

MANAGEMENT REVIEW



Ooi Chin Khoon
Group Managing Director

2014 marked a significant year of growth for OCK Group Berhad ("OCK" or "the Group") as it carved some defining corporate milestones towards the Group's mounting success.

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SUSTAINING FINANCIAL STRENGTH

Since the Group's listing, OCK has been delivering compelling financial performance maintaining double-digit growth year on year. OCK has been generating strong organic growth in Malaysia, which has been handsomely complemented by the Group's expansion plans to regional markets, the broadening of its service offerings to include fiber works and managed services and its entry into the renewable energy business.

Our disciplined approach in quality investment and consistent focus on achieving our long term strategy is key to driving our strong and sustainable growth. We believe that this is what is vital to realizing our long-term potential of our business.

The Group's financial year ended 31 December 2014 hit a new high since OCK was listed on Bursa Malaysia with a revenue of RM185.9 million and a profit after tax (PAT) of RM17.0 million; an increase of 22% and 11.5%, respectively as compared to FYE 2013.

OCK's strong financial performance for FYE 2014 was largely driven by:

1. New strong contribution from the acquisition of PT Putra Mulia Telecommunication ("PMT"), our new Indonesia's subsidiary in the 2nd half of 2014
2. Stronger regional contributions from the fiber laying contract in Cambodia and maiden contribution from other regions such as China and Myanmar.
3. On-going LTE related EPC contracts in Malaysia as major telecommunication service providers upgrade their network to LTE.
4. Increased contribution from recurring managed services works in Malaysia; and
5. New fiber laying contracts secured from major telecommunication service providers in Malaysia

The management expect continual increase on its recurring income stream from managed services works and renewable energy segment to maintain the Group's strong financial performance with strong growth coming from its regional business.

TELECOMMUNICATION NETWORK SERVICES

Through over 10 years of market experience, disciplined focus and investment – OCK understands and identifies with the most effective



and efficient requirements to provide a full suite of end to end services to the telecommunication services providers and to be valued as their trusted business partner.

Today, OCK is the leading telecommunication network provider in Malaysia with business presence in Malaysia, Singapore, Indonesia, China, Myanmar and Cambodia. As at the 31 December 2014, OCK provides managed services to more than 15,000 sites for leading telecommunication providers across Malaysia and Indonesia.

OCK is uniquely positioned to capture opportunities arising across the market as the Group has the resources and expertise to provide total solutions across all segments of the telecommunication network services.

OCK is fully licensed with the Network Facility Provider License (NFP) and the Network Services Provider License (NSP) enabling it to offer a comprehensive and professional service offering as a full turnkey service provider in the industry. The Group also offers other services, including site acquisition, zoning and site permitting services and structural analysis services.

In the 2nd Half of FYE 2014, OCK had further secured a contract from the Malaysian Communications and Multimedia Commissions (MCMC) for the Universal Services Provisioning (USP) T3 contract for the construction of 30 telco sites in under-served rural areas under Phase 1. The Group expect this contract to contribute positively to Group revenue in FYE 2015 and provide a good platform for OCK to tender for more USP Project from MCMC in the FYE 2015.

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MANAGED SERVICES

The Group is currently managing over 11,000 telecommunication sites in Indonesia and approximately 4,300 sites in Malaysia. The Group's extended managed service offering further enhances the Groups avenues of recurring income in which is one of the Group's key focus and business strategy.

GREEN ENERGY AND SUSTAINABLE POWER SOLUTIONS

On a global scale the development and good practices of a green environment has cultivated a strong wave among the society and Malaysia is also building momentum in this aspect. This business segment was first developed to provide sustainable power solutions to complement our telecommunication network services. Since then, OCK has incubated a team of expertise to serve the green energy market demand as an engineering, procurement and construction (EPC) contractor – with our expertise mainly directed to solar energy. Our track record in this segment includes the completion of a ten (10) megawatt (MW) rooftop solar farm located at Sepang, in which the construction was completed within 6 months in FYE 2013. During FYE 2014, OCK had further completed the construction three (3) rooftop solar farms totaling 1.15 MW.

In view of strong growing trends of renewable energy in Malaysia coupled with Government initiatives, OCK believes that there are ample market opportunities and growth for this segment.

EXPANDING OUR HORIZONS

As part of the Group long term strategic plan to expand beyond Malaysia, on 12 November 2014, OCK successfully solidified its regional footprint in Indonesia through its acquisition of PT Putra Mulia



Telecommunications (PMT), which will contribute substantially to the Group's revenue moving forward. This strategic acquisition provides a strong leverage into the Indonesian market; an emerging market where there is a strong growth in mobile telecommunication networks. The inclusion of PMT's business has increased OCK's portfolio of managed services sites to more than 11,000 telecommunications sites across Indonesia. As PMT is only covering less than 10% of the current Indonesian market of more than 120,000 telecommunication sites, the management foresees strong market potentials of the Group to further expand its portfolio of managed services in Indonesia.

Other overseas expansion initiatives that we had made regionally include incorporation of a subsidiary in Singapore, OCK Telco Infra Pte. Ltd. (OCK Telco) to act as the platform in invest in regional tower leasing business.

In Cambodia, we are had secured projects for fiber works, of telecommunication.

In Fuzhou, China, our wholly owned subsidiary 1-Net Solution Co. Ltd. (1-Net Solution) main focus is to supply OCK's team of expertise for strategic advice and planning to the technology providers and telecommunication operators in the booming telecommunication industry of China.

CORPORATE MILESTONES

One of the main highlights for OCK during the year was the Group's successful transfer to the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia) on the 20 November 2014 after only 2 years being listed in the ACE Market. The transfer is a testimony of our strong growth and success in the industry. This migration has enhanced our investor base with increase institutional investor interest. The management strongly believes that being listed on Main Market of Bursa Malaysia will further strengthened OCK's corporate platform and reputation to further expand the Group's business in Malaysia and overseas.

Investment in Human Capital

The Group believe that its most valuable assets remains its human capital and continue to strengthen its organization with new human capital to bring new skillset to the Group. In line with that, I am happy to welcome Dr. Yap Wai Khee who was appointed as our Group CEO on

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the 5th January 2015. Dr. Yap with his vast 21 years of experience in strategy, commercials and telecommunication industry will further enhance and support the Group's strategic growth moving forward.

The Group total staff force has strengthened from 505 in FYE 2013 to 1,412 by the end of FYE 2014; this provide a strong base to undertake more projects moving forward in FYE 2015.

INDUSTRY OUTLOOK

TELECOMMUNICATION NETWORK SERVICES

Looking towards the year ahead, there are several factors that sees 2015 to be another positive year for the telecommunication industry.

1. Smartphone penetration is expected to reach 54.3% as ASP plummet and continue to drive data revenue
2. Emphasis on cost due to heavier competition; outsourcing is a more sustainable business model for the telecommunication service providers
3. Surging wireless data usage in our society is continuously driving up the demand for wider connection. There are various factors that contributes to this increasing demand i.e. advancing smartphones, tablets, mobile video, social media and so forth that is requiring higher band-width connection. To support these usage trends telecommunication service providers are aggressively investing in the quality of coverage and capacity of their 4G LTE networks.

OCK is seeking to penetrate into the lucrative tower business and expect to benefit from the explosive growth in tower demand in the ASEAN region. This will provide a strong stream of recurring income for the Group moving forward. OCK has also submitted proposals for Phase 2 of the 3 Phases of the USP project.

Our rationale for deploying capital into emerging markets like Myanmar, Indonesia and other countries in ASEAN is that we believe that the global trend toward wireless technology will continue unabated for a good number of years to come. We expect that that these vast network deployment and development growths will result

in a long sustainable growth trajectory for our Group.

Malaysia operators will continue to actively ram up and expand coverage on 4G LTE Networks in bringing superior user experience to their customers. Apart from the leading three players, the industry will see other telco operators who have announced their plans to launch 4G services. Another requirement to support the advancement of 4G networks is by fiberizing telecommunication towers, in which OCK is prepared to seize further opportunities in this segment.

SOLAR FARM | RENEWABLE ENERGY

OCK is setting out to benefit from the next round of FEED-IN TARIFF (FIT) quota to be released by the Sustainable Energy Development Authority (SEDA) this year. It currently owns a 1MW solar farm under the FIT scheme and is vying for new EPC jobs and solar farms in FYE 2015. It is noted that SEDA will need to add an additional 351 MW to the current allocation on top of the projected remaining releases of 474MW to meet with the Government's renewable energy (RE) target of 2080MW by 2020.

The Group is poised for continued success as a result of several key drivers:

1. Attractive growth prospects locally in Malaysia and regionally
2. Strong balance sheet and its long-term ability drive and support internal and external growth
3. Long-standing relationship and commitment with leading telecommunication service providers. We believe that our focus and commitment in building long-term and quality working relationship with our clients are one of the key factors that position the Group as a preferred telecommunication network provider in our serving industry.

Ooi Chin Khoon

Group Managing Director