

SCICOM (MSC) BERHAD (200201029763) (597426-H)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DICUSSED DURING THE SEVENTEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT BANYAN & CASUARINA, GROUND FLOOR, SIME DARBY CONVENTION CENTRE, 1A JALAN BUKIT KIARA 1, 60000 KUALA LUMPUR, ON MONDAY, 25 NOVEMBER 2019 AT 10.00 A.M.

QUORUM

Upon confirmation of a quorum pursuant to Article 65 of the Company's Constitution by the Secretary, the Chairman called the meeting to order at 10.00 a.m..

NOTICE OF MEETING

The notice convening the meeting, having been circulated to all the shareholders of the Company within the statutory period, was taken as read.

AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

The Audited Financial Statements, together with the Reports of the Directors and Auditors of the Company for the financial year ended 30 June 2019 which do not require the shareholders' approval pursuant to Section 340(1)(a) of the Companies Act 2016, were received.

QUESTION AND ANSWER SESSION

The Chairman invited questions from the floor. The salient points raised and response from the Company, were as follows:-

Q1. The Company has reported to have secured new projects during the financial year ended 30 June 2019, which are expected to grow organically next financial year. What contributed to the profit for financial year ended 30 June 2019 and what will contribute thereafter?

A1. We have significant clients, but due to confidentiality concerns, we cannot disclose them.

Q2. Why is there a decline in Profit Before Tax ("PBT") and Profit After Tax ("PAT") of 26.9% and 37.3% respectively, against the previous year?

A2. Over the past few years, Scicom's main revenue drivers have been the government-technology ("Gov-tech") and business process outsourcing ("BPO") businesses.

There is a slight decline in revenue for the Gov-tech business, as Scicom has been stringent with its screening process of applicants, which reduced the headcount of people entering Malaysia. This has affected the revenue and bottom line of the Gov-tech business. Meanwhile, the BPO business will continue to grow marginally.

Last year, the Company invested substantially in building systems and the lead time from pitching for a job until deal closure can be lengthy, especially for government projects, which can take a few years. Nevertheless, once jobs are secured, these clients stay on with Scicom. Scicom has never lost clients due to non-performance. Instead, it was normally due to clients' change in business strategy or business failure.

Scicom is also heavily invested in its workforce, which is the fixed overhead, and Scicom will deliver results any time the business operates above breakeven.

Scicom has been tax-exempted for 15 years due to its MSC status and only started paying taxes in the past two years. Scicom is performing as well as before, and will strive to perform better, given the current taxable status.

Q3. Has the Group's financial position weakened. Why is the cash position lower than the preceding financial year?

A3. The lower cash position was merely due to dividend payment. The Board has been declaring dividends, with a payout rate of 70% to 80% in the past few years.

Q4. The revenue has declined by RM2 million, and the PAT declined by RM11 million when taxation only amounted to RM2 million. Kindly explain on the gap between the revenue and the bottom-line. Based on the CEO's presentation, IT business is growing. Kindly also explain why revenue has declined.

A4. Scicom's core businesses are the Gov-tech and BPO business. The revenue for the Gov-tech business is based on the number of students registered and is software driven. Meanwhile, the BPO business is based on the number of staff clients required, and the profit margin is lower. The revenue decline was partly due to a change in mixture of revenue contribution, smaller Gov-tech business, and more BPO business with lower profit margins. On top of that, Scicom has been helping clients to save cost by improving efficiency, which has resulted in a reduced headcount requirement for clients and therefore, the reduced revenue for Scicom.

Q5. What is the targeted growth rate in the upcoming year?

A5. The targeted growth rate is confidential. Nevertheless, rather than just revenue growth, the priority is also to achieve higher profit margin for better bottom-line.

Q6. What is the expected growth rate for revenue contribution from the China market?

A6. China is a big market. However, Scicom is not setting up businesses in China. Instead, providing services to clients in China who serve international customers. This is also a non-location specific business, where Scicom can service its clients from any other parts of the world.

Q7. What are Scicom's business risks?

A7. The biggest risk would be the loss of businesses. Scicom delivers its job based on service level agreements (SLAs), bound under the respective contracts. Scicom maintains its clients based on competencies. The other risks could include a change in government policies, for example, an increase in minimal wage of certain jobs, resulting in increased staff cost.

Q8. Does the Company plan to bid for government projects?

A8. Scicom is bidding for government projects, not only with the Malaysian government but also those of overseas.

Q9. How confident is Scicom in bidding the Integrated Immigration System (IIS) and who is Scicom's biggest competitor?

A9. Being in the business for 20 years, Scicom knows the market well and is providing employment for around 2,000 people. Premised on that, Scicom is confident of getting projects. We will not participate in bidding for projects if we do not think we have the chance. We know our products are superior, but the question is how they evaluate our tender.

Q10. Will Scicom tender for the Visa Luar Negara (VLN) project? If yes, what are the chances of Scicom getting the project?

A10. The project is not open for tender yet.

Q11. What is the status of Cambodia Tourism project?

A11. There is no further development on this project.

Q12. Reference is made to page 93 of the Annual Report. Kindly explain the reason for the substantial increase in employee benefit cost. How much is the increase in the headcount for employees?

A12. The CEO and other senior management do not receive any bonuses. Some staff cost has increased due to the mix of skill sets needed. Further, the headcount has increased by about 150 staff. The attrition rate in the range of 20% to 25%, an acceptable rate for BDO industry.

Q13. Based on page 95 of the annual report, trade receivables have increased by RM6 million. Given the decrease in sales, why is there an increase in trade receivables?

A13. The receivables are due to a timing issue, such as delay in billing/ collection.

Q14. With regard to the segment reporting in page 127 of the annual report, kindly explain the huge increase in inter-segment revenue for the education segment against the previous financial year.

A14. The increase in inter-segment revenue for the education segment is attributed to more accurate rates on accounting for provision of in-house trainings. The inter-company billings will, however, be eliminated when consolidated into the Group's figure.

Q15. Based on the CEO's presentation, Scicom businesses constitute five segments. Kindly explain the reason why only two segments, i.e. the outsourcing services and education, are reported in the segment reporting by operation in the Annual Report

A15. The reporting of the segments by operation in the annual report is based on how business is managed, as guided by the external auditors of the Company.

Q16. Based on the disclosure on segment reporting by geographical areas, there is a significant increase in revenue contribution from client based in China. How does the Company compete with other China companies? There is also a significant drop from those in the Philippines. Kindly provide the reason.

A16. Scicom is not setting up businesses in China to compete with the Chinese companies but to assist its China clients in managing their international customers.

As for the decline in revenue from clients based in the Philippines, it was mainly due to, fewer people are required and hence, the revenue declines.

Q17. With revenue reported based on clients from different countries, is the operation run at the respective countries or centralised in Malaysia?

A17. The accounting requirement recognises revenue based on where the clients are based. For example, the clients could be based in the Philippines even though they are serving China customers. There is no staff in the Philippines. The operation is supported by staff in Malaysia.

Q18. Reference is made to page 174 of the annual report. Scicom was served an originating summons by Education Malaysia Global Services (“EMGS”). Kindly explain the background of the litigation matter.

A18. EMGS is established by the Ministry of Education. They were asking for information beyond what is provided in the contract, and intellectual properties on processes which Scicom is not prepared to release.

Q19. The total dividend payout is lower than the preceding year’s. Will the dividend payout improve in the near future?

A19. Dividend payout improves as profit improves. The shareholders have received a 70% to 80% payout ratio in the past financial year.

Q20. Please explain how the business risks are managed and how the Company compete against other technology companies. How is the business developed globally and regionally?

A20. Scicom is exploring new markets, while at the same time being cautious of the business risk for each new business opportunities.

Q21. What are the key products of Scicom?

A21. Scicom has been in the business for 23 years with a great track record and competent team. Scicom is ISO 27001 certified and provides Malaysian government with revenue sharing solutions.

The services Scicom provide for the governments of other countries are the result of over 10 years’ experience in the business in Malaysia. It is also not just about winning the business, but keeping the business with these governments, which is actually challenging. In terms of Gov-tech business, Scicom has worked out a way in doing this business, especially in dealing with emerging markets.

In respect of BPO business, Scicom has artificial intelligence (AI), chatbots, relationships built with new technologies and experienced people that are trained to use these. The revenue for the BPO business has declined due to improvement in Service efficiency. As a result, clients requiring lower headcount of staff.

Q22. Can the Company share how each segment is doing?

A22. For the BPO business, the number of clients has increased. Once the revenue covers the minimum amount of fixed cost, the rest will contribute substantially to Scicom's profit.

Q23. MyEG might have what Scicom has in terms of competing for the same government processes. If the government is looking out to reduce cost, will Scicom offer the government services at lower cost? What is the plan of the Company?

A23. The business model that Scicom operates in does not cost the Government any money.

POLL RESULTS

The poll results which had been validated by the scrutineer, Coopers Professional Scrutineers Sdn Bhd, were announced as follows:-

ORDINARY RESOLUTION 1- RE-ELECTION OF DATO' SALLEH WHO RETIRES BY ROTATION PURSUANT TO ARTICLE 84 OF THE COMPANY'S CONSTITUTION

<u>Vote For</u>		<u>Result On Voting By Poll</u>		<u>Total Votes</u>	
<u>No. of Shares</u>	<u>%</u>	<u>Vote Against</u>		<u>No. of Shares</u>	<u>%</u>
		<u>No. of Shares</u>	<u>%</u>		
149,020,894	99.123	1,318,700	0.877	150,339,594	100.0000

ORDINARY RESOLUTION 2 – RE-ELECTION OF MS KAREN WHO RETIRES BY ROTATION PURSUANT TO ARTICLE 84 OF THE COMPANY'S CONSTITUTION

<u>Vote For</u>		<u>Result On Voting By Poll</u>		<u>Total Votes</u>	
<u>No. of Shares</u>	<u>%</u>	<u>Vote Against</u>		<u>No. of Shares</u>	<u>%</u>
		<u>No. of Shares</u>	<u>%</u>		
143,858,994	95.689	6,480,600	4.311	150,339,594	100.0000

ORDINARY RESOLUTION 3 – RE-ELECTION OF PN MAHANI WHO RETIRES BY ROTATION PURSUANT TO ARTICLE 84 OF THE COMPANY’S CONSTITUTION

<u>Vote For</u>		<u>Result On Voting By Poll</u> <u>Vote Against</u>		<u>Total Votes</u>	
<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
150,339,594	100.0000	0.	0.0000	150,339,593	100.0000

ORDINARY RESOLUTION 4 – PAYMENT OF DIRECTORS’ FEES OF RM495,000.00 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

<u>Vote For</u>		<u>Result On Voting By Poll</u> <u>Vote Against</u>		<u>Total Votes</u>	
<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
143,766,074	97.127	4,253,000	2.873	148,019,074	100.0000

ORDINARY RESOLUTION 5 – RE-APPOINTMENT OF MESSRS PRICEWATERHOUSECOOPERS PLT AS AUDITORS

<u>Vote For</u>		<u>Result On Voting By Poll</u> <u>Vote Against</u>		<u>Total Votes</u>	
<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
150,339,594	100.0000	0	0.000	150,339,594	100.0000

SPECIAL RESOLUTION – PROPOSED AMENDMENT OF THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION BY REPLACING IT WITH A NEW CONSTITUTION (“PROPOSED ALTERATION”)

<u>Vote For</u>		<u>Result On Voting By Poll</u> <u>Vote Against</u>		<u>Total Votes</u>	
<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
150,339,594	100.0000	0	0.000	150,339,594	100.0000

Based on the poll results, all resolutions as set out in the Notice of the Seventeenth Annual General Meeting of the Company were dully carried.

CLOSURE

There being no further business, the meeting closed at 12.00 p.m. with a vote of thanks to the Chair.