

29 November 2023

BY EMAIL

**BADAN PENGAWAS PEMEGANG SAHAM MINORITY BERHAD**

Tingkat 11, Bangunan KWSP  
No. 3, Changkat Raja Chulan  
Off Jalan Raja Chulan  
50200 Kuala Lumpur

**Attention : Mr Devanesan Evanson**

Dear Sirs,

**Re: Extraordinary General Meeting ("EGM") of Opcom Holdings Berhad ("Opcom" or "Company") to be held on Friday, 1 December 2023**

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We refer to your letter dated 16 November 2023 and please see our reply to the questions raised as follows-

1. Why is the free cash flow to firm (FCFF) methodology adopted to value the 49% equity interests in Transgrid Group in view that Opcom should be more concerned about the free cash flow available to the Company as a minority equity holder? Furthermore, Transgrid Group has a total of RM80.95 million borrowings as at 30 April 2023.

The FCFF methodology was used to arrive at the enterprise value (EV) of the Target Group. The EV is then adjusted with the Target Group's borrowing, amount due to holding company, related party and directors as well as cash and cash equivalent to arrive at the equity value of the Target Group.

2. *"Transgrid Group's profit before tax (PBT) increased by RM10.30 million or 147.56% from RM6.98 million in FYE 2022 to the annualised PBT of RM17.28 million in FPE 30 April 2023. This was mainly due to an increase in other income by RM18.20 million or 2,637.68% from RM0.69 million in FYE 2022 to an annualised other income of RM18.89 million in FPE 30 April 2023" (Page 68 of the Circular to shareholders dated 9 November 2023 ("Circular"))*

- (a) What specific sources contributed to this substantial increase in the other income?

The significant increase in other income was mainly due to the compensation paid by CRSE Sdn Bhd for unlawful termination of contract (as disclosed in the Circular).

- (b) How sustainable is the increase in other income? Is it expected to continue in the future?

This is a one time off increase in other income due to the abovementioned compensation by CRSE Sdn Bhd. Thus, it is not expected to continue in the future.

- (c) Transgrid Group is now 11 months into the financial year ended ("FYE") 31 December 2023, is Transgrid Group on the track to achieve the TPAT of RM20.00 million in respect of current financial year?

Transgrid Group has already achieved the TPAT of RM20.00 million in September 2023 in respect of the current financial year.

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3. The table below set forth the profit margin for Transgrid Group for the FYE 2020 to FYE 2022:

	FYE 2020	FYE 2021	FYE 2022
Revenue	197,832,959	232,853,290	141,414,522
Profit after tax ("PAT")	1,429,951	6,335,621	4,450,347
PAT margin (%)	0.72	2.72	3.15

Based on the PAT margin as shown above, what is the basis for the Company's opinion that the TPAT of RM70.0 million is realistic after taking into consideration the unbilled order book of TVSB of approximately RM841.6 million?

The Company is of the opinion that that TPAT of RM70.0 million is realistic after taking into consideration the unbilled order book of approximately RM841.6 million premised on the followings:-

- (i) The PAT Margin as shown above is not reflective to the PAT margin of TVSB as its has included the cost incurred for REVSB, which has yet to commence business operation. Set out below are the PAT margin of TVSB as extracted from TVSB's audited financial statements;

	FYE 2020	FYE 2021	FYE 2022
Revenue	197,832,959	232,853,290	141,414,522
PAT	5,894,240	10,347,541	7,760,938
PAT Margin	2.98%	4.44%	5.49%

(Source: Audited accounts of TVSB for the FYEs 2020, 2021 and 2022)

- (ii) TVSB will continue to source for new projects and contracts with better margins to replenish its order book;
- (iii) the sum of RM30 million received/ to be received pursuant to the settlement agreements entered by TVSB as a result of the termination of the Mass Rapid Transit 2 based on the letter of award dated 10 January 2017, of which TVSB has received up to RM28 million as at 30 September 2023;
- (iv) The contribution from its subsidiary, namely REVSB, which is in the final stages of commissioning its Raub Biomass Plant on a build-own-operate basis that will be capable of generating 4 MW of electricity to Malaysia's National Grid upon its commercialisation which is targeted in January 2024 and is expected to generate revenue and profit in the near future; and
- (v) The power infrastructure market has good growth prospects, given the favourable outlook and prospects of the industry as set out in Section 5.2 of this Circular. Hence, the Proposed Acquisition is a good opportunity for Opcom to tap into the growing power infrastructure market.
4. The Cash Consideration will be funded via the Group's internally generated funds. However, the Company may also use a combination of internally generated funds and bank borrowings to optimise the funding cost if required (Page 13 of the Circular).

- (a) Has the Company secured any bank borrowings for the Proposed Acquisition?

The Group has been continuously roping in banking facilities to facilitate the business expansion. We approached the financial institutions for general use and specific projects to deepen our chest war supporting the Group's expansion strategies. As of the date of this reply, the Group is awaiting for the final approval for a banking facility to cater to this exercise. We anticipate to receiving the feedback soon.

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- (b) Despite the Group's cash and cash equivalent of RM57.21 million, the Group recorded a revenue of RM67.44 million, negative operating cash flow of RM69.04 million and a loss after tax of RM2.54 million for financial period ended 30 June 2023. How does the funding via a combination of internally generated funds and bank borrowings affect the day-to-day operations of the Group?

We do not anticipate the funding via a combination of internally generated funds and bank borrowings will significantly impact the day-to-day operations of the Group. The negative operating cash flow were mainly arise from the higher trade receivables as of 30 June 2023, whereby the due amounts were substantially collected as of the date of this reply. Included in the quarter ended 30 June 2023 loss after tax of RM2.54 million were several non-cash adjustments, such as impairment loss on investment in an associate RM7.4 million and amortisation of intangible asset of RM7.3 million. Excluding these adjustments, the Group would have reported profit after tax for quarter ended 30 September significant adjustments, the Group will be in profit after tax position.

5. *"The Board is of the view that the power infrastructure market has good growth prospects, given the favourable outlook and prospects of the industry as set out in Section 5.2 of the Circular. Hence, the Proposed Acquisition is a good opportunity for Opcom to tap into the growing power infrastructure market"* (Page 16 of the Circular).

In addition to the unbilled order book of RM841.6 million, what competitive advantage does TVSB possess over its competitors in the same business that justifies the Proposed Acquisition and thus enables Opcom to tap into the growing power infrastructure market?

TVSB's competitive advantages are as follows:

- (i) TVSB has a track record in supporting the transmission and distribution segments of the electricity supply industry

TVSB has been in the electricity supply industry for 24 years. Over the years, TVSB has strengthened its technical skills and capabilities in the areas of project planning, project management and project delivery matters to undertake larger and more complex projects thereby proving themselves capable of undertaking transmission projects (i.e., 132kV and above).

Transmission systems transport high-voltage electricity over long distances, whereas distribution systems transport low-voltage electricity over shorter distances. The technical expertise and resources required as well as safety requirements for projects in the transmission and distribution segment vary from each other due to the differences in type, length and size of conductor lines, voltage level, number of wires, line support, directionality, current carrying capacity and power handling capacity. TVSB's ability and experience that span the project life cycle of both electricity transmission and distribution projects contribute to its competitive edge as TVSB is able to tender for more projects, which will contribute to increasing its revenue and market presence.

TVSB's experience in past completed projects has enabled it to achieve the competency to handle the technical requirements of each project, resources required and complexity level in order to complete projects in a timely manner. As such, this experience and track record will provide TVSB with the platform to continue to harness opportunities and grow its business.

- (ii) TVSB has a technically competent project team to support its project delivery capabilities

TVSB has a technically competent project team to support its project delivery capabilities. TVSB has 91 employees under its Project department, which comprise staff with engineering academic qualifications, staff who have accumulated on-the-job experience garnered through active involvement in project implementation and technical training as well as staff who are involved in project administration, quality control and site safety. The experience of TVSB's Project department will continue to support the efficient implementation and management of projects undertaken by TVSB.

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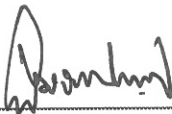
(iii) TVSB contracts for the electricity supply industry are directly with TNB

For clarity, TNB is involved in the generation, transmission and distribution of electricity supply throughout Peninsular Malaysia. TNB is the project owner for transmission and distribution projects in Peninsular Malaysia.

In the majority of its projects, TVSB has been appointed as the main contractor directly by TNB. The appointment of TVSB as the main contractor is based on several factors, which include TVSB's past experience, track record, resources and financial strength. This demonstrates TVSB's track record and industry reputation, built on of technical competency and quality of services.

Thank you.

On behalf of the Board of  
for **OPCOM HOLDINGS BERHAD**



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**ONG SOON LIM**  
Executive Director