

SCICOM (MSC) BERHAD (597426-H)
(Incorporated in Malaysia)

NOTES IN RESPECT OF THE QUESTIONS AND ANSWERS (“Q&A”) SESSION DURING THE FOURTEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT RAFFLESIA 1, LOWER GROUND 1, SIME DARBY CONVENTION CENTRE, 1A, JALAN BUKIT KIARA 1, 60000 KUALA LUMPUR, ON MONDAY, 7 NOVEMBER 2016 AT 10.00 A.M.

- Shareholder
- Q: (i) Based on the performance of Scicom (MSC) Berhad (“Scicom” or “the Company”) for the financial year ended 30 June 2016 (“FYE 2016”), Scicom had increased its dividend to 3 sen per ordinary share for the fourth quarter ended 30 June 2016. Is the Company considering increasing the declaration of dividend to double digit as the net profit has constantly increased compared with the previous financial year? Please enlighten the reversal of impairment loss amounting to RM732,658 for the FYE 2016.
- (ii) Please explain the reason for the currency translation differences of RM702,776 as stated on page 73 under the statements of changes in equity.
- (iii) Is the Company planning to hedge against fluctuation in foreign currency in view that Scicom had incurred foreign exchange loss?
- (iv) Which foreign currency is the highest exposure to the Company?
- (v) Does Scicom provide any services to the government?
- (vi) What type of services are offered by Scicom to emerging markets, such as Cambodia, Nepal and Laos?
- (vii) Will the Company penetrate into the China and India markets?

Chairman

A: The reversal of impairment loss amounting to RM732,658 for the FYE 2016 was mainly due to the payment made by one of the customers as the Company has not incurred any losses.

For the foreign exchange (“FOREX”) losses, the Malaysian Ringgit (“MYR”) was fluctuating throughout the year. Some business transactions were traded in FOREX as depreciation of MYR would generate FOREX gain to the Company. Before the Brexit, we converted all the FOREX into MYR to prevent FOREX losses as part and parcel of our business strategy. We cannot hedge substantially in FOREX as the turnarounds for receivables are normally within 30 to 60 days.

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We are not in the business of speculating the FOREX and part of receivables are subject to the market fluctuation in FOREX.

United States Dollars ("USD") is the highest FOREX exposure to the Company.

We do not have any business dealings with the government. Scicom has been providing services directly to the customers and hence, receive the payment from our customers.

We have some business dealings in Cambodia. The business prospects in Nepal and Sri Lanka will depend on the business model of those countries. We are always looking out for business opportunities in other countries.

It is quite costly to penetrate the China market (big population) and currently, no business dealing has materialised in India.

Shareholder

- Q: (i) Good Morning, Mr Chairman. First of all, congratulation on the excellent results in revenue. In 2016, the Company delivered RM41.60 million in net profit or 21.76%. In 2015, the net profit of the Company was RM34.166 million or 52.51%. In 2014, the net profit was RM22.403 million or 53.91%. However, the comparison of the net profit growth (%) in 2014 was 53.91%, 2015 was 52.51% and 2016 was 21.76% respectively. Does the Board have any concern about this?
- (ii) I appreciate the Board reward's to the shareholders by increasing the payment of dividend, i.e. RM0.03 per ordinary share. I hope the Company can continue this momentum following the increase in profit.
- (iii) Are there any competitors in the market? How serious are the threats faced by the Company?

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Chairman A: All the shareholders prefer more dividends. We would look into the requirements of our business as well, even though we try to get back as much as possible dividends to the shareholders.

With reference to your concern on reduction of net profit growth rate (%), please note that the net profit in absolute number had actually increased in the past few years albeit the actual growth rate (%) has declined. In the current challenging business environment, although our nature of business is providing customer services, fortunately, our clientele have not reduced. Nevertheless, they are expecting better quality services at cheaper rates. However, we are optimistic about the Company's growth in future. For added information, we shall release the first quarter financial results for the period ended 30 September 2016 to Bursa Malaysia Securities Berhad ("Bursa") by this evening.

There are other competitors in the market and there is a competitor who is running its business internally in Malaysia with a different business model. Scicom is unique in providing multilingual languages to our customers. Malaysians can communicate in many languages and dialects. Scicom is basically an inbound service provider while most of our competitors are outbound service provider. Scicom is literally assisting customers to find solutions to solve their problem, which is rather different from other competitors. Hence, the threat faced by Scicom is not significant.

Shareholder Q: (i) Good morning, Mr Chairman. Referring to Brexit, what is the impact to our revenue upon depreciation of the pound sterling?

(ii) I understand that the Multimedia Super Corridor ("MSC") Pioneer Status of the Company will expire in 2017. Referring to the recent announcement released to Bursa, MSC Pioneer Status has been granted to Scicom E Solutions Sdn Bhd ("Scicom E Solutions"), a wholly-owned subsidiary of the Company. Please enlighten on the percentage of tax exemption for this pioneer status.

Chairman A: The Company's revenue in pound sterling is approximately 4% and it will not impact the Company's performance.

Scicom has secured MSC Pioneer Status for a further period of five years, expiring on 6 November 2017. Scicom will be entitled to 70% tax exemption. Meanwhile, Scicom E Solutions has been granted a MSC Pioneer Status for 100%-income tax exemption for a period of 10 years. The tax exemption granted by the government is subject

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to the MSC Malaysia Qualifying Activities as the government does not allow the tax exemption to be transferred to other business entity and some eligibility criteria must be fulfilled for the purpose of tax exemption.

Scicom Lanka (Private) Ltd, a wholly-owned subsidiary of the Company, is also entitled to the income tax exemption by the local government. Scicom has recruited 3,000 employees who are multilingual. Scicom has contributed significant salaries to society, which has caused a multiplier effect to the economy.

- Shareholder Q: (i) What is your view on the current economic downturn and how will it affect Scicom in the future?
- (ii) What is the total number of clients for Scicom?
- (iii) Is there any plan for the Company to issue bonus shares this year?

Chairman A: Scicom's business nature is quite different and unique as we are in the service sector involving telecommunication. Hence, the current economic downturn will not have any significant impact to the Company.

We have approximately 45 clients.

The Board currently has not discussed the issuance of bonus shares to the shareholders of the Company.

- Shareholder Q: (i) Good Morning, Mr Chairman. Referring to Scicom's e-Government solutions services as stated on page 6 of the annual report 2016, please advise whether the said services are similar to the services offered by MYEG?
- (ii) Please explain the decrease in revenue for Singapore segment as stated on page 98 of the annual report 2016.

CEO A: The e-Government solution services provided by Scicom are different from MYEG as MYEG has a different business model. MYEG has been involved in development and implementation of the electronic government services project.

The contribution in Singapore is stable although the clientele has declined over the past few years.

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Shareholder Q: (i) Good morning, Mr Chairman. Can I request the Company to give a presentation on the business outlook and financial highlights. My personal opinion is the Company should give the presentation upon commencing of the Annual General Meeting (“AGM”) instead of after the conclusion of the AGM to enable the shareholders to understand the current business outlook of Scicom.

(ii) Scicom has a few offices across different countries. I assume that the headquarter of Scicom is located at Menara TA as the Company is paying rental to run its business operation. Is the Company planning to buy any property as the Company has sufficient fund in the long term?

Chairman A: We will give the presentation after declaration of the poll results in view of the gap to conduct the polling procedures.

Based on the current property yields, the investment does not generate a good return to the Company. On the other hand, Scicom is focusing on providing quality services to the customers. Management will recruit staff as and when we successfully secure projects. Scicom is unable to sustain or own a property if the customers leave. Currently, the Board plans to continue renting office premises instead of acquiring a property unless there is a good offer from the shareholders of the Company.

Shareholder Q: What is the rationale for the increase of fees for other services as stated on page 101 of the annual report?

Chairman A: The increase in the above expenses was due to the ISO certification performed by PWC. Scicom requires this certification to prove that Scicom is able to provide high quality services to the customers worldwide.

Proxy Q: (i) Good morning. Referring to page 120 of the annual report, please explain why the return on cash and cash equivalent is only 2%, which is considered quite low. I understand that some companies can obtain a minimum 3% or in the range of 3% to 5% by investing the cash in the money market.

(ii) Please enlighten on the Company’s strategy? What are the responsibilities or workload of the independent directors?

(iii) Regarding the retention of the independent director, independent directors who have served more than nine years should be re-designated to non-independent/non-executive

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director. The Board should appoint new candidates to act as independent directors as recommended under the Malaysia Code of Corporate Governance 2012.

Chairman A: The 2% return on the cash and cash equivalent is based on the closing balance as at 30 June 2016. Our money market return is around 2% to 3%, with tax exemption. The Company requires approximately RM15 million cash per month for operating expenses. Further, the customers may delay their payment and as a result, Management should retain part of the cash for contingency instead of investing all the cash in the money market. The Board is concerned about the safety of the money and our return of the revenue is good.

Management is comfortable with the independent directors who have a matrix of knowledge to bring independent and objective judgement to the Board. Scicom has adopted gender diversity on the Board and is actively seeking the right persons who have the right skills in international business to contribute to the Company.

Shareholder Q: What is the benchmark for Scicom to pay the auditors' remuneration of RM198,000?

Chairman A: Can I invite the representative of PWC to answer this question?

Auditor Q: PWC's audit fee is normally based on the time cost incurred to perform the statutory audit review of the companies. We have proposed our audit fee at the Audit and Risk Management Committee meeting as the audit fee was consistent with the previous year. PWC has been providing quality services and better support to clients by performing internal control review of the companies. However, PWC cannot carry out the internal audit review so as to maintain independence.