



OPCOM HOLDINGS BERHAD

Company No: 199401036979 (322661-W)

QUARTERLY INTERIM FINANCIAL REPORT

For the Quarter Ended 31 December 2020

The Directors are pleased to announce the following:-

Unaudited Condensed Consolidated Statement of Comprehensive Income for the Quarter and Financial Period Ended 31 December 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2020 RM'000	Preceding Year Corresponding Quarter 31/12/2019 RM'000	Current Year To Date 31/12/2020 RM'000	Preceding Year To Date 31/12/2019 RM'000
Revenue	18,795	10,725	44,242	33,894
Cost of sales	(15,811)	(9,312)	(37,708)	(30,452)
Gross profit	2,985	1,413	6,533	3,442
Other operating income	161	36	709	237
Administrative expenses	(1,726)	(1,716)	(5,244)	(5,792)
Distribution costs	(455)	(250)	(1,320)	(926)
Other operating expenses	(3,123)	33	(3,752)	(208)
Finance costs	0	(40)	(17)	(104)
Operating loss	(2,159)	(524)	(3,089)	(3,351)
Interest income	65	162	276	450
Share of results of equity-accounted associates	135	(237)	788	317
Loss before tax	(1,959)	(599)	(2,026)	(2,584)
Income tax expenses	(57)	(98)	(76)	(201)
Loss for the period	(2,016)	(697)	(2,102)	(2,785)
Other comprehensive income/(expense), net of tax Item that may be reclassified subsequently to profit or loss:-				
Translation differences	(1,180)	(888)	(2,497)	16
Loss and total comprehensive expenses for the period	(3,196)	(1,585)	(4,599)	(2,769)



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Unaudited Condensed Consolidated Statement of Comprehensive Income for the Quarter and Financial Period Ended 31 December 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2020 RM'000	Preceding Year Corresponding Quarter 31/12/2019 RM'000	Current Year To Date 31/12/2020 RM'000	Preceding Year To Date 31/12/2019 RM'000
Note				
Loss for the period attributable to:-				
Owners of the Company	(1,436)	(438)	(1,461)	(1,951)
Non-controlling interest	<u>(579)</u>	<u>(259)</u>	<u>(641)</u>	<u>(834)</u>
	<u>(2,016)</u>	<u>(697)</u>	<u>(2,102)</u>	<u>(2,785)</u>
Total comprehensive expenses attributable to:-				
Owners of the Company	(2,617)	(1,326)	(3,958)	(1,935)
Non-controlling interest	<u>(579)</u>	<u>(259)</u>	<u>(641)</u>	<u>(834)</u>
	<u>(3,196)</u>	<u>(1,585)</u>	<u>(4,599)</u>	<u>(2,769)</u>
Loss per share attributable to owners of the Company:-				
Basic (sen)	<u>(0.89)</u>	<u>(0.27)</u>	<u>(0.91)</u>	<u>(1.21)</u>
Diluted (sen)	<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 2020.



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Company No: 199401036979 (322661-W)

Unaudited Condensed Consolidated Statement of Financial Position as at 31 December 2020

	Note	As At Financial Period Ended 31/12/2020 RM'000	(Audited) As At Preceding Financial Year Ended 31/03/2020 RM'000
Non-current assets			
Property, plant and equipment	A9	22,949	27,312
Investment in associates		18,719	19,396
Right-of-use assets		12,135	12,371
		53,804	59,080
Current assets			
Inventories		8,447	13,057
Trade and other receivables		18,818	15,786
Current tax assets		587	897
Cash and cash equivalents		20,309	18,688
		48,161	48,428
TOTAL ASSETS		101,964	107,508
Equity			
Share capital		32,250	32,250
Reserves		1,752	4,249
Retained earnings		44,663	46,124
		78,665	82,623
Non-controlling interest		6,200	6,841
Total equity		84,865	89,464
Non-current liability			
Deferred tax liabilities		444	447
		444	447
Current liabilities			
Trade and other payables		16,638	15,262
Lease liabilities		(0)	22
Bank borrowings		-	2,312
Current tax liabilities		17	-
		16,656	17,597
Total liabilities		17,099	18,044
TOTAL EQUITY AND LIABILITIES		101,964	107,508

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 2020.



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Company No: 199401036979 (322661-W)

Unaudited Condensed Consolidated Statement of Changes in Equity for the Financial Period Ended 31 December 2020

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 as at 1 April 2020	32,250	3	4,246	46,124	82,623	6,841	89,464
Loss and total comprehensive expenses for the period	-	-	(2,497)	(1,461)	(3,958)	(641)	(4,599)
Balance as at 31 December 2020	<u>32,250</u>	<u>3</u>	<u>1,749</u>	<u>44,663</u>	<u>78,665</u>	<u>6,200</u>	<u>84,865</u>
Balance as at 1 April 2019	32,250	3	2,352	54,021	88,626	8,814	97,440
Initial application of MRFS 16				(0)	(0)		(0)
Balance as at 1 April 2019 (restated)	<u>32,250</u>	<u>3</u>	<u>2,352</u>	<u>54,021</u>	<u>88,626</u>	<u>8,814</u>	<u>97,440</u>
Profit/(loss) and total comprehensive income/ (expenses) for the period	-	-	16	(1,951)	(1,935)	(834)	(2,769)
Balance as at 31 December 2019	<u>32,250</u>	<u>3</u>	<u>2,368</u>	<u>52,070</u>	<u>86,691</u>	<u>7,980</u>	<u>94,671</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 2020.



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Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 31 December 2020

	Current Financial Period Ended 31/12/2020 RM'000	Preceding Financial Year Corresponding Period Ended 31/12/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(2,026)	(2,584)
Adjustments for:-		
Depreciation	1,931	2,429
Interest Income	(276)	(450)
Other Non-cash items	3,872	157
Other Non-operating items	(770)	(214)
Operating profit/(loss) before working capital changes	<u>2,732</u>	<u>(662)</u>
Changes in working capital:-		
Inventories	3,232	55
Trade and other receivables	(3,401)	2,833
Trade and other payables	1,260	(2,307)
Cash from/(for) operations	<u>3,823</u>	<u>(81)</u>
Tax refunded	227	719
Net cash from operating activities	<u>4,050</u>	<u>638</u>
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(617)	(202)
Proceeds from disposal of property, plant and equipment	-	46
Interest received	276	450
Dividend received	292	704
Net cash (for)/from investing activities	<u>(49)</u>	<u>998</u>
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES		
(Repayment of)/proceeds from bank borrowings	(2,256)	317
Repayment of lease liabilities/hire-purchase	(22)	(21)
Finance costs paid	(17)	(104)
Net cash (for)/from financing activities	<u>(2,295)</u>	<u>192</u>
Net increase in cash and cash equivalents	1,707	1,828
Effect of exchange rate fluctuations on cash held	(86)	(389)
Cash and cash equivalents at beginning of financial period	18,688	16,401
Cash and cash equivalents at end of financial period	<u>20,309</u>	<u>17,840</u>



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Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 31 December 2020
(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 31/12/2020 RM'000	Preceding Financial Year Corresponding Period Ended 31/12/2019 RM'000
Deposits placed with licensed banks	5,412	10,293
Cash and bank balances	<u>14,896</u>	<u>7,547</u>
	<u>20,309</u>	<u>17,840</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 2020.



OPCOM HOLDINGS BERHAD

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Notes on the Quarterly Interim Financial Report - 31 December 2020

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 2020 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 2020.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2020 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 01 April 2020.

The adoption of the new standards, amendments and interpretation to published standards does not have any material impact on the financial statements of the Group for the financial period beginning on 01 April 2020 upon their initial application.

A2. Audit Report

The Audit Report of the Group's annual financial statements for the financial year ended 31 March 2020 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 (31 December 2019: Nil)



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A8. Segmental Reporting

The Group operates wholly in Malaysia.

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

31 December 2020

<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	37,940	6,206	95	44,242
Segmental (loss)/profit:				
Operating profit/(loss) for reportable segments	(1,368)	1,326	(3,030)	(3,072)
Interest income				276
Finance costs				(17)
Share of results of associated companies				788
Loss before tax				(2,026)
Income tax expense				(76)
Loss after tax				(2,102)

31 December 2019

<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	26,588	7,206	100	33,894
Segmental profit/(loss):				
Operating (loss)/profit for reportable segments	(1,977)	1,807	(3,077)	(3,247)
Interest income				450
Finance costs				(104)
Share of results of associated companies				317
Loss before tax				(2,584)
Income tax expense				(201)
Loss after tax				(2,785)



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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

There were no changes in the composition of the Group during the current quarter.

A12. Changes in Contingent Assets or Contingent Liabilities

Contingent liabilities of the Group as at 31 December 2020 amounted to RM40.71 million which are in respect of corporate guarantees given to licensed banks for the banking facilities granted to subsidiaries and guarantee of obligations of a subsidiary to a supplier.

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 31/12/2020 RM'000	Preceding Year Corresponding Quarter 31/12/2019 RM'000	Current Year To Date 31/12/2020 RM'000	Preceding Year To Date 31/12/2019 RM'000
Related companies in which substantial shareholders of the Company and a Director of a subsidiary have interests:-				
Business development commission	213	35	593	120
Ribboning services fee	60	60	180	300
Intellectual property services rendered	414	-	414	-
Rental of plant and machinery	4	-	4	-
Purchase of raw materials	79	147	265	367
Supply of goods & services	(1)	3	77	3
Rental income	22	23	60	66
Associate of a subsidiary of the Company:-				
Sale of industrial materials	87	16	446	702
Sale of thixotropic gel	4,763	3,324	10,916	12,467
Purchase of raw materials	(45)	542	1,090	859
Services rendered	(1)	-	94	-



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

B1. Review of Performance

	Individual Quarter			Cumulative Quarter		
	Current Year Quarter	Preceding Year Quarter	Changes	Current Year To Date	Preceding Year To Date	Changes
	31/12/2020 RM'000	31/12/2019 RM'000	+/- (%)	31/12/2020 RM'000	31/12/2019 RM'000	+/- (%)
Revenue	18,795	10,725	75.2%	44,242	33,894	30.5%
Operating loss	(2,159)	(524)	-311.9%	(3,089)	(3,351)	7.8%
Loss before interest and tax	(2,024)	(761)	-166.0%	(2,302)	(3,034)	24.1%
Loss before tax	(1,959)	(599)	-227.0%	(2,026)	(2,584)	21.6%
Loss for the period	(2,016)	(697)	-189.2%	(2,102)	(2,785)	24.5%
Loss for the period attributable to Owners of the Company	(1,436)	(438)	-227.9%	(1,461)	(1,951)	25.1%

The Group registered revenue of RM18.8 million and loss before tax of RM2.0 million in the current quarter as compared to revenue of RM10.7 million and loss before tax of RM0.6 million in the preceding year's corresponding quarter. The increased in revenue by 75.2% in the current quarter as compared to the preceding year's corresponding quarter was mainly due to higher sales of fiber optic cables and thixotropic gel. The increase was partially offset by lower revenue from accessories, and engineering services. .

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

- Manufacturing - Total manufacturing revenue increased by 130% as compared to preceding year's corresponding quarter. Revenue of fiber optic cable increased by 192%, while sales of thixotropic gel increased by 66%.
- Trading and Engineering Services - Revenue decreased by 30% in current quarter as compared to preceding year's corresponding quarter as a result of lower sales of industrial materials and engineering services.
- Other Operations - The revenue contribution in current quarter was consistent with the preceding year's corresponding quarter.

B2. Variation of Results Against the Immediate Preceding Quarter

	Current Quarter 31/12/2020 RM'000	Immediate Preceding Quarter 30/09/2020 RM'000	Changes +/- (%)
Revenue	18,795	17,621	6.7%
Operating (loss)/profit	(2,159)	1,058	-304.0%
(Loss)/profit before interest and tax	(2,024)	1,110	-282.3%
(Loss)/profit before tax	(1,959)	1,189	-264.7%
(Loss)/profit for the period	(2,016)	1,167	-272.7%
(Loss)/profit for the period attributable to Owners of the Company	(1,436)	727	-297.6%

The Group's revenue increased to RM18.8 million in the current quarter as compared to the immediate preceding quarter of RM17.6 million. The Group recorded a loss before tax of RM2.0 million in the current quarter as compared to profit before tax of RM1.2 million in the immediate preceding quarter. The increase in revenue by 6.7% in current quarter was mainly due to the higher sale of thixotropic gel, and partially offset by lower revenue from fiber optic cables, trading of industrial materials and engineering services.

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

- Manufacturing - Total revenue increased by 9% in current quarter. The increase in revenue was due to 62% increase of the thixotropic gel sales, and partially offset by decrease of fiber optic cable sales (decrease by 8%).
- Trading and Engineering Services - The revenue decreased by 6% in current quarter was due to lower sales of industrial materials and engineering services.
- Other Operations - The revenue contribution in current quarter was consistent with the immediate preceding quarter.



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B3. Prospects

The increased foreign competition remains a significant challenge to us. However, with the announcement in December 2020 by the Government of Malaysia where there was a commitment to invest RM21.0 billion via Jalanan Digital Negara (JENDELA) as well as the recent launch of the Malaysia Digital Economy Blueprint on 19 February 2021, we find there is a renewed commitment to invest in better network connectivity for all Malaysians. As such, the Board is now cautiously optimistic that the demand for fibre optic cables in Malaysia is expected to increase as the government plans to expand the fibre network infrastructures by laying more fibre optic cables.

The Group will continuously monitor the market development and identify business projects/ investments with favourable outlook in order to create additional income stream and ensure sustainable values to its shareholders.

B4. Profit Forecast and Profit Guarantee

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

B5. Income Tax Expenses

	Quarter Ended		Financial Period Ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Tax expenses	56	104	75	215
Deferred taxation	1	(6)	1	(14)
	<u>57</u>	<u>98</u>	<u>76</u>	<u>201</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 due to certain subsidiaries in loss position and non-deductible expenses of the holding company. The losses had diluted the Group profit which cannot be offset against consolidated tax liability of other subsidiaries.

B6. Status of corporate proposals as at 24 February 2021

(being a date not earlier than seven (7) days from the date of issue of the quarterly report)

The Company had on 22 February 2021, made an announcement for the proposed private placement of up to 16,124,900 new ordinary shares in Opcom Holdings Berhad ("OPCOM") representing not more than 10% of the total issued ordinary shares in OPCOM ("Proposal").

The Company is finalising the proposal for submission to Bursa Malaysia Securities Berhad.

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
		31/12/2020	31/12/2019
		RM'000	RM'000
<u>Current</u>			
- Foreign currency trade facilities	USD	-	2,778
- Hire purchase	MYR	-	-
		<u>-</u>	<u>2,778</u>

B8. Derivative Financial Instruments

The Group has entered into forward exchange contracts to manage the foreign currency exposures arising from the Group's 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.

	Quarter Ended		Financial Period Ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Loss from foreign currency hedging contract	<u>132</u>	<u>-</u>	<u>133</u>	<u>-</u>

B9. Material litigation as at 24 February 2021

(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 24 February 2021, being the latest practicable date.



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B10. Dividends

The Company did not declare dividends during the current quarter (31 December 2020: Nil).

B11. Loss Per Share

	Quarter Ended		Financial Period Ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Loss for the period attributable to owners of the Company (RM'000)	(1,436)	(438)	(1,461)	(1,951)
Weighted average number of ordinary shares in issue ('000)	161,250	161,250	161,250	161,250
Basic loss per share (sen)	(0.89)	(0.27)	(0.91)	(1.21)

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

B12. Loss for the Period

	Quarter Ended		Financial Period Ended	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Loss for the period is arrived at after crediting:-				
Interest income	65	162	276	450
Write back of provision for doubtful debts	100	-	272	-
Other income	114	95	437	217
Foreign exchange gain	255	160	413	239
and after charging:-				
Depreciation	602	712	1,931	2,429
Inventories written down	767	(29)	1,027	5
Loss on derivatives	132	-	133	-
Foreign exchange loss	9	143	99	170
Impairment of property, plant and equipment	2,745	-	2,895	-

There were no gain or loss on disposal of quoted or unquoted investments or properties or exceptional items for current quarter and financial period ended 31 December 2020 (31 December 2019: Nil).