

MANAGEMENT REVIEW



BUSINESS ACTIVITIES

OCK Group is principally involved in the provision of telecommunication services. We are equipped with the necessary expertise and ability to provide full turnkey services, which comprehensively covers all six segments of the telecommunications network market: network planning, design and optimisation, network deployment, operations and maintenance, energy management, infrastructure management and other related professional services. Our comprehensive service offerings are set within our four core business segments which are explained below: -

Ooi Chin Khoon

Managing Director

1. Telecommunications Network Services

For FY2012, Telecommunication Network Services remains to be the Group's key profit contributor with a recorded revenue of RM98.59 million making up 71.13% of the Group's total revenue for the fiscal year.

The principal activities of our Telecommunication Network Services consist of network planning, design and optimisation, network deployment, network operations and maintenance and other related services. Under our network deployment services, we offer telecommunication infrastructure services within the domestic market which include site acquisition, securing zoning and permits from the relevant Government and local authorities, and structural analysis. Our capability to provide these comprehensive turnkey services enables us to provide end-to-end solutions to our clientele.

In November 2011, the Group was awarded the Network Facilities Provider Individual License (NFP) from the Malaysian Communications and Multimedia Commission (MCMC), which enables the Group to buy, own and lease telecommunication infrastructures nationwide. The ability of the Group to buy, own lease telecommunication infrastructures has resulted in positive contributions and increased revenue streams.

At present, we are focused on providing advancement services for cellular telecommunication networks to meet current market demands and upgrades. In this respect, we have been completing implementation works for major cellular network operators such as Maxis, Celcom, DiGi, U Mobile, P1 and YTL.

2. Trading of Telecommunication & IT Products

The Group's trading activities has substantially increased to RM11.68 million for FY2012 compared to RM4.38 million in FY2011. This revenue is principally derived from trading activities in telecommunications hardware and installation of related equipment such as antenna, feeder cable, connectors, water proofing tapes and others. OCK is also involved in trading of IT security products, with our Singapore office specialising in providing network security products and solutions for the enterprise sector.

MANAGEMENT REVIEW (CONT'D)

3. Green Technology and Power Solutions

The Group's Green Technology and Power Solutions business revenue increased to approximate RM18.80million compared to RM14.9million in FY2011 due to higher volume of generator sets sold as a result of higher demand.

Leveraging on our understanding and expertise in systems integration, the Group has been actively growing our green energy segment, focusing on solar power generation in order to capitalise on the increasing global trends of environmental concerns and sustainability. Going forward, our green energy generation systems can be acting as backup power solutions to our clients and for other commercial use. This initiative has positively impacted our top-line financial performance.

4. Mechanical & Electrical (M&E) Engineering Services

In FY2012, our M&E Engineering Services segment reported a revenue of RM9.54 million compared to RM3.81 million in FY2011. This favourable variance in revenue is derived from the provision of mechanical and electrical engineering services for the development of standalone commercial buildings, healthcare institutions, other types of buildings and infrastructure.

2012 PERFORMANCE HIGHLIGHTS

Our Group was successfully listed on the ACE Market of Bursa Malaysia Securities Berhad on 17 July 2012. This significant milestone was coupled with efficient operational achievements and management's proactive initiatives which drove a 57.29% growth in revenue for 2012 of RM138.6 million and a net profit of RM13.95 million compared to its preceding financial year. We are confident that we will be able to deliver another positive growth for 2013, barring any unforeseen circumstances.

During the second half of the 2012 fiscal year, we made several investments in our workforce and operations to support our future growth as well as local and regional expansion.

Firstly, our successful listing on Bursa Securities provides a prominent platform for the Group to gain local and regional recognition and hopefully international recognition in the future. The capital raised from our Initial Public Offering has enabled the Group to invest in and expand our operational activities that will positively contribute to our long-term growth strategy.

Secondly, after being awarded with our NFP License from MCMC, we have successfully completed the erection of our telecommunication infrastructures at various locations in different states in Peninsular Malaysia towards the end of 2012. With the government's initiative in promoting and encouraging telecommunication network providers to share infrastructure, we anticipate that there will be an increasing growth in leasing opportunities for our telecommunication infrastructures. We believe that this investment will provide a strong foundation for our long term growth over time and contribute positively towards our recurring income.

OCK has always been proactive by ensuring that we have the in-house capabilities and technological expertise to serve the ever increasing popularity and continuous evolution of smartphones as well as the rising market demand for higher performance in telecommunication technology such as data download and 3G/4G networks.

In December 2012, the Government of Malaysia announced the allocation of the LTE license to seven (7) telecommunication network providers in which six (6) of these providers are our clients and/or business partners directly or indirectly. The constant upward trend in capital expenditure within the telecommunications network market has resulted in an increased demand for our Group's services and operational activities in the area of network upgrades and technological advancements.

MANAGEMENT REVIEW (CONT'D)



Positioning for Sustained Strategic Growth and Advantage

The Group is continuously developing towards technological advancement, innovation and expertise in our industry to ensure that we maintain our competitive edge and are always strategically positioned for sustained growth.

Our strategy is to capitalise on the growth of telecommunication network services and the evolution of advanced wireless and mobile networks, as well as the expansion and improvement of infrastructure required to deploy current and future generations of telecommunications technology i.e. the upcoming deployment of LTE networks, while maintaining a financially robust balance sheet. To achieve this, our focus will be:-

1. Increase leasing activities of our telecommunication sites

Our NFP license enables the Group to further increase the leasing activities of our current telecommunication infrastructures, and we will leverage on the Government's initiative to implement the sharing of infrastructure facilities. This initiative will benefit both our clients and the Group since our clients will be able to minimise costs by going "asset light" and OCK can maximise capacity by leasing to multiple network providers.

2. Invest in building additional telecommunication infrastructure

As a result of the increasing trend in capital expenditure within the telecommunications network market where the major telecom operators are reported to invest approximate RM4.5 billion in 2013 on the development and rollout of 4G LTE services & network upgrades. OCK intends to capitalise on the anticipated demand for telecommunication infrastructures. As such, the Group is targeting to build and own up to more sites in 2013 to accommodate market demands.

3. Continued improvement on our operational performance

We are continuously seeking opportunities to improve our operational performances which include investing in human resources and technological advancements in order to best serve our industry. In October 9 2012, we successfully acquired 51% equity stake in Smartbean Systems Sdn Bhd to compliment the Group's business activities. There is a growing need for testing and verification equipment as telecommunication companies continue to expand its network coverage and upgrading of their equipment and systems. Since Smartbean Systems Sdn Bhd is a company that is involved in products and testing solutions, the acquisition will result in synergistic contributions for the Group.

OCK Group provides continuous training for our employees in line with the consistent advancement and technological evolution to ensure that our team of expertise are always efficient, innovative and are strategically positioned at the forefront in this fast changing and competitive environment.

MANAGEMENT REVIEW (CONT'D)

PROSPECTS AND EXPANSION

As mentioned above, in December 2012, MCMC awarded the LTE license (ie 2600 Megahertz spectrum) to seven (7) telecommunication companies. This award will give rise to new opportunities in the telecommunications network market as telecommunication companies are expected to upgrade and invest in additional infrastructure and equipment to capitalise on and accommodate the increased volume of data transfer under the 3G and 4G environment. Taking this into consideration, the outlook for the telecommunications network market in Malaysia remains to be positive with steady growth projected from 2011 to 2016, with a compound annual growth rate of 2.9%. The market is projected to grow from its estimated size of RM5.8 billion as at 2011 to RM6.7 billion in 2016. (Source: Protégé Associates, Malaysia)

For this year, we have expanded our business operations in terms of telecommunication infrastructure, completed an acquisition of Smartbean Systems Sdn Bhd and purchased an industrial property in Glemarie, Selangor which we hope to accommodate our headquarters and warehouses for better management and to accommodate our future operations. Our main objective is to continue to maximise our growth potential and performance in Malaysia while extending the infrastructure business model beyond our existing portfolio. We are optimistic that the demand for telecommunication infrastructure/sites will continue to rise as telecommunication network providers are seeking to increase their quality, coverage area and capacity for their customers, while investing in future generation data networks.

As part of our expansion plans, we have made initial investments for regional expansion in our area of expertise as part of our growth strategy. Outside of Malaysia, we have been actively investing time and resources to expand our regional business on two fronts. Firstly is to broaden our presence in Southeast Asia by penetrating markets in countries such as Vietnam, Myanmar, Indonesia, Philippines and Thailand, in the near future. Secondly, from our initial market and economic assessment across the region, we have selected Myanmar and Indonesia, as the most attractive markets to launch our regional expansion initiative. This is based on the fact that Myanmar mobile phone subscribers is less than 10% penetration rate and Myanmar government has announced to award two additional 2G / 3G license to two international telecoms operators. Whereby, Indonesia operators are in the midst to outsource their operation and maintenance to technology vendors and service providers. With this aspect, OCK has the competitive advantage over the local companies; given our expertise in telecommunication infrastructure and equipment installation to develop and maintain the 3G data networks in these countries.

Our primary focus is on emerging market countries where the telecommunications industry is less mature than Malaysia with respect to its overall network infrastructure and capabilities. We anticipate that we will benefit from both the diversification of our market presence and regional operations as well as an increased exposure to dynamic economies, resulting in further and sustainable long-term growth for our business.

Ooi Chin Khoon

Managing Director