



OPCOM HOLDINGS BERHAD

(Company No: 322661-W)

QUARTERLY INTERIM FINANCIAL REPORT

For the Quarter Ended 30 June 2017

The Directors are pleased to announce the following:-

Unaudited Condensed Consolidated Statement of Comprehensive Income for the Quarter and Financial Period Ended 30 June 2017

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30/06/2017 RM'000	Preceding Year Corresponding Quarter 30/06/2016 RM'000	Current Year To Date 30/06/2017 RM'000	Preceding Year To Date 30/06/2016 RM'000
Revenue		22,459	26,486	22,459	26,486
Cost of sales		(19,324)	(20,365)	(19,324)	(20,365)
Gross profit		3,135	6,121	3,135	6,121
Other operating income		43	1,025	43	1,025
Administrative expenses		(2,113)	(2,078)	(2,113)	(2,078)
Distribution costs		(804)	(1,556)	(804)	(1,556)
Other operating expenses		(559)	(624)	(559)	(624)
Finance costs		(37)	(24)	(37)	(24)
Operating (loss)/profit		(335)	2,864	(335)	2,864
Interest income		246	170	246	170
Share of profit of equity-accounted associates, net of tax		706	136	706	136
Profit before tax		617	3,170	617	3,170
Income tax expense		(356)	(771)	(356)	(771)
Profit for the period	B13	261	2,399	261	2,399
Other comprehensive (expenses)/ income, net of tax					
<i>Item that may be reclassified subsequently to profit or loss:-</i>					
Translation differences		(798)	599	(798)	599
(Loss)/profit and total comprehensive (expenses)/income for the period		(537)	2,998	(537)	2,998



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Unaudited Condensed Consolidated Statement of Comprehensive Income for the Quarter and Financial Period Ended 30 June 2017 (continued)

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30/06/2017 RM'000	Preceding Year Corresponding Quarter 30/06/2016 RM'000	Current Year To Date 30/06/2017 RM'000	Preceding Year To Date 30/06/2016 RM'000
Profit/(Loss) for the period attributable to:-					
Owners of the Company		691	2,403	691	2,403
Non-controlling interest		(430)	(4)	(430)	(4)
		<u>261</u>	<u>2,399</u>	<u>261</u>	<u>2,399</u>
Total comprehensive (expenses)/ income attributable to:-					
Owners of the Company		(107)	3,002	(107)	3,002
Non-controlling interest		(430)	(4)	(430)	(4)
		<u>(537)</u>	<u>2,998</u>	<u>(537)</u>	<u>2,998</u>
Earnings per share attributable to owners of the Company:-					
Basic (sen)	B11	<u>0.43</u>	<u>1.49</u>	<u>0.43</u>	<u>1.49</u>
Diluted (sen)	B11	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017.



OPCOM HOLDINGS BERHAD

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Unaudited Condensed Consolidated Statement of Financial Position as at 30 June 2017

	Note	As At Financial Period Ended 30/06/2017 RM'000	As At Preceding Financial Year Ended 31/03/2017 RM'000
Non-current assets			
Property, plant and equipment	A9	42,171	42,272
Investment in associates		16,873	16,575
Deferred tax assets		31	31
		<u>59,075</u>	<u>58,878</u>
Current assets			
Inventories		13,433	9,983
Trade and other receivables		27,903	25,488
Current tax assets		1,001	919
Cash and cash equivalents		32,591	36,610
		<u>74,928</u>	<u>73,000</u>
TOTAL ASSETS		<u>134,003</u>	<u>131,878</u>
Equity			
Share capital		32,250	32,250
Reserves		3,480	4,278
Retained earnings		52,816	52,125
		<u>88,546</u>	<u>88,653</u>
Non-controlling interest		<u>11,340</u>	<u>11,670</u>
Total equity		<u>99,886</u>	<u>100,323</u>
Non-current liabilities			
Deferred tax liabilities		1,739	1,714
Long term borrowings		56	71
		<u>1,795</u>	<u>1,785</u>
Current liabilities			
Trade and other payables		26,230	25,578
Provisions		79	134
Bank borrowings		6,013	3,947
Current tax liabilities		-	111
		<u>32,322</u>	<u>29,770</u>
Total liabilities		<u>34,117</u>	<u>31,555</u>
TOTAL EQUITY AND LIABILITIES		<u>134,003</u>	<u>131,878</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017.



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Unaudited Condensed Consolidated Statement of Changes in Equity for the Financial Period Ended 30 June 2017

Group	<i>Non-Distributable</i>			<i>Distributable</i>	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Capital reserve RM'000	Translation reserve RM'000	Retained earnings RM'000			
Balance at 1 April 2017	32,250	3	4,275	52,125	88,653	11,670	100,323
(Loss)/Profit and total comprehensive (expenses)/ income for the period	-	-	(798)	691	(107)	(430)	(537)
Issuance of shares to non-controlling interests	-	-	-	-	-	100	100
Balance at 30 June 2017	<u>32,250</u>	<u>3</u>	<u>3,477</u>	<u>52,816</u>	<u>88,546</u>	<u>11,340</u>	<u>99,886</u>
Balance at 1 April 2016	32,250	3	1,462	48,153	81,868	12,944	94,812
Profit/(Loss) and total comprehensive income/ (expense) for the period	-	-	599	2,403	3,002	(4)	2,998
Balance at 30 June 2016	<u>32,250</u>	<u>3</u>	<u>2,061</u>	<u>50,556</u>	<u>84,870</u>	<u>12,940</u>	<u>97,810</u>

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017.



OPCOM HOLDINGS BERHAD

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Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 30 June 2017

	Current Financial Period Ended 30/06/2017 RM'000	Preceding Financial Year Corresponding Period Ended 30/06/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	617	3,170
Adjustments for:-		
Depreciation	788	649
Interest Income	(246)	(170)
Other Non-cash items	319	(1,662)
Other Non-operating items	(669)	(401)
Operating profit before working capital changes	809	1,586
Changes in working capital:-		
Inventories	(3,819)	(1,442)
Trade and other receivables	(3,713)	(10,604)
Trade and other payables	2,721	13,099
Provisions	55	(535)
Cash from operations	(3,947)	2,104
Tax paid	(511)	(664)
Liquidated damages paid	(21)	-
Net cash generated (used in)/generated from operating activities	(4,479)	1,440
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(821)	(1,155)
Interest received	246	159
Subscription of shares by NCI in a subsidiary	100	-
Net cash used in investing activities	(475)	(996)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	2,305	947
Finance costs paid	(37)	(24)
Net cash generated from financing activities	2,268	923
Net (decrease)/increase in cash and cash equivalents	(2,686)	1,367
Effect of exchange rate fluctuations on cash held	(1,333)	(214)
Cash and cash equivalents at beginning of financial period	36,610	40,158
Cash and cash equivalents at end of financial period	32,591	41,311



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Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 30 June 2017 (continued)

Cash and cash equivalents included in the Statement of Cash Flows comprise of the following amounts in Statement of Financial Position:-

	Current Financial Period Ended 30/06/2017 RM'000	Preceding Financial Year Corresponding Period Ended 30/06/2016 RM'000
Deposits placed with licensed banks	20,414	14,740
Cash and bank balances	12,177	26,571
	<u>32,591</u>	<u>41,311</u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017.



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Notes on the Quarterly Interim Financial Report - 30 June 2017

A. EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRSs") 134, INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

These condensed consolidated interim financial statements for the current quarter have been prepared in accordance with MFRS 134, *Interim Financial Reporting* and Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements of the Group as at and for the financial year ended 31 March 2017 which was prepared in accordance with the MFRSs. The explanatory notes attached to these interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2017.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2017 except for the adoption of those new Malaysian Financial Reporting Standards ("MFRS") and amendment to MFRS and Interpretations that are applicable to the Group for the financial period beginning 1 April 2017.

The adoption of these Amendments to MFRSs does not have any material impact on the financial statements of the Group.

A2. Audit Report

The Audit Report of the Group's annual financial statements for the financial year ended 31 March 2017 was not subject to any audit qualification.

A3. Seasonality of Interim Operations

The fiber optic cables, engineering services and thixotropic gel markets are observed to be seasonal in nature and dependent on the general economic and business environment. Given its experience in these markets, the Group is well positioned to ameliorate any seasonal fluctuation of demand for its products.

A4. Unusual Items

There were no significant unusual items that affect the assets, liabilities, equity, net income or cash flows other than those disclosed elsewhere in these notes.

A5. Changes in Estimates

There were no changes in the estimates of amounts reported that have a material effect in the current quarter.

A6. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter.

A7. Dividends Paid

There were no dividends paid during the current quarter (30 June 2016: Nil).



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Notes on the Quarterly Interim Financial Report - 30 June 2017

A8. Segmental Reporting

The Group operates wholly in Malaysia.

The Group's segmental report for the financial period are as follows:-

30 June 2017

<u>Business Segments</u>	Manufacturing RM'000	Trading & Engineering Services RM'000	Other Operations RM'000	The Group RM'000
Segment revenue:				
Revenue from external customers	16,569	5,873	17	22,459
Segmental profit:				
Operating profit/(loss) for reportable segments	879	(266)	(911)	(298)
Interest income				246
Finance costs				(37)
Share of results of associated companies				706
Profit before tax				617
Income tax expense				(356)
Profit after tax				261

30 June 2016

<u>Business Segments</u>	Manufacturing RM'000	Trading & Engineering Services RM'000	Other Operations RM'000	Consolidated RM'000
Segment revenue:				
Revenue from external customers	19,748	6,721	17	26,486
Segmental profit:				
Operating profit/(loss) for reportable segments	3,457	318	(887)	2,888
Interest income				170
Finance costs				(24)
Share of results of associated companies				136
Profit before tax				3,170
Income tax expense				(771)
Profit after tax				2,399



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Notes on the Quarterly Interim Financial Report - 30 June 2017

A9. Valuations of Property, Plant and Equipment

The Group did not carry out any valuation on its property, plant and equipment.

A10. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of current quarter that have not been reflected in the financial statements for the current quarter.

A11. Changes in the Composition of the Group

A 90% owned subsidiary, Opcom Engineering Services Sdn Bhd was incorporated on 8 May 2017 during the quarter.

A12. Changes in Contingent Assets or Contingent Liabilities

There were no contingent liabilities or contingent assets as to the date of this report.

A13. Significant Related Party Transactions

The significant related party transactions during the current quarter and financial period ended are as follows:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2017 RM'000	Preceding Year Corresponding Quarter 30/06/2016 RM'000	Current Year To Date 30/06/2017 RM'000	Preceding Year To Date 30/06/2016 RM'000
A related company in which substantial shareholders of the Company and a Director of a subsidiary have interests:-				
Purchase of accessories	67	1,844	67	1,844
Business development commission	294	110	294	110
Associate of a subsidiary of the Company:-				
Sale of industrial materials	3,182	4,976	3,182	4,976
Sale of thixotropic gel	6,225	910	6,225	910
Purchase of raw materials	1,870	260	1,870	260



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Notes on the Quarterly Interim Financial Report - 30 June 2017

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS

B1. Review of Performance

The Group registered revenue of RM22.5 million and profit before tax of RM0.6 million in current quarter as compared to revenue and profit before tax of RM26.5 million and RM3.2 million respectively in the preceding year's corresponding quarter. The decrease of revenue in current quarter were mainly due to decrease in the supply of cable, and engineering services work.

Performance of the respective operating business segments in the current quarter compared to the preceding year's corresponding quarter are as follows:-

- a) Manufacturing - Total manufacturing revenue decreased by 16.1%. Revenue from our fiber optic cable business decreased by approximately 45.7%. Our thixotropic gel business registered strong growth with sales RM6.3 million and growth rate approximately 597.1%.
- b) Trading and Engineering Services - The decrease in revenue by 12.6% in current quarter was due to decrease in engineering services work.
- c) Other Operations - The revenue contribution in current quarter was consistent with preceding year's corresponding quarter.

B2. Variation of Results Against the Immediate Preceding Quarter

The Group's revenue increased to RM22.5 million in current quarter as compared to the immediate preceding quarter of RM22.4 million. The Group registered a profit before tax of RM0.6 million in the current quarter as compared to profit before tax of RM1.5 million in the immediate preceding quarter. The slight increase of revenue in current quarter were mainly due increase in the supply of thixotropic gel and trading of industrial materials.

Performance of the respective operating business segments in the current quarter compared to the immediate preceding quarter are as follows:-

- a) Manufacturing - The increase in revenue by 0.4% in current quarter was mainly due to the increase in the supply of thixotropic gel to customers.
- b) Trading and Engineering Services - The decrease in revenue by 0.3% in current quarter was due to decrease in the trading of industrial materials.
- c) Other Operations - The revenue contribution in current quarter was consistent with immediate preceding quarter.

B3. Prospects

The Group's profit margin continues to be affected by the strong US Dollar, increased price of optical fibers and the challenging business environment in Malaysia. OPCOM has expanded its business operations to include the manufacture of thixotropic gels and HDPE sub-ducts which have started to contribute to the profitability of the Group.

The Board is cautiously optimistic of the Group's performance for the remaining quarters of the financial year.

B4. Profit Forecast and Profit Guarantee

The Group has not issued any profit forecast and profit guarantee in any public document.



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Notes on the Quarterly Interim Financial Report - 30 June 2017

B5. Income Tax Expense

	Quarter Ended		Financial Period Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
Tax expense	324	759	324	759
Deferred taxation	32	12	32	12
	<u>356</u>	<u>771</u>	<u>356</u>	<u>771</u>

The effective tax rate of the group for current quarter and year-to-date of reporting period is higher than the statutory tax rate was due to a subsidiary in a loss position and non-deductible expense.

B6. Status of corporate proposals as at 17 August 2017 (being a date not earlier than seven (7) days from the date of issue of the quarterly report)

There was no corporate proposal announced but not completed as at 17 August 2017.

B7. Group Borrowings and Debt Securities

The Group's borrowings are unsecured, the details of the borrowings at the end of the reporting period are as follows:-

	Currency Denomination	As at	As at
		30/06/2017	30/06/2016
		RM'000	RM'000
<u>Current</u>			
- Foreign currency trade facilities	USD	5,965	4,234
- Hire Purchase	MYR	48	-
		<u>6,013</u>	<u>4,234</u>
<u>Non-current</u>			
- Hire Purchase	MYR	56	-
Total		<u>6,069</u>	<u>4,234</u>

B8. Derivative Financial Instruments

The Group has entered into forward exchange contracts to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currency. The forward exchange contracts have maturities of less than one year after the end of the reporting period.

The Group's derivative financial instruments as at 30 June 2017 as follows:-

	Quarter Ended		Financial Period Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
Loss from foreign currency hedging contracts	-	(54)	-	(54)
	<u>-</u>	<u>(54)</u>	<u>-</u>	<u>(54)</u>

B9. Material litigation as at 17 August 2017 (being a date not earlier than seven (7) days from the date of issue of the quarterly report)

The Group has no outstanding material litigation as at 17 August 2017, being the latest practicable date.



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Notes on the Quarterly Interim Financial Report - 30 June 2017

B10. Dividends

The Company did not declare dividends during the current quarter (30 June 2016: Nil).

No dividend declared for the current financial period (30 June 2016: Nil).

B11. Earnings Per Share

	Quarter Ended		Financial Period Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Profit for the period attributable to owners of the Company (RM'000)	691	2,403	691	2,403
Weighted average number of ordinary shares in issue ('000)	161,250	161,250	161,250	161,250
Basic earnings per share (sen)	0.43	1.49	0.43	1.49

Note: Computation of diluted earnings for share is not applicable as there are no outstanding shares to be issued.

B12. Realised and Unrealised Retained Profits

The breakdown of retained profits of the Group as at end of current financial period and end of preceding financial period into realised and unrealised profits or losses are as follows:-

	As at 30/06/2017 RM'000	As at 31/03/2017 RM'000
Total retained profits		
i) Company and its subsidiaries		
- realised	58,248	57,589
- unrealised	(1,749)	(633)
	56,499	56,956
ii) Associated companies		
- realised	3,270	2,564
	59,768	59,520
iii) Less : Consolidation adjustments	(6,952)	(7,395)
Group total retained profits as per unaudited consolidated accounts	52,816	52,125

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities ACE Market Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.



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B13. Profit for the Period

	Quarter Ended		Financial Period Ended	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
Profit for the period is arrived at after crediting:-				
Interest income	246	170	246	170
Other income	43	4	43	4
Gain on derivatives	-	54	-	54
Foreign exchange gain	38	1,021	38	1,021
and after charging:-				
Depreciation	788	649	788	649
Provision for/write off of inventories	277	184	277	184
Foreign exchange loss	150	529	150	529

There were no gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets or exceptional items for current quarter and financial period ended 30 June 2017 (30 June 2016: Nil).