers. Meanwhile, the additional capacity from the Plant 3 supports the Group in further strengthening its position in the market with a broader range of industrial hoses and enable the Group to upgrade the existing production lines in the Plant 2.

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- (vii) Reference to the statement made by JP Morgan in January 2018 to revise target share price of the Company to RM2.10 per share. Could the Board clarify that this would be the target price? Was there any interview by JP Morgan on the Board of Directors?

Response :

The Chairman informed that the Board of Directors of the Company was unable to provide their comment on the revised target share price made by JP Morgan as their statement was an independent opinion formed by them. They have not interviewed the Board of Directors of the Company.

- (viii) The Company has been declaring a consistent dividend for the past ten years, and the payout rate is closed to 90% for the past ten years. The payout ratio has been grown steadily until the year of 2015. However, dividend amount was quite stagnant for the recent past three years. What is the outlook for the financial year ending 30 September 2018?

Response :

With the hard work of the Board of Directors and the management of the Group, the Group managed to register and maintain its pre-tax margin and profit margin of 30% and 23% respectively notwithstanding the pressure from the raw materials prices that continue to fluctuate due to global supply and demand and movements in foreign exchange. Barring any unforeseen circumstances, the Board believes that the Group's prospects in the forthcoming financial year ending 30 September 2018 ("FYE 2018") continues to remain positive with challenges ahead, especially pressure from the raw material prices that fluctuates due to the global supply and demand mechanism as well as the volatility of foreign exchange. The composition of the Board comprising of a broad range of experience, skills, and diverse background and they are working very hard. The Group would continue to be well positioned to improve our performance in forthcoming FYE 2018, strive towards maintaining the dividend payout.

- (ix) Total liabilities of the Group has been decreased mainly due to repayment of a term loan during the year under review. Further, the entire term loans have reduced resulted from the settlement of local currency ("RM") term loan. Are the Group preparing to settle all the loan and can the shareholders of the Company expect the higher reward for the forthcoming year?

Response :

The Management has reviewed since last year as to when would be the right time to settle all the loan with consideration of all the factors and aspect before they could make a decision. The management believes that continuous reinvestment is essential for the Group to be competitive in this volatile market to ensure sustainable growth in delivering long-term value to its stakeholders. The Group is also in the midst to upgrade the existing older production lines to keep abreast with technological changes whereby continuous capital investment are vital to enhancing the efficiency and productivity. Therefore, the management is still considering all these factors and cash flow position of the Group. The Group would continue to be well positioned to improve our performance in forthcoming FYE 2018, strive towards maintaining the dividend payout.

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- (x) Reference to the 2017 annual report of the Company, for the financial year of 2017, most of the capital investment of RM1 million would relate mainly to maintenance and upgrading of older production lines to further improve the productivity of the Group. What is the capital expenditure of the Group for the next one year?

Response :

Moving forward the Group would expect to incur maintenance capital expenditure in the range of RM3.0 million to RM4.0 million.

- (xi) Since the Plant 3 is not entirely utilize so when the Company is expecting another expansion plan?

Response :

It was reiterated that the Plant 3 had been entirely utilised. The Management believes that continuous reinvestment is essential for the Group to be competitive in this volatile market to ensure sustainable growth in delivering long-term value to its stakeholders. The Group is also keeping abreast with technological changes whereby continuous capital investment is vital to enhance the efficiency and productivity.

- (xii) What is the competitive strength of the Group as compared to other players in the market?

Response :

Our Group has ability to meet the stringent demands of the markets in terms of pricing, better quality, short delivery lead time and customer service besides customization of products, for instances, delivery of one order comprising of various quantities, sizes and specifications. Our comprehensive product range caters to the different demands of diverse application market. Due to our ability to a broad range of products, we can serve a diversified customer globally.

- (xiii) Is rubber representing 90% of the raw material of our products? Is there any other raw material?

Response :

Rubber is representing approximately 60% of our raw material. Indeed, formulating the desired properties of the final products would determine the types of raw materials. The other primary raw materials are carbon black, clay and other chemicals.

For Agenda 2 to 11, there was no question being raised by the shareholders at the meeting.

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