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

<u>Appendix I (Questions and Answers during the Extraordinary General Meeting held on 18 August 2021)</u>

<u>Questions received from Minority Shareholders Watch Group :-</u>

1. The Placement Shares will be issued at a price of not more than 20% discount to the 5-days Volume Weighted Average Market Price ("VWAMP") of Opcom Holdings Berhad ("OPCOM") Shares [page 3 of the Circular dated 2 August 2021 ("Circular")]. The Proposed Private Placement will entail the issuance of new ordinary shares of OPCOM, representing not more than 30% of the total number of issued Shares (page 2 of the Circular).

   OPCOM had on 2 April 2021, completed the private placement following the issuance of placement shares, representing approximately 10% of the total number of issued OPCOM Shares This exercise was undertaken pursuant to the general mandate obtained from shareholders at its 25th Annual General Meeting ("General Mandate Placement") (page 10 of the Circular and Company Announcement). Given that both the General Mandate Placement and Proposed Private Placement will have a huge dilution impact i.e. 40% dilution to the existing shareholders and the discount of not more than 20% to be given to independent investor(s) for the Proposed Private Placement, why were the existing shareholders not given the opportunity to participate in the Company's fund-raising exercise? Please explain, how this huge dilution impact and the discount is not detrimental to the existing shareholders of OPCOM?

   - The Company's historical financial performance has been volatile and the Company has been trying to improve on this by growing its order book through constantly tendering for new contracts. To facilitate such tenders, the Company requires sufficient financial resources and flexibility to support its bids. However, not all tenders will be successful and even if successful, it may take some time for the returns to be recognized. With this in mind, the Board decided to raise the requisite funds through a Private Placement so as not to burden existing shareholders with a cash call.

   - Under the Private Placement, the Company is able to target specific investors for its funding requirements. A rights issue would require the Company to obtain irrevocable undertakings from the existing substantial shareholders to subscribe for a minimum number of rights shares or alternatively, to procure underwriting arrangements (which will incur additional cost) in order to achieve a minimum subscription level to raise the requisite funds. Under the current economic climate, this may prove challenging.

   - The proposed discount of up to 20% was determined by the Board after taking into consideration the total funds required and also to provide the Board the flexibility to fix the price at a range up to a maximum discount of 20% to the 5-days VWAMP at the price fixing date in order to entice investors to subscribe for the Placement Shares.

   - 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. Hence, the Board decided that the placement exercise would be a more optimal option for the Company under the circumstances and also taking into consideration the proceeds raised of RM9.27million under the General Mandate Placement.

   - Furthermore, as the Proposed Private Placement can be implemented in tranches, the Company would have the flexibility to raise funds only when required and in an expeditious manner, thus preventing immediate dilution of existing shareholders' shareholdings in the Company.

- As shareholders' approval is being sought for the placement exercise, the extraordinary general meeting got be convened will provide shareholders an avenue to raise their concerns to the Board and to deliberate on the proposal.

2. Under the Proposed Employees' Share Option Scheme ("ESOS") allocation, there are four Independent Non-Executive Directors ("INEDs") namely Dato' Mazlin Bin MD Junid, Sven Janne Sjödén, Chan Bee Lean and Magnus Kreuger who are eligible to participate in the Proposed ESOS and subscribe for new OPCOM Shares [Ordinary Resolutions 3, 6, 7 and 8 stated in the Notice of Extraordinary General Meeting ("EGM")].

   Minority Shareholder Watch Group ("MSWG") does not encourage the practice of giving options to INEDs as they are not executive management and are responsible for monitoring the option allocation to Employees and Executive Directors. The very definition of ESOS i.e. Employees' Share Option Scheme alludes to it being applicable to Employees; Independent Directors are not Employees. The risk is that the Independent Directors are may be fixated with their share price, and this may affect their impartial decision-making, which should be made without reference to share price considerations.

   Why is this Proposed ESOS options extended to the four INEDs since they do not perform executive roles? The Directors' fee and other benefits they receive should be structured to adequately compensate the services rendered by them.

   - The Board takes note of the MSWG's concerns in relation to the granting of options to Independent Non-Executive Directors and thanks the MSWG for bringing this to the Board' attention.

   - Whilst the Proposed ESOS is intended to reward and motivate Employees, it is also designed to inculcate a sense of belonging by enabling eligible persons to participate directly in the equity of the Company. The Company is of the view that this should also apply to the Independent Non-Executive Directors. The allocation to the Independent Non-Executive Directors are therefore meant to create a sense of ownership as opposed to one of reward. Such an allocation will encourage the Independent Directors to be impartial in their decision making as they would be shareholders themselves and would want to ensure their input and the decisions made are in the best interest of all stakeholders of the Company.

   - The allocation of options to the Independent Non-Executive Directors are governed by the By-laws to ensure transparency and equitability. Compliance with the allocation criteria will be verified by the Audit Committee and a confirmation on such compliance included in the Company's Annual Report.

3. The Proposed ESOS will be administered by the ESOS Committee. The ESOS Committee will comprise Directors and/or other persons identified and appointed from time to time by the Board (page 7 of the Circular).

   Given that all the six Directors are interested parties in the Proposed ESOS (Ordinary Resolutions 3 to 8 stated in the Notice of EGM), who will be the members of the ESOS Committee which is tasked to assess the eligibility of the recipients and to decide on the number of ESOS options to be granted?

   - The ESOS Committee will comprise of two (2) Directors and one (1) management, notwithstanding that the Directors are deemed interested in the Proposed ESOS by virtue of their eligibility to participate, their interest is more specific to their own respective allocations and not the implementation of the Proposed ESOS as a whole.

- Furthermore, the criteria for the allocation of options will be determined together within put from ESOS Committee and shall be made available to eligible Directors and Employees to provide a clear and unbiased basis. This will provide clear guidelines to the ESOS Committee in determining eligibility of the recipients and number of options to be granted.

- The eligibility of a Director to participate in the Proposed ESOS is set out in By-Law 4.1 where by a Non-Executive Director is eligible provided the Director has been appointed and remains a Director of the Company and/or a subsidiary with the Group which is not dormant as at the offer date.

- Company to consider setting a standard allocation for all Independent Non-Executive Directors to avoid any conflict in terms of requiring the ESOS Committee's discretion.

Questions received from Shareholders/Proxy Holders

4. The share price of Opcom became volatile during this pandemic and please advise whether it is affected by the political issue happened in Malaysia.

   - The Opcom's share price is based on market volatility and hence it is not related to the political issue in Malaysia.

5. Please elaborate on how this 30% dilution exercise that privileges to the selected major shareholders, Directors and Management with a 20% discount share pricing would benefit to the Minority Shareholders.

   - The Proposed Private Placement of up to 30% does not affect the rights of the major shareholder. Instead, this Private Placement enables Opcom Group to grow its war-chest by growing its order book through constantly tendering for new contracts. Sufficient financial resources and flexibility are required to facilitate the tenders which would diversify the Company's business subsequently.

6. Please advise whether Opcom would distribute dividend in this year.

   - Opcom hopes to be able to distribute the dividend that had been practicing all these years and the relevant announcements would be made when the time is comes.

7. Please elaborate on how Opcom operates its business during this pandemic and continue to lead the profit growth of Opcom Group.

   - Opcom Group is mainly involved in the business of supplying the cables to Malaysia's Telecommunications Players which classified as an essential service in Malaysia. Hence, Opcom is hoping for their continuous support during this pandemic which allows Opcom to continue to lead the profit growth of Opcom Group.

8. Please advise whether the 5G project that currently on going in Malaysia is beneficial to Opcom.

   - The Board remains cautiously optimistic that the demand for fibre optic cables in Malaysia is expected to be increased due to the Malaysia's government plans to expand the fibre network infrastructures by laying more on the fibre optic cables. It will also continuous drives down the discretionary expenses of Opcom Group.

   - Meanwhile, the Board is also aware of the increment of the foreign competitors continue have become a significant challenge to the Company's businesses.

9. Please advise the tender book that the Company currently has and future tender(s), together with the updates on the order book.

    - The tenders as of 21 July 2021, being the latest practicable date prior to the date of Circular, the Group has tendered for new contracts with an aggregate contract value of approximately RM14.0 million to supply fibre optics cables. If the Group is successful in securing these contracts, supply of fibre optics cables is expected to commence in 2022 and complete within 2 years from commencement.

    - The Group has an unbilled contract value of approximately RM34.0 million. The unbilled contract value is expected to be recognised within FYE 31 March 2022 and up to 2023.

10. Please advise the terms and conditions of the ESOS and whether ESOS shares can be sell to the public.

    - The ESOS, when implemented, shall be in force for a period of 5 years from the ESOS Effective Date, subject however to any extension as provided under the By-Laws. The ESOS Committee shall be entitled to prescribe or impose, in relation to any offer, any condition relating to any retention period or restriction on transfer of OPCOM Shares to be issued arising from the exercise of ESOS Options as it deems fit.

    - In addition to the above, pursuant to Rule 8.22 of the ACE Market Listing Requirements, an eligible Director who is a non-executive Director of OPCOM and/or any of its subsidiaries, which are not dormant, shall not sell, transfer or assign the OPCOM Shares obtained through the exercise of the ESOS Options offered to him/her within 1 year from the Offer Date.

11. Please advise whether the Board and members would volunteer to reduce the Directors' fee to support Opcom's expense.

    - Opcom has carried out a benchmark in regards to the Directors' fee over the years. The Directors' fee has been on the lower end, and has not been revised upward for some years despite the statutory responsibilities and the existing Directors' fee serves as a token of appreciation for the valued services that supports to Opcom Group.

12. What is the target growth of Opcom's Group for the year and please advise on the margin including the margin compression.

    - The Opcom Group is looking at the improvement on year on year basis. The Board remains cautiously optimistic that the demand for fibre optic cables in Malaysia is expected to increase due to increment of demand for fibre optic cables in fibre network infrastructures.

    - The Opcom Group also cautious on the margin of the Group and in order to preserve the margin, the Group has been continuously driving down the discretionary expenses.