

Questions received from Minority Shareholders Watch Group :-

1. Referring to page 48 and 49 of the circular, the contract value for the single largest project that has ever been completed by T&J ENGINEERING SDN BHD (“TJE”) was approximately RM14.7m. All the remaining completed projects since TJE’s inception, except for one, carried a contract value of below RM1m. The two current projects in hand have a project sum of approximately RM101.9m and RM90.1m respectively. How confident is the Board that the target company, TJE, will be able to cope with the surge in works volume and deliver satisfactory results?

- The Board is confident that TJE is able to cope with the surge in works volume and deliver satisfactory results after taking into consideration:-
 - a) TJE has an experienced management team headed by Ngu Sing Hieng and Wong Say Khim (founders of TJE) who both has more than 20 years of experience in the telecommunication industry. They were involved in the construction and completion of more than 1,000 telecommunications towers throughout Malaysia since 2001;
 - b) TJE has established tracked record of approximately 8 years since TJE commenced business in provision of telecommunications network infrastructure solutions in 2014;
 - c) TJE is registered with CIDB under category G7 since 2017 which allows TJE to tender for projects with unlimited contract value in Malaysia;
 - d) As a provider of telecommunications network infrastructure solutions, TJE has an experienced in-house technical team includes technicians and engineers who are qualified and trained to deliver timely and quality services to the customers; and
 - e) In addition, TJE has obtained financing facility of RM50.0 million from Maybank Islamic Berhad for the said projects.

2. As the circular is dated 5 December 2022, please explain why dated annual expected market return, annual risk-free rate and equity risk premium as extracted from Bloomberg on 22 August 2022 (page 90 of the circular) were used in the valuation, instead of using the data on latest practicable date (“LPD”) of 15 November 2022 or a date closer to the LPD? Please provide the latest annual expected market return, annual risk-free rate and equity risk premium.

- The annual expected market return, annual risk-free rate and equity risk premium were extracted from Bloomberg on 22 August 2022, being a date which is closer to the date of the valuation report dated 13 September 2022. The annual expected market return, annual risk-free rate and equity risk premium as at the PDF are as follows:-

Annual expected market return	10.83%
Risk-free rate	4.34%
Equity risk premium	6.49%

(source: Bloomberg)

Questions received from Shareholders/Proxy Holders

3. Please advise the benefit of the Proposed Acquisition (i.e. synergies).

- The Group intends to venture into the Telecommunication Network Business in view that it is complementary and synergistic to its existing business and after taking into consideration the positive outlook of the telecommunications network infrastructure solutions industry in Malaysia.

OPCOM HOLDINGS BERHAD

Registration No.: 199401036979 (322661-W)

Appendix I (Questions and Answers during the Extraordinary General Meeting held on 20 December 2022)

- Synergies may be derived in the form of potential sharing of resources (i.e. manpower and equipment), customer base and experience in the telecommunications network industry.
 - Further, Opcom Group intends to leverage on the competency and experience of Ngu Sing Hieng, who has significant experience in the telecommunications network infrastructure solutions industry, to ensure business and operational continuity. He holds key executive and management roles in TJE and has extensive experience in the telecommunications network infrastructure solutions industry. Shareholders kindly refer to Section 3 of the Circular for the list of projects that he was involved.
 - TJE also currently holds a Grade 7 license approved by CIDB. With this license, it enables TJE to tender for projects with unlimited contract value in Malaysia.
 - The Proposed Acquisition is expected to augur well for the growth prospects of Opcom Group in the long term, as it provides the Group with an opportunity to expand its income stream and growth prospect whilst also diversifying the earnings base of the Group and reduce the risk of dependency on its existing core businesses.
4. Please advise the Fairness of the Purchase Consideration and achievability of the Profit Guarantee.
- According to Asia Equity Research Sdn Bhd (“AER”), whom is the independent valuer, the Purchase Consideration is within the fair value range of the entire equity interest in TJE of between RM61.2 million and RM92.2 million, whereby:-
 - a) The Purchase Consideration to be paid is up to RM90 million.
 - b) The Purchase Consideration will be paid based on the actual audited profit after tax (“PAT”) of TJE for Financial Year Ending (“FYE”) 2023, 2024 and 2025 and it will be adjusted proportionately subject to the actual PAT.
 - c) As an incentive, there is an additional consideration of RM30 million if TJE achieves a minimum cumulative PAT of RM50 million and also a cumulative order book of no less than RM50 million for FYEs 2023 to FYE 2025, and in any circumstance the total consideration is capped at RM90 million.
 - d) Shareholders can also refer to the copy of the Fairness Opinion report as attached in the circular.
 - Further, the Guaranteed PAT is realistic, after taking into consideration TJE’s unbilled order books of approximately of RM160.0 million and the future projects that TJE may secure. Nevertheless, should the profit guarantee not be met, i.e. falls short, the purchase consideration will also be adjusted proportionally to reflect the same.
5. Please advise the source of funding for this proposed acquisition.
- The Purchase Consideration will be satisfied via a combination of the Cash Consideration and the Consideration Shares.
 - The Cash Consideration will be funded via the placement proceeds from the Private Placement (announced on 30 November 2022). However, if the Private Placement is not completed or the total proceeds raised are lower than the budget amount. The Company may use a combination of internally generated funds and bank borrowings to optimise the funding cost if required.

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6. Please advise if there are any additional financial commitments required by Opcom in putting the business of TJE on stream subsequent to the Proposed Acquisition.
- As TJE is already in operation and has on-going business, save for the corporate guarantee and/or any other form of financing (if required) to be provided by Opcom for any financing of working capital for the projects, there are no additional financial commitments required by Opcom in putting the business of TJE on stream subsequent to the Proposed Acquisition.
7. Please advise the rationale to structure the purchase consideration in this way and why is there a bonus element?
- The Purchase Consideration is paid on a “pay as you earn basis” taken into consideration the Independent Fair Valuation Report issued by AER and the potential earnings arising from the secured contracts of TJE as well as the profit guarantee by the Vendor.
 - The Guaranteed PAT is on a cumulative basis over a period of 3 years, i.e. FYE 2023 to FYE 2025. There is no individual profit guarantee for each FYE and the Vendor will be paid proportionately based on the actual PAT achieved for each FYE. The maximum payable consideration for each FYE is fixed to ensure continued performance by TJE.
 - The bonus element is an incentive/motivation for TJE to achieve PAT exceeding the Guaranteed PAT or as a second chance if TJE missed the Guaranteed PAT. In the event TJE fails to attain the Guaranteed PAT by FYE 2025, the Vendor is still entitled to receive the bonus, i.e. additional consideration of RM30 million if TJE achieves a minimum cumulative PAT and cumulative order book of RM50 million respectively for FYEs 2023 to FYE 2025.
8. Please advise how does Opcom/TJE plan to capitalise on the Telecommunication Network sector.
- The plans for TJE include amongst others, the following:-
 - a) executing and completing the recently awarded contracts;
 - b) growing its order book through consistent tendering of new contracts;
 - c) to tender for all the future tenders called by Malaysian Communications and Multimedia Commission (“MCMC”), e.g. Jalinan Digital Negara (“JENDELA”) 2 tender will be called early next year; and
 - d) work with Network Facilities Provider (“NFP”) holders to build and lease telecommunication infrastructure for telcos including Digital Nasional Bhd (“DNB”), the 5G operator.