

OPCOM HOLDINGS BERHAD

Registration No.: 199401036979 (322661-W)

Appendix I (Questions and Answers during the Twenty-Seventh Annual General Meeting held on 22 September 2022)

Questions received from Minority Shareholders Watch Group :-

1. Mirroring the economy recovery, the Group has successfully secured various contracts in FYE2022 supplying fibre optic cabling systems and related infrastructure works to major telecommunication companies. (page 10 of AR 2022)

What is the total value of the various contracts secured in FYE 2022? What is the total outstanding orderbook? Till when will the outstanding order book last?

- Total value of the various contracts secured in FYE 2022 is approximately RM92 million and our total outstanding order book is currently circa RM80 million. The contract completion period of our order book ranges from December 2022 to June 2024.

2. The Company has collaborated with Global Forway Sdn Bhd in various activities or projects in relation to 5G technology and infrastructure. Opcom Vision Sdn Bhd has been setup as the special purpose vehicle to embark on this exciting journey. At the same time, the Company will also invest into other businesses to increase its revenue streams and enhance shareholders' value. (page12 of AR2022)

- a) What expertise does Global Forway Sdn Bhd have and how would it be able to add value to the collaboration?

- Per our announcement dated 22 October 2021, Global Forway Sdn Bhd ("GFSB") holds network facilities provider ("NFP"), network service provider ("NSP") and application service provider ("ASP") licenses from the Malaysian Communications and Multimedia Commission as well as a G7 certificate from CIDB.
- GFSB can add value to the collaboration through, amongst others, providing technical support to Opcom Vision Sdn. Bhd. ("OVSB"), using its knowledge, materials and information as may reasonably be required for the purposes of the collaboration and leveraging on its established market reputation and large customer base to explore future projects

- b) What types of other businesses does the Company plan to invest into and how is the progress?

- At the moment, we are exploring collaborations in various activities or projects in relation to 5G technology and infrastructure that is within our level of expertise and permissible resources. OVSB has also submitted an application for Malaysia Digital status.

3. The demand for fibre optic cables increased in FYE 2022 mainly due to Government's initiatives on the Jalinan Digital Negara (JENDELA) and 5G in Malaysia. The fibre optic cable market in Malaysia is expected to grow as the Government pushes toward digitalization which will accelerate the roll-out of 5G. (page 13 of AR 2022).

What was the demand growth rate in FYE 2022? What is the expected growth rate in FYE 2023? Apart from the roll-out of 5G, what other catalysts does the Group depend on for increased demand for fibre optic cables?

- We do not have official statistics for the demand growth rate in FYE 2022 and FYE 2023. Apart from the roll-out of 5G, the Government's initiatives to increase the broadband penetration such as Point of Reference Project (POP) would be another catalyst to increase demand for fibre optic cables.

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4. The fibre optic cable market continues to be challenged by increased competition from foreign competitors. (page 13 of AR 2022). The fibre optic cable market in Malaysia remains dependent on a few key domestic customers. (page 16 of AR 2022)

- Based on our knowledge, there are at least 10 (ten) foreign and local players that are active in the Malaysian market. However, we do not have official statistics on the market share at the moment. At Opcom, our competitive advantage remains that we manufacture a wide range of fibre optic cables for multiple applications. We are also able to design and engineer our products to meet the quality and performance requirements of the industry and provide end-to-end solutions that meets the demand for high capacity and network excellency.

5. In its thixotropic gel manufacturing business, the Group is exporting gel to many countries worldwide. Its thixotropic gel is mainly supplied to fibre optic cable manufacturers and at a smaller scale to post tensioning construction companies. (page 13 of AR 2022). The Group is looking at growing its export segment in future years by expanding its export product range. (page 17 of AR 2022)

How many countries are the gel exported to? What are the plans to export to more countries? What product range is the Group looking into and what has been the progress/achievement?

- We supply our thixotropic gel to over 25 countries worldwide. We remain open to export our existing product range to more countries taking into consideration the profitability of the orders.

6. Group revenue increased by 30.1% from RM66.994 million in FY 2021 to RM87.174 million in FY 2022. However, administrative expenses rose sharply by 62.5% from 6.952 million in FY 2021 to RM11.298 million in FY 2022. (page 59 of AR 2022)

What major components accounted for the significant increase in administrative expenses? What was the justification?

- Included in administrative expenses for FY 2022 is share-based payment expense of RM 4.86 million (FY 2021: nil) in respect of the Company's Employee Share Options Scheme.

7. The following are major customers with revenue equal to or more than 10% of the Group's total revenue:-

	2022 RM
Customer 1	38,408,198
Customer 2	21,528,970
Customer 3	10,309,129

(Page 119 of AR 2022)

Total revenue contributed by the 3 customers amounted to RM70.426 million constituting a significant 80.8% of Group revenue.

How does the Group manage or deal with the concentration of customer and credit risks? What plans or progress have been made to mitigate such risks?

- Our products are supplied mainly to telecommunication service providers who are our key customers. Our relationship with these customers have been for over 10 years and we have no experienced any issues with collections. Nonetheless, the Board is diligently exploring business projects / investments to diversify our income stream.

8. Chapter 9, Paragraph 9.21(2) of the ACE Market Listing Requirements requires companies to publish the summary of Key Matters Discussed at the previous AGM on to the companies' website. As per page 58 of the Company's CG Report, it is stated that Minutes of the 26th AGM

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has been made available to shareholders within 30 business days after the AGM on its website at <http://opcom.com.my/shareholderfinancial-report/>

However, as at 7 September 2022, the Company's website did not show any summary of Key Matters Discussed at its 26th AGM held on 29 September 2021. Please explain.

- The Company's website publishes the latest updates on the Company from time to time. The Minutes of the 26th AGM and Summary of Key matters discussed on the 26th AGM were published within the permitted time frame as required but were replaced as soon as the Annual Report for 2022 was issued. We are working toward increasing the capacity limitation of the Company's website to enable a longer period for information and updates to be retained.

9. Total executive directors' remuneration increased significantly by 1690% from RM50,020 in FY 2021 to RM895,582 in FY 2022. Salaries, bonuses and other benefits rose from RM14,957 to RM161,902. Shared-based payment expense amounted to RM679,100 in FY 2022 (FY2021: Nil). Total non-executive directors' remuneration increased by 313.9% from RM301,415 in FY 2021 to RM1,247,600 in FY 2022. The increase was basically due to shared-based payment expense amounting to RM1,054,700 in FY 2022 (FY2021: Nil). (page 109 of AR 2022)

Although Group profit after tax (PAT) has increased by 52.5% from RM2.59 million in FY2021 to RM3.95 million in FY2022, the sharp increase in total directors' remuneration (both executive and non-executive directors) does not commensurate with the increase in PAT. This is particularly evident in share-based payment expense for both and salaries, bonuses and other benefits for executive directors. Please justify.

- The Group was previously headed by an Executive Director who also performed the role of Deputy CEO. He went on sabbatical leave from 1 September 2019 and subsequently resigned on 8 January 2021. During the intermittent period, the Group was supported by two Acting Co-CEOs, who were existing employees of the Group, from 6 September 2019 to 31 December 2020.
- Upon the expiry of the contracts of the two Acting Co-CEOs, effective from 1 January 2021, the Group established an Executive Committee, made up of two board members to oversee the Group's day to day operations and business dealings, as well as the strategic plans of the Group until the appointment of our new Executive Director on 21 July 2021.
- The remuneration fluctuations reflect the aforesaid changes in the management. As for the share-based payment expense for both executive and non-executive directors, it is based on ESOS granted.

Questions received from Shareholders/Proxy Holders

10. Will the Board consider giving door gifts such as e-voucher or e-wallets for members who participated in the AGM as token of appreciation?
- The Board noted on the requests and giving the challenging time of Opcom is facing currently, Opcom is putting efforts to reduce the operating cost.
11. Please advise on how the acquisition would contribute to Opcom's revenue and profit growth and its time frame.
- Opcom is still evaluating the proposal acquisition at this junction and the Board believes it will contribute positive revenue and profit to Opcom Group.
12. Please advise the rationale for Opcom to diversify its business provision of telecommunication network infrastructure solutions and the impact to Opcom's revenue and business operation.

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- The diversification is to reduce the concentration of revenue to certain segments and to establish Opcom's footprint further in unlocking the potential of Opcom. The Board believes that it will contribute positively to Opcom Group in term of revenue and profit.
13. Please advise the amount of orderbook of Opcom has in hands and its completion period.
- Opcom currently has outstanding orderbook of approximately RM80million and the completion period of the contract for orderbook ranges from December 2022 to June 2024.
14. Will Opcom pay dividend this year?
- Opcom starts seeing the recovery since financial year 2022 with cost rationalization and recently awarded contracts. Opcom has completed the Private Placement exercises in financial year ended 2022 and is in the process of building up a war chest which enable Opcom to have the financial means and flexibility in pursuing future business projects and/or investments. The Board is optimistic on Opcom's outlook and hopes be able to distribute dividend that had been practicing all these years in times to come.
15. Please advise on how Opcom sustained its profit during this unstable economic and political.
- Opcom always strive to focus on the fibre business and also explores investment opportunities in other industries including potential mergers, acquisitions and/or joint ventures, as part of Opcom Group's continuing efforts to expand its revenue and cash flow to improve its financial position as well as to diversity its earning base.
16. Please advise the impact of the weakening currency to Opcom in view of Malaysian Ringgit has depreciated against United States Dollar ("USD") significantly.
- The continuous strengthening of the USD impacted to Opcom. However, Opcom Group has natural hedging on its entirely because Opcom exports and purchases from overseas, which could soften the impact of gain or loss on foreign exchange. Further, Opcom is managing the risk of fluctuation through the forward exchange rate, wherever applicable and suitable.
17. Please advise on how Opcom is managing its volatility of Foreign Exchange and to quantify its impact to Opcom's revenue and profit, assuming 2% exchange in USD/MYR.
- Details of the sensitivity analysis for foreign currency risk are disclosed in the Annual Report 2022.
18. Please advise the size of the potential acquisition to be made by Opcom.
- Opcom is open to any potential acquisition that brings positive value to Opcom Group. As the recent proposed acquisition, details may refer to Opcom's announcement made on 19 September 2022 for the multiple proposals.