

WELLCALL HOLDINGS BERHAD (“the Company”)

[Registration No. 200501025213 (707346-W)]

(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE POSTPONED FOURTEENTH ANNUAL GENERAL MEETING (“postponed 14th AGM”) OF THE COMPANY CONDUCTED ENTIRELY THROUGH LIVE STREAMING AT THE BROADCAST VENUE AT LE MÉRIDIEN KUALA LUMPUR, CLARKE BALLROOM, LEVEL 6, NO. 2, JALAN STESEN SENTRAL, KUALA LUMPUR SENTRAL, 50470 KUALA LUMPUR, WILAYAH PERSEKUTUAN ON MONDAY, 29 JUNE 2020 AT 10.00 A.M..

SUMMARY OF KEY MATTERS DISCUSSED AT THE MEETING

The following questions were raised during the postponed 14th AGM of the Company which were duly responded by the General Manager and/or Financial Controller of the Company :-

SIX ISSUES RAISED BY MINORITY SHAREHOLDER WATCHDOG GROUP (“MSWG”):-

Question 1:

On Page 7 (MD&A), it is stated that in FYE 2019, the fundamentals of demand for its industrial rubber hose remain strong resulting from the gradual recovery of both the emerging and developed countries.

How will the US-China trade war, the Covid-19 pandemic and the oil market crash and volatility, impact the dynamics of demand and supply and the cost of material?

Reply for Question 1:

The challenges mainly arising from the uncertainty of the global economy coupled with the slower demand for industrial rubber hose. Nevertheless, with our production capability platform, our Group is ready to meet the surge in demand any point of time. We monitor our major raw material inventories closely with an average inventory level of approximately three (3) to four (4) months, which enable us to gauge the appropriate time to purchase at the reasonable price.

Question 2:

The Group's third plant is equipped with new automated production lines and machines of higher technology specifications which enable improvements in production quality and efficiency and overall production capacity, with room for it to expand in the future [Page 7 (MD&A)].

- (a) *What is the existing and expanded production capacity?*
- (b) *Is the third plant already operational? If not, when is it expected to be operational?*

Reply for Question 2:

- (a) Our third plant is equipped with eight (8) production lines. Additionally, our third plant is also being utilized for the compounding processes (previously being outsourced to third (3rd) party) for an improved quality management.
- (b) Our third plant is currently operating.

Question 3:

The Group has strong research and development capability teamed by experienced personnel to deliver improved and innovative products and new processes [Page 7 (MD&A)].

- (a) *What is the strength of the research and development (R&D) team in terms of numbers and experience and qualification?*
- (b) *How much was spent on R&D each year and as a percentage of revenue?*

Reply for Question 3:

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- (a) Our R&D is led by our Group MD and his fellow team mates of four (4) personnel ranging from experienced based to degree holders from rubber related knowledge background.
- (b) R&D was approximately 1% (RM1.7 mil).

Question 4:

Despite a slight decrease in revenue for FYE 2019, the Group managed to mark a higher gross profit margin at 36% compared to 32% for FYE 2018. The said increase was due to operational efficiency arising from effective costs management and productivity, i.e. lower raw material purchase costs, control on stockholding period, maximization of raw material usage to reduce wastage and scrap in the production processes [Page 8 (MD&A)].

- (a) *How advanced is the automation process?*
- (b) *To what extent has automation reduced the number of workers and improved the revenue generated per head count?*

Reply for Question 4:

- (a) Automation processes have improved to reduce our labour headcount and increase our product process efficiency (eg. from 40 meters to 60 meters length for a shorter period of production lead time).
- (b) Overall in average, the headcount per line could be reduced from ten (10) headcounts per line to eight (8) headcounts per line. Generally the revenue generated per head count has improved by approximately five per centum (5%).

Question 5:

The Company has initiated its product diversification into composite hoses by entering into a joint venture with Trelleborg Holding AB on 15th January, 2019. The said joint venture has formed Trelleborg Wellcall Sdn. Bhd. ("TWSB") for the purpose of manufacturing, marketing and selling of composite and fittings [Page 12 (MD&A)].

Please enlighten on the latest development and the performance of the joint venture.

Reply for Question 5:

The Joint Venture ("JV") is progressing as rescheduled mainly due to the pandemic of Covid-19 that affects the global economy and international logistic movements. The JV has rented a factory building, arrival of a line machine and currently phasing to an extension of a factory building. The second line is scheduled to arrive by end of August 2020.

Question 6:

On Page (Note 11), there is a disclosure of cash management fund totaling RM7,353,253 as at the end of FYE 2019.

Please provide details of the fund and the return from the fund?

Reply for Question 6:

The fund is an Islamic Cash Management Fund with principal guaranteed. Principal placed was RM7.3 million with interest of RM53K (tax exempt interest).

PRE-MEETING QUESTIONS DEPOSITED BY THE SHAREHOLDERS AND THE REPLIES BY THE COMPANY:-

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Question 1:

How do you all see the price of rubber? Seems like now 145 is the low of 2015-2016 for rubber price.

Question 2:

How is the progress of the new plant with Trelleborg? Composite pipe ready for sales?

Question 3:

During this Covid lockdown, the Company saw any weakness in its production line and customers? The Company had revised what solution to overcome another situation or a 2nd wave of Covid during this coming winter Nov2019.

Question 4:

Wellcall found any new rubber product to manufacture and sell?

Question 5:

When will the new factory (JV between Wellcall & Trelleborg) ready to operate, when the new product will be ready to be manufactured?

Question 6:

During this pandemic, will it affect the new product (composite rubber hose) marketing & demand?

Question 7:

How is Covid-19 impacting the Company's financial? Please give a clearer estimate of the expected impact to the Company.

Question 8:

How much is the utilization rate of all the plants currently?

Question 9:

What's the plan for expansion and increase company revenue and profit?

Question 10:

How is the outlook of the Company after Covid-19 pandemic outbreak?

Question 11:

What is the succession plan of the Company?

Question 12:

How the Covid-19 & MCO impact on your business & production & raw materials since March, Apr & May'20?

Question 13:

Any cancellation of orders up to about how many % of total order ? How the orders in these coming months?

Question 14:

How's the impact of your main clients? Still lockdown? Able to arrange shipment to them in these coming few months?

Question 15:

Drop in oil price & appreciation in USD, how good impact to your business.

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Question 16:

In the past crisis, your esteemed company succeeded to overcome it. How the top management plan to overcome this crisis?

Question 17:

How to coordinate with your investor relations department to reply a shareholder enquiry.

Question 18:

What's your esteemed company future growth prospect?

Question 19:

The impact of Covid-19 to Wellcall FY2020 & FY2021 revenue and earnings?

Question 20:

When the Joint Venture with Trelleborg Holding AB will start to contribute?

Question 21:

Oil & Gas sector contribute how many percent to Wellcall revenue?

Question 22:

Why did Wellcall opt for Joint Venture, how does Wellcall foresee the prospect of existing business?

Question 23:

What is the direct impact of Covid-19 pandemic on the growth prospect of the Company?

Question 24:

When the new factory (manufacturing the composite hose) will start its operation? What is its current operating capacity?

Question 25:

How much increase in revenue that you will foresee upon the operation of this new factory?

Question 26:

During the period of MCO/RMCO, how is the production rate affected as social distancing is implemented?

Question 27:

What is the current competitive advantage of the Company as compared to its peers?

Question 28:

Any patent of the hose design generated from Wellcall Berhad so far?

Question 29:

As mentioned in the Annual Report, the demand of rubber hose is decreasing worldwide. May I know how the Company addresses this problem? Can you please explain in more detail?

Mr. Huang Kai Lin, the General Manager and the Alternate Director of the Company summarised the above questions and provide the reply as follow:-

He replied that the progress of the new factory of the joint venture company, Trelleborg Wellcall Sdn. Bhd. ("TWSB") has been rescheduled due to the impact of the Covid-19 pandemic that affects

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the economy globally and logistic system internationally. He updated that TWSB has rent a factory and currently undergoing the factory building expansion. The first production line, its related facilities and the first batch of the raw material have arrived at the factory. On the other hand, the second production line is rescheduled to arrive by end of August 2020. However, due to the implementation of Movement Control Order and closure of Malaysia's border imposed by Malaysia government in order to contain the outbreak of the Covid-19, the technical team from Europe was unable to reach Malaysia to install the machineries and this has hindered the progress of the production in TWSB. Mr. Huang Kai Lin emphasised that the Company has carried out sufficient preparation and able to keep up with the schedule upon the restriction imposed by the government being lifted. He further mentioned that the installation of the machine would take approximately two to three months to complete. In addition to that, the Company observed that the demand of the composite hose is challenging in the market due to the Covid-19 pandemic. Therefore, the Company is currently focusing the effort on setting up the new factory and concentrate on the production efficiency and product quality. By doing these, the Company will be able to compete in the market in future. Mr. Huang Kai Lin also mentioned that Trelleborg AB and the Company have agreed on the synergistic collaboration to draw on each other strength to work together rather than venture the business alone. Trelleborg AB contribute the technological know-how in manufacturing of composite hoses while the Company focusing on manufacturing and distributing the composite hose. The objective of forming the joint venture company is to expand the business horizon especially into the ASEAN market.

Mr. Huang Kai Lin also apprised the impact of the Covid-19 influences on most of the industries and consequently affect the economy globally and people are required to live in the new norm now. He mentioned that 90% of the production is to export market and most of the customers are based in more than 70 countries worldwide. In view that the severity of the Covid-19 pandemic situation is different in every country, so as to the business of the Company is also being affected accordingly. The revenue of the Company is estimated to reduce by 15 to 20 percent. However, many customers from different countries are still placing orders as usual while some customers are placing orders in a slower pace. The demand of the product seems to be promising yet challenging. He believes that the market demand in the industry will bounce to normal eventually and the rubber hose produced by the Company serves high demand as rubber hose has significant usage in various industries. The Company will continue to improve and be vibrant to manage the challenges ahead despite the Covid-19 pandemic is unpredictable. He promised that the Company will continue to improve the core competency and goodwill in the market in order to expand the customer base. The R&D department of the Company continues to venture into new products and to enhance the quality of the product as well as the continuous improvement in upgrading the production processes. Our people always work together as a team and thus the Company is able to respond to every situation swiftly and make necessary adaptability to overcome any possible crisis. Mr. Huang Kai Lin also believes that the Company is capable of managing all challenges with its goodwill and reputation in global market.