

**SUMMARY OF KEY MATTERS DISCUSSED AT THE 18<sup>TH</sup> ANNUAL GENERAL MEETING (“AGM”) OF SCICOM (MSC) BERHAD (“SCICOM” OR “THE COMPANY”) CONDUCTED ENTIRELY THROUGH LIFE STREAMING FROM THE BROADCAST VENUE AT SCICOM, KUALA LUMPUR MEETING ROOM, 9<sup>TH</sup> FLOOR, MENARA TA ONE, 22, JALAN P. RAMLEE, 50250 KUALA LUMPUR, MALAYSIA ON FRIDAY, 27 NOVEMBER 2020 AT 10.00 A.M.**

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## **CHAIRMAN OF MEETING**

The Chairman, Mr Krishnan A/L C K Menon (“Chairman”), welcomed all present to the 18<sup>th</sup> AGM of the Company. He further introduced the Directors, Chief Financial Officer, Company Secretary and External Auditors of the Company.

The notice of the 18<sup>th</sup> AGM dated 28 October 2020 (“Notice”), having been circulated to the shareholders within the prescribed period, was taken as read.

## **QUORUM**

There being a quorum, Chairman called the Meeting to order at 10.05 a.m..

## **POLLING AND ADMINISTRATIVE MATTERS**

The Chairman informed that the voting at the 18<sup>th</sup> AGM would be conducted by way of poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Company had appointed Tricor Investor & Issuing House Services Sdn Bhd as Poll Administrator to facilitate the poll voting process, and Coopers Professional Scrutineers Sdn. Bhd. as Scrutineer to verify the poll results.

The Poll Administrator then briefed on the polling procedures through the Remote Participation and Voting (“RPV”) facilities.

## **PRESENTATION OF QUESTIONS FROM THE MINORITY SHAREHOLDERS WATCH GROUP (“MSWG”) AND THE COMPANY’S RESPONSES**

The Chairman informed that the Company had received some questions from the MSWG and Dato’ Sri Leo Suresh Ariyanayakam, the Chief Executive Officer was invited to present those questions and the Company’s responses for the interest of the shareholders, as detailed below:

### **1. Strategic and Financial Matters**

- Q1 **International students’ visa applications and the provision of ancillary services to international students are some of the key income streams for Scicom’s e-Solutions business.**
- a) **How has the e-Solutions business been affected by the deferment of arrival by international students due to the COVID-19 pandemic?**
  - b) **In what ways has Scicom improvised the international student recruitment processes to accommodate the new norm arising from COVID-19 pandemic? Are these changes effective in engaging the partners and students?**

Response from the Company:

- a) Student visa applications have declined over the period from March 2020 to date in tandem with ancillary income stream. However, we have noticed an increase in applications for the subsequent quarter as a result of the anticipated lifting of the travel ban by the Malaysian Government slated for 1 January 2021.
- b) Scicom does not dictate policy matters as that is the purview of the Government ministries such as the Ministry of Higher Education (MOHE), Ministry of Home Affairs (KDN), Ministry of Health Malaysia (MOH) and Ministry of Human Resources (“MOHR”). However, with our comprehensive suite of products, capabilities and services, we are well positioned to accommodate all requests for system and service change in regard to the new norm arising from COVID-19.

- Q2 Scicom sees business potential arises in outsourcing needs from the public sector as the Government is expected to outsource and digitalise some of its services to lower operating cost. What are the areas in public services that Scicom sees outsourcing opportunities? How well-prepared is Scicom to capture the opportunities should such business opportunities arise?**

Response from the Company:

Scicom has a wide range of capabilities with regard to Gov-Tech and the digitalisation of Government services. We have the infrastructure, human resource, technology, experience, track record and certifications necessary to implement an integrated software and service proposition globally.

- Q3 Revenue contribution ratio of Scicom’s top five customers have increased to 75% (or equivalent to RM133.78 million) in the financial year 2020 from 69% (RM110.39 million) in the financial year 2019 (page 134, Note 5 Segment Reporting, Annual Report 2020). Does Scicom see this as a customer concentration risk? Is there a need to diversify customers’ base?**

Response from the Company:

Scicom acknowledges customer concentration risk and strives to mitigate the risk by aggressive business development activities. However, the nature of the business is that certain strategic clients that make up the concentration risk may grow rapidly in tandem with their market share which is not within our control. We would typically not be in a position to refuse strategic growth with clients in order to mitigate our key concentration risk.

- Q4 Scicom has targeted China, Singapore and Japan for future expansion (page 42 of Annual Report 2020). What are the business potential offered by these countries?**

Response from the Company:

China and Japan have an increasing amount of domestic and homegrown multinational companies that have an increasingly large customer base across the Asia Pacific. Scicom and Malaysia is well positioned to take advantage of this potentially lucrative market. Many multinational companies have set up their regional headquarters in Singapore and similarly we are well positioned to service these companies and their associated customer base due to Malaysia’s proximity to Singapore, lower cost structure and Malaysia’s inherent advantages as a multi-lingual hub for Asia Pacific.

- Q5 **On 18 May 2020, Scicom and Qualitas Medical Group Sdn Bhd have launched COVID19-MY Screening, a COVID-19 testing platform to help both employers and employees manage all COVID-19 screening requirements. Has the COVID19-MY Screening testing platform gained traction among employees and employers? What are the competitive edges of Scicom’s COVID-19 testing platform as compared to other similar platforms in the market?**

Response from the Company:

Scicom developed an integrated online platform with Qualitas as a medical delivery partner. The target market was employers and employees across Malaysia. However, we were not able to obtain MOHR’s approval and subsidies offered to other players.

- Q6 **There is a 44.54% increase in other operating expenses to RM10.06 million in financial year 2020 from RM6.96 million in the financial year 2019. What is the reason for the significant increase?**

Response from the Company:

The increase in other operating expenses is mainly due to higher legal fee expenses and software subscription costs.

## 2. Corporate Governance Matters

- Q1 **Scicom’s independent non-executive director Datuk Joseph Dominic Silva attended only 2 out of 4 meetings held in financial year 2020; an attendance rate of 50% (page 64 of the Annual Report 2020).**

Response from the Company:

Datuk Joseph Dominic Silva was not able to attend the first Board meeting due to the fact he was overseas at the time and had provided the Board with due notice. His absence for the second Board meeting was due to a last minute change in his schedule that he was not able to reject.

- Q2 **Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements (“MMLR”) requires a listed issuer to publish a summary of the key matters discussed (“KMD”) at the Annual General Meeting (“AGM”) onto the Company’s website soon after the conclusion of the general meeting. Failure to publish a summary of KMD at the AGM on its corporate website is a breach of MMLR. As at 4 November 2020, the summaries of KMD at Scicom’s AGM held in 2019 was not available on the Company’s website – <https://scicom-intl.com/corporategovernance/agm-qa>.**

Response from the Company:

The Company wishes to apologise for the exclusion of the summary of the KMD of the 17th AGM due to an unforeseen error in uploading the KMD to the Company’s new website. This has been rectified and is now available on the Company’s website.

## AGENDA OF THE MEETING AND POLL RESULTS

For Agenda 1, the Chairman informed that the Audited Financial Statements (“AFS”) for the financial year ended 30 June 2020 were meant for discussion only and does not require a formal approval of the shareholders. Hence, it was not put forward for voting.

Questions raised by shareholders or proxies were to be addressed during the Question and Answers (“Q&A”) session, after all items on the Agenda were dealt with. Accordingly, the Chairman declared that the AFS, be properly laid and received by the shareholders.

Thereafter, the Chairman went through each of the motions as set out in the Notice.

The Chairman then informed that the Company did not receive any notice from shareholders for other business to be transacted at the meeting in accordance with the Companies Act 2016, and the meeting proceeded with the Q&A session.

## Q&A SESSION

Questions raised by shareholders and proxies that were submitted in advance of the meeting and during the meeting, were addressed by the Chairman and the CEO succinctly, as summarised below:-

### 1. Questions received in advance of the meeting

- Q1 a) **What is the impact of the Education Malaysia Global Services (“EMGS”) lawsuit to the Group? Would the Group be likely to make massive impairment about it? How many percent of this segment contribute to overall revenue?**  
b) **How many percent of the total income was contributed from this segment?**

Response from the Company:

- a) Currently there is no impact envisioned by Management due to the lawsuit initiated by EMGS. Client details would not be disclosed due to confidentiality reasons.  
b) The Group does not provide forecasts as these projects are at the development stage.

- Q2 **Revenue is stable but growth is not good. Price drop to lowest. What is the plan for the next 3 years?**

Response from the Company:

Scicom will continue to remain nimble to adapt to the fluidity of business both abroad and in Malaysia. Scicom has no comment on the share price.

- Q3 a) **What does the Company view of the current economy downturn? Will it result in more companies cutting cost by outsourcing to Scicom and focusing on their core business?**  
b) **Any intention to enlarge the share capital due to low liquidity in the market like Scicom, for example by the issuance of bonus issue to reward long term shareholders.**  
c) **What is the total number of clients currently and largest clients in terms of percentage in revenue?**  
d) **What is the total number of staff as at 27 November 2020?**

Response from the Company:

- a) There is an increase in e-commerce activities and a decrease in travel, tourism and hospitality related businesses.  
b) The Company has enough cash flow at this point and has no reason to raise its capital or issue bonus shares.

- c) The number of clients Scicom have is a sensitive information. Details of major clients are disclosed on page 134 of the Annual Report.
- d) Based on the information disclosed in pages 2 and 57 of the Annual Report, the headcount of the Group as at 30 June 2020 and upon the issuance of the Annual Report was 2,338 and 2,408 respectively.

Staff number is a business sensitive information and has an impact on Scicom's market positioning.

**Q4 Any news for the National Integrated Immigration System ("NIIS") project and updates on the litigation case in relation to EMGS.**

Response from the Company:

There has yet to be any news on the NIIS project and the litigation case continues for EMGS as per the disclosure to Bursa Malaysia Securities Berhad ("Bursa Securities").

- Q5**
- a) **Any new project secured in 2020?**
  - b) **Does Scicom plans to get back its Shariah-compliant status?**

Response from the Company:

- a) Yes. However, clients' names are not to be disclosed due to Scicom's non-disclosure agreement ("NDA") with the clients.
- b) The authority determines the Company's Shariah-compliant status.

- Q6**
- a) **What is the next 3 or 5 years business plan for Scicom?**
  - b) **How to turnaround more profitable than previous quarter with current situation as we seen more online purchase growth fast at this moment?**

Response from the Company:

- a) The Group will continue to identify opportunities to grow and diversify its business to ensure business continuity. The Group will continue to remain focused on its core competencies.
- b) Scicom is not an e-commerce platform provider. The Group has clients who are in e-commerce and as their business grows, it should impact the Group positively.

- Q7**
- a) **What is the reason for the huge increase in "Depreciation of Right-Of-Use ("ROU") Assets" as compared with previous years?**
  - b) **How is the progress from the litigation cases, initiated by Informatics International Limited ("IIL") and EMGS and if it will affect the growth of Scicom? If yes, how would Management deal with these issues?**
  - c) **There is a decrease in the balance of the Statement of Cash Flow. What were the purposes for such utilisation of funds?**
  - d) **What is the prospect of the Company?**

Response from the Company:

- a) The depreciation is attributed to the reclassification of costs from operating leases to depreciation of ROU Assets, arising from the adoption of the Malaysian Financial Reporting Standards ("MFRS") 16.
- b) There is no change from what has been announced on Bursa Securities. Based on the advice from legal counsel, the Group is believed to have a strong case.

- c) The Group has placed most of its cash as investment funds that generates interest income. These investment funds are not classified as cash in the Statement of Cash Flow but classified as investment. The total investment funds has increased by approximately RM8.4 million, from RM15 million as at the end of financial year 2019 to RM23.4 million as at the end of financial year 2020.
- d) The Board believes with the Group's experience and track record, it will navigate the challenges that lie ahead. The current challenges are macro in nature and do not impact Scicom specifically.

- Q8
- a) **The sales in Singapore, the United States and United Kingdom have been dropping since few years ago, whilst the sales in Malaysia is picking up. May I know is the Company is employing business diversification strategy?**
  - b) **Is Scicom working together with other online shopping platforms such as Shopee and Lazada?**
  - c) **What would be the financial impact on the Company if it losses in the law suit case? How does the Company mitigate such risk?**
  - d) **What is the business prospect of the Company for the coming years? How does the Company stay ahead of other competitors?**

Response from the Company:

- a) The Group continues to seek business that will benefit the Group, regardless of the geographical location.
- b) Details of specific clients shall not be divulged.
- c) Details on the ongoing legal suit are as disclosed on Bursa Securities' website.
- d) The business prospect is dependent on many factors, but with the hopeful availability of a vaccine for the virus soon, the Board is cautiously optimistic.

## 2. Questions received during the meeting

- Q1 **What is the business recovery rate to pre COVID-19 condition? What is the strategy employed for segments affected by COVID-19, for example the student visa segment?**

Response from the Company:

A portion of the Business Process Outsourcing ("BPO") business is dedicated to e-commerce which shows to be booming post COVID-19. As for the application of internal students via EMGS, Scicom did slightly better in terms of profit after tax and would be in good position if the students are allowed to enter Malaysia from January 2021 and onwards.

The key aspect of the business is the workforce. Management had managed to arrange for more than 80% of them to work from home and mitigated the related risk.

- Q2 **The motto of the Company is to change, innovate and grow. What are the plans to grow the Company? The last issuance of bonus shares was in 2014, and dividend payout rate has since declined.**

Response from the Company:

The motto reflects the position of the Company in current times, where Scicom needs to remain nimble. The Company has a dividend payout rate of more than 80%, and continues to be paying dividend for the past 4 to 5 years.

**Q3 Any projects going on in Mauritius and Pakistan?**

Response from the Company:

There is no new development.

**Q4 Does the Company have a dividend policy?**

Response from the Company:

Scicom does not have a dividend policy, but the rate will be determined to ensure an equitable balance between rewarding shareholders and the needs for the Company's growth.

**Q5 Does the Company have intention to issue bonus shares, as there is sufficient retained profit?**

Response from the Company:

There is no such intention at this point, especially with the abolishment of the par value regime, a bonus issue will only result in the increase in number of shares.

**Q6 What is the impact to the business after vaccines are found for COVID-19?**

Response from the Company:

Scicom has been operating with significant number of people working from home. As for the clients, there could be improvement in business for those in the tourism and hospitality industry.

**Q7 Reference is made to the quarterly report for the period ended 30 September 2017, where Scicom was actively participating in new tenders with estimated contract value of approximately RM105 million. The report further stated that Management expects to substantially convert those tenders and commence operation, which would contribute to the Group's bottom line by the fourth quarter of financial year 2017. Please provide some insights to the above.**

Response from the Company:

Some of the deals in the sales pipeline have a longer sales cycle.

**Q8 Who are the top 5 customers in terms of revenue contribution?**

Response from the Company:

Client information is confidential. The key sectors of these clients are e-commerce, electronics and visa processing.

- Q9 a) The Group continues to expand its suite of products and services using internally developed Intellectual Property (IP). What are the kind of products and services offered? How much is the capital expenditure (CAPEX)?**  
**b) What is the reason for the significant decrease in the Group's rental expense?**

Response from the Company:

- a) The software developed is for Gov-Tech solutions business and the total amount capitalised is RM7 million.  
b) The changes in rental and amortisation amount are due to the adoption of the MFRS 16, where there were reclassifications of costs from operating leases to depreciation of ROU assets.



**Q10 Any updates on the NIIS project? What is the prospect and potential new customer for the call center division?**

Response from the Company:

There has been no official announcement from the Government, hence there is no comment on the matter.

**Q11 a) Who are the direct competitors in the industry? What is the competitive advantage of Scicom?  
b) Does the pandemic COVID-19 bring positive impact to Scicom's business?**

Response from the Company:

a) Scicom's competitors are mainly global players. Scicom's main strength is the ability to provide multi-lingual regional support.  
b) Pandemic is not a good thing and Scicom does not wish for it to continue. Scicom wishes for its clients to survive this period.

**Q12 a) Scicom has recently formed a joint venture with Microlink Solutions Berhad, what is the business plan for this joint venture?  
b) With the pandemic, is the Group able to secure contracts for the education segment?**

Response from the Company:

a) The joint venture is intended for both parties to combine their expertise and resources in the pursuit of new business opportunities.  
b) None at the moment.

**Q13 a) How long does it take for Scicom to generate the same amount of revenue as compared with the financial years 2016 and 2017, when Scicom was at its peak?  
b) Revenue and profit grew in the financial year 2020 due to the increase in transactional volume and its corresponding billings for existing clients. What does the Company mean by transactional volume and corresponding billings?  
c) How many new customers has Scicom acquired?**

Response from the Company:

a) The Group constantly strives to improve and sustain its profitability.  
b) Higher transactional volume is derived by higher head count transactions as well as new clients.  
c) The exact number of new customers acquired shall remain confidential and not to be divulged.

**Q14 How much did the Company spent on this virtual AGM? Would the Board consider giving e-wallet or food voucher to shareholders who participated in this virtual AGM.**

Response from the Company:

The cost incurred for this virtual AGM is not high. The Company has not given door gifts in the past AGMs.

**Q15 Does Scicom provide any services to Tencent?**

Response from the Company:

Clients' names are not to be disclosed due to NDA.



**Q16 How much of the revenue is contributed by BPO solutions?**

Response from the Company:

BPO solutions constitute 100% of Scicom's business.

**Q17 What happened to the United States and United Kingdom's business? The revenue in 2020 has dropped by 97% to 98% as compared with 2019?**

Response from the Company:

Clients are affected by COVID-19 pandemic.

**Q18 Is the contract period for majority of the clients more than 1 year?**

Response from the Company:

The contracts tenure is normally for 1 to 2 years, but clients usually renew the contracts. We have had clients who stayed with us for more than 10 years.

**Q19 How many IT technology developed by the Company are patented.**

Response from the Company:

None.

**Q20 Scicom had expand its in-house IT department, any future plan for this?**

Response from the Company:

Technology is developing quickly and in order to cater for the needs of Scicom's product and services, Scicom has to expand its IT department.

After all the questions raised had been dealt with, the resolutions set out in the Notice were put to vote by way of poll. The Chairman then announced the results of the poll and declared that all the resolutions set out therein were duly passed by the shareholders and proxies present.

## **CONCLUSION OF MEETING**

There being no other matters, the meeting concluded at 11.22 a.m. with a vote of thanks to the Chair.