

WELLCALL HOLDINGS BERHAD

Registration No. 200501025213 (707346-W)

15th Annual General Meeting (22 February 2021)

Questions And Answers

Q1. Compare to FY2018, Trade and Other Receivables have declined from RM13.4m in FY2018 to RM8.7m in FY2019 (down 35%) and RM5.7m in FY2020 (down 58%). The Receivables decline is much larger than the revenue decline? What are the reasons?

A1. The revenue had declined mainly due to economic slowdown resulted from Covid-19 pandemic. The decrease in trade and other receivables were mainly due to prompt collections by the Company and payments from customers.

Q2. Refer to Note 16 (page 108 of Annual Report). Other Payables and Accruals made up 42% and 17% of the total payables. Can you explain the nature of these non-trade payables?

A2. It consists of mainly purchases of operational consumables, tools, services and assets with credit terms.

Q3. Refer Note 28 (page 118 of Annual Report). In FY2020, the revenue to US/Canada region fell by 36%. The fall was much greater than 21% revenue fall in total.

- (a) Why are the reasons for the larger fall?
- (b) What is the outlook for FY2021?

A3. (a) The larger fall was mainly due to Covid-19 pandemic coupled with the extended lockdown period imposed.
(b) Barring unforeseen circumstances due to Covid-19 crisis, we believe the demand for our industrial rubber hoses would remain positive yet challenging. Nevertheless, we trust we are able to sustain and being vibrant especially having our strong fundamental platform and cohesive team.

Q4. (a) What is the current status of Trelleborg Wellcall Sdn. Bhd.? (b) When will production begins? (c) Typically, how much better is the margin for composite hose products as compared to the existing product range?

A4. (a) Currently, it is in the product testing stage.
(b) Foreseeable that the commercial production will commence in quarter three.
(c) In view of the confidentiality and sensitivity of this information, we would not be able to disclose.

Q5. Five years ago, Wellcall established its third plant. It started a new venture with Trelleborg since 2019.

- (a) How much revenue can these facilities generate when they operate at 100% capacity (assuming product price remains constant)?
- (b) How does the future capacity expansion plan look like?

A5. (a) In view of the confidentiality and sensitivity of this information, we would not be able to disclose.
(b) It depends on market sentiment and demand of composite hoses.

Questions And Answers (continued)

Q6. How does the port congestion affect customer order and delivery?

A6. We are still able to secure all orders with short lead time from placing orders to delivery of goods.

Q7. The directors' remuneration (Note 18) as a percentage of the group's net profit has increased over the years. Now the ratio has reached 21.5%. Can the Remuneration Committee look into alternative options to better align directors' and shareholders' interests?

A7. We have established a formal remuneration policy which fairly supports the Directors' responsibilities and fiduciary duties to achieve long-term goals and enhance shareholders' value.

Q8. Wellcall Holdings invested RM 3.5 million in investment property for FY2020. May I know what is it for? How would it benefit the company?

A8. The purchase of the property is mainly for investment and currently rented out to Trelleborg Wellcall Sdn. Bhd. ("TWSB", the Joint Venture Company) on arm's length value. The benefit will be rental income received from TWSB.

Q9. Are Wellcall's rubber hose being supplied to any electronic and electrical industry (semicon etc), if so, do you see any spike in order due to recent higher CAPEX by the Electronic and electrical players?

A9. Our products cater to various industry application markets ranging from air and water, oil and gas, welding, automotive, ship building, abrasion, food and beverages and chemical applications.

Q10. Has the company seen any recovery in order post Covid-19? How do you foresee Wellcall's performance in near future?

A10. We are still able to secure all continuous orders from our customers. Barring unforeseen circumstances due to Covid-19 crisis, we believe that the Group's prospects in the forthcoming FYE 2021 continues to remain positive despite challenges ahead and hopes to achieve a better result.

Q11. Can you make break down of Wellcall's customers according to the industries they are from? Like how many % from oil and gas, F&B and so on. Thank you.

A11. Our customers base are rather well distributed and mainly selling different type of hoses to every application markets.

Q12. What is the purpose of the acquisition of the land and property in Belanja, Kinta? For hose manufacturing or renting out?

A12. The purchase of the property is mainly for investment and currently rented out to Trelleborg Wellcall Sdn. Bhd. ("TWSB", the Joint Venture Company) on arm's length value.

Questions And Answers (continued)

Q13. Is there any update on the joint venture with Trelleborg? What is the revenue contribution from this JV to the group?

A13. Currently, it is in the product testing stage. The JV company foresees will commence the commercial production in quarter three. The revenue contribution will be insignificant at the initial stage.

Q14. How does the company intend to grow further?

A14. For the year ahead, the Group will continue its effort in widening the customer base through geographical expansion.

Q15. Wellcall has maintained its gross margin at 32% to 38% in the last 7 years despite fluctuation in sales. Is it part of Wellcall strategy to stay firm with its pricing despite competition? How may this strategy work in the future given the market competition?

A15. We have been continuously leveraging on our extensive customer network, improved productivity, quality services and our product range. We will continue to be pro-active and react swiftly in order to enhance our competitive strength in these areas to stay ahead of the market trends.

Q16. Wellcall already has the experience of conducting several rounds of virtual AGM and EGM. Under the new normal, would it provide online participation option for future AGM?

A16. We will continue to keep abreast with the technology advancement by carrying out virtual AGM, where appropriate.

Q17. What percentage of sales is derived from oil & gas industry? What is the latest status in light of the recovery of the global oil & gas industry?

A17. Our customers base are rather well distributed and mainly selling different type of hoses to every application markets.

Q18. Good morning, what is the status on the JV with Trelleborg?

A18. Currently, it is in the product testing stage. The JV company foresees will commence the commercial production in quarter three.

Q19. With the current pandemic, what are the digitalizing initiative that the Company have put in place to improve and minimise the impact of the pandemic on the Company?

A19. We upgrade our line efficiencies via modification and mechanicalizing from manual processes to semi-automated and full automation.

Questions And Answers (continued)

Q20. Can you elaborate the results of the evaluation conducted to assess the independence of the Independent Director, Alan Yang?

A20. Please refer to our Corporate Governance Statement in the Annual Report 2020.

Q21. Will the Company be considering applying the digitalization grant offered by the Government?

A21. The Company does not rule out any possibilities and opportunities that enable to elevate the Company to another stature in order to progress and develop continuously

Q22. Hope the director will give e-wallet for shareholder that attend this virtual AGM, thanks.

A22. We reward our shareholders through payment of dividends.

Q23. Please elaborate on health & safety incident rate or number of incidents in the operations. Suggest to include this info in the future annual reports. Thanks.

A23. We will consider to include this information in future annual reports, where deemed necessary.

Q24. Did the management do an audit to check on compliance to act 446 (housing minimum standard) to avoid any potential action?

A24. We do alert on the rules and regulation and always do our level best reasonably complying to the respective acts to avoid any potential action against the Company.

Q25. I would like to know whether the company got any plan to expand through market expansioner diverse the company business?

A25. We will continue to expand into the existing markets, namely Europe, USA, Canada, Middle East, Asia, Australia/New Zealand, South America and Africa. Our experienced and customer-oriented marketing team will venture into new countries in order to further expand our customer base.

End.