

OPCOM HOLDINGS BERHAD
Registration No.: 199401036979 (322661-W)
(Incorporated in Malaysia)

Appendix I (Questions and Answers during the Annual General Meeting held on 29 September 2021)

Questions received from Minority Shareholders Watch Group :-

1. The Group's fibre optic cables are sold mainly to few key Telecommunications network operators for local network infrastructure and electrical utility provider. [Page 10 of Annual Report ("AR")]
 - a) Are the fibre optic cables sold overseas, and if so, what is the percentage of overseas revenue to total fibre optic cables revenue?
 - We currently do not export our fibre optic cables. Our revenue for fiber optic cables is mainly derived from domestic market.
 - b) The Group is dependent on a few key Telecommunications network operators for local network infrastructure and electrical utility providers. How does the Company plan to expand its sales? What are the key drivers to grow its revenue?
 - The structure of the market in Malaysia for our products is such that our client base is very limited.
 - A key driver of our growth would be the Government's initiatives to increase the broadband penetration. Otherwise, our business will continue its steady path with contracts from our existing customers.

2. In its thixotropic gel manufacturing business, the Group is exporting gel to many countries worldwide. Its customers are mainly fibre optic cable manufacturers and, on a smaller scale, to post tensioning construction companies. The global fibre optic cable industry should remain strong and robust while the use of its gel in post-tensioning should gain more popularity. (Page 10 of AR).
 - a) What percentage of the gel revenue is generated from overseas business and what are the Group's expansion plans?
 - For the financial year, our thixotropic gel products are mainly export to overseas market. We will review from time to time if there is a need for expansion based on the market demand.
 - b) How competitive is the gel business? What are the Group's competitive advantages?
 - Our UNIGEL brand has been in the market for more than 25 years and we supply our products to over 20 countries worldwide. Nonetheless, the Board is aware of the competition from foreign players.
 - Despite foreign competition, the Board is of the view that our gel business will stay competitive in line with fibre optics cable demand especially for 5G roll out.

3. In March 2021, Opcom has successfully commissioned its new production lines for manufacturing of a new product, fibre reinforced plastics (FRP) for export markets. The Group

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is expecting sales of FRP to start contributing to Opcom's revenue in the new financial year. (Page 10 of AR).

a) What is the capacity of the production lines? Why is it manufactured for export markets and not for sales domestically?

- Our capacity is able to cater for local and overseas market. We produce for both domestic and overseas customers based on orders receive.

b) What is the prospect and outlook for FRP?

- FRP demand is expected to continue to grow together with fiber optic cables demand as it is driven by continued increase in data consumption globally, 4G & 5G deployment, IoT application and cloud and data computing system.

4. Does the Group have recurring income from its businesses? If so, what is the percentage of contribution to Group revenue?

- The Group's recurring income is predominantly from rental income from our factory and office space. Contribution to the group revenue is insignificant.

5. Various Government initiatives such as JENDELA, National Fibreisation & Connectivity Plan (NFCCP) and the adoption of 5G networks has expedited implementation for the expansion of the broadband coverage to the whole country. This has translated to greater opportunity for OPCOM to deliver more fibre optic cables to key customers. (Page 11 of AR)

With these initiatives, how soon does the Group expect opportunities and more orders to roll in?

- This will depend on the timing of the roll out by various Government initiatives.

6. Group revenue increased significantly by 50.5% from RM44.5 million in FY2020 to RM67.0 million in FY2021 whilst cost of sales rose by 22.8% from RM43.0 million to RM52.8 million. This has resulted in a huge increase in gross profit margin (GPM) from 3.3% in FY2020 to 21.2% in FY2021. (Page 60 of AR)

The huge increase in GPM seems to be attributed to not only the significant increase in revenue but the relatively lower increase in cost of sales, far below the revenue increase rate.

Is the aforesaid favourable scenario likely to sustain in FY2022 and moving forward?

- We had a successful outcome for FY2021 due to measures exercised by management and a favourable product mix. We shall endeavour to sustain the same level of profitability going forward.

7. For FY2021, the Group's 3 largest customers contributed a total RM51.8 million or 77.3% of its revenue. The largest customer (Customer 1) contributed RM30.7 million or 45.8% of the Group revenue. (Page 113 of AR)

Is there a customer concentration risk? What has the Board done or plan to do to mitigate such risk?

- Our products are supplied mainly to telecommunication service providers who are our key customers. Nonetheless, the Board is diligently exploring business projects /

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investments with favourable outlook to diversify our income stream. The proceeds from our recent private placements provides us a war-chest to explore such opportunities.

8. On 2 April 2021, the Private Placement proposed on 22 February 2021 was completed following the listing and quotation for 16,124,900 Placement Shares. On 14 July 2021, Bursa Securities approved the listing and quotation of up to 53,212,400 new ordinary shares to be issued pursuant to another Private Placement. (Page 125 of AR).

Why were there 2 private placements carried out within a short period of less than 6 months? Why did the Company not resort to rights issue in raising funds instead of private placements?

- The second Private Placement was intended to raise funds for potential future acquisitions / investments that would be earnings accretive as well as to provide funding for existing and future contracts to improve the overall performance of the Group.
- Taking cognizance of the Company's share price performance and historical financial performance, a rights issue would have had to be at a higher discount to be attractive to shareholders. The number of shares required to be issued would also have to be significantly larger than the placement size of 30% to enable the Company to raise the same quantum of proceeds.
- A rights issue would also require the Company to obtain irrevocable undertakings from the existing substantial shareholders to subscribe for a minimum number of rights shares or alternatively, procure underwriting arrangements (which will incur additional cost) in order to achieve a minimum subscription level to raise the requisite funds.
- Hence, the Board decided that the placement exercise would be a more optimal option for the Company under the circumstances as the Company is able to target specific investors for its funding requirements.

Questions received from Shareholders/Proxy Holders

9. Please advise on how Opcom will be benefited from the upcoming 5G / 4G infrastructure projects which was announced in 12th Malaysian Plan.
- Opcom is an integrated part along with the value chain for the 5G which will eventually benefit all Malaysians, subject to the further details to be unveiled by the initiative authorities.
10. Please advise on the amount of Opcom has lost during the lockdown period implemented by Malaysia's government.
- Opcom's business is considered as one of the essential services which were allowed to operate during the lockdown period. Hence Opcom's operations were uninterrupted and continued to deliver their products to the telecommunication providers.
11. Malaysia has gone aggressively in building its broadband digital fiber and wireless infrastructures. Kindly advise what does Opcom secured on optical fiber.
- Opcom has been continuously submitting the relevant tenders that are opened by the relevant players in the market, which endeavour Opcom to be a market leader in the industry of fibre cable products domestically.
12. Please state the competitors of fiber optic cable and how competitive are Opcom's products relative to other local manufacturers and imports.

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- Although the competitors of fiber optic cables consist of domestic and overseas players, Opcom is still able to achieve a successful outcome in financial year 2021 due to the appropriate measures exercised by Opcom's Management and a favourable product mix that sustained the same level of profitability going forward.
13. Please advise the potential growth of the Company in current financial year.
- The Board remains cautiously optimistic that the demand for fibre optic cables in Malaysia is expected to increase given by the Malaysian Government's plans to expand fibre network infrastructures by laying more on the fibre optic cables.
 - Meanwhile, the Board is also aware of the increase in foreign competitions which continues to be a significant challenge to the Opcom Group. The Opcom Group is diligently observing the market development and exploring business projects/ investments with favourable outlook for additional income stream and to improve the shareholders' values.
14. Please summarise the growth plan for forthcoming quarters and also protection against Opcom's margin compression.
- Opcom is ready for the customers' orders. However, as a local player, Opcom acknowledge the inference from government initiatives that will affect the take up rate. At the same time, Opcom is rigorously reviewing and reducing the discretionary expenses, diligently observing the market development and exploring the business projects or investment with favourable outlook for additional income stream and to improve the shareholders' values.
15. Please advise whether Opcom is having an international export as major source of income.
- Opcom is exporting the non-cable products overseas. Further details are disclosed in the Annual Report 2021.
16. Please explain on how the raw material price affect to the Company's profit margin and whether China is acting as the main country that sourcing the raw materials to Opcom.
- Some impacts are affecting the profit margin of Opcom when raw material price increases. Opcom is aware the consequence and will manage it accordingly. Meanwhile, Opcom is sourcing from various countries based on cost efficiency.